TRADE EXPANSION ACT OF 1962

15-16 -

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

EIGHTY-SEVENTH CONGRESS

SECOND SESSION

ON

H.R. 11970

AN ACT TO PROMOTE THE GENERAL WELFARE, FOREIGN POLICY, AND SECURITY OF THE UNITED STATES THROUGH INTERNATIONAL TRADE AGREEMENTS AND THROUGH ADJUSTMENT ASSISTANCE TO DOMESTIC INDUSTRY, AGRICULTURE, AND LABOR, AND FOR OTHER PURPOSES

AUGUST 7, 8, 9, AND 10, 1962

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TRADE EXPANSION ACT OF 1962

TUESDAY, AUGUST 7, 1962

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

The committee met, pursuant to recess, at 10 a.m., in room 2221, New Senate Office Building, Senator Harry F. Byrd (chairman) presiding.

Present: Senators Byrd, Smathers, Talmadge, Williams and Carlson.

Also present: Senator Allott.

Elizabeth B. Springer, chief clerk, and Serge N. Benson, professional staff member.

The CHAIRMAN. The committee will come to order.

The first witness is Mr. James H. Casey, Jr., of the National Association of Glove Manufacturers, Inc.

Take a seat, sir, and proceed.

STATEMENT OF JAMES H. CASEY, EXECUTIVE SECRETARY, NATIONAL ASSOCIATION OF GLOVE MANUFACTURERS, INC.

Mr. CASEY. My name is James H. Casey. I am executive secretary of the National Association of Glove Manufacturers, Inc., with main offices in Gloversville, N.Y., located in Fulton County, the single largest glove producing area in the world.

Our association represents manufacturers of leather gloves, fabric gloves, and those gloves made in combination of both leather and fabric.

Our greatest concentration of manufacturing is in the States of New York and Wisconsin. Glove manufacturing facilities are located in an additional 22 States. With the exception of a few large cities where there is a limited glove production; namely, Chicago, Milwaukee, New York City, and Des Moines, over 95 percent of the U.S. production is in small communities located in the various States.

It follows that, because of the location of the industry, our contribution to the industrial and social well-being of these communities is very important. In many areas glove manufacturing is the major industry.

Domestic-made merchandise has one market, and that is the United States. Our export trade is nil, and that is because the labor burden in a pair of gloves is high in contrast to the low-labor burden on foreign-made gloves. Accordingly, countries in Europe and the Far East can supply their own demands; and such sources as Italy, France, Germany, Japan, and Hong Kong are used where foreign countries have a demand in excess of their production.

The domestic manufacturers have at times supplied U.S. demand, but only when foreign sources, because of wars or other unusual conditions, have interrupted their production.

Our markets have always been available to foreign sources, and the latter have been able to take over any part of our market at will.

At the present time in the United States there is a demand for foreign-made gloves, particularly those of leather, 10 times greater than foreign sources can supply. Here again, it is the low labor burden on foreign goods which keep them attractively priced in our market.

Italy, France, and Germany, our major suppliers of leather gloves for women, control better than 75 percent of our market and could at will easily capture all of it, as their broad training programs supply them with the additional production force.

This sounds almost incredible, and a few months ago we felt that European countries had about reached their peak in production because of possible labor shortages and limited raw material supplies. As we compare the figures for the first 4 months of 1962 with those of 1961, we can see how badly we misjudged the entire situation. The unprecedented advances made in deliveries and manufacturing operations is nothing less than phenomenal, and the following figures will attest to this statement:

Comparison of first 4 months

[In dozens]

	1961	1962
Women's leather gloves	61,737	118,320
Men's leather gloves	13,178	37,318
Horsehide lined gloves	3,572	36,004
Horsehide dress gloves	50,447	88,361
Horsehide work gloves	1,618	3,345
Synthetic gloves	324,551	331,660
Cotton gloves	386,982	374,447

It is obvious that in some classes imports more than doubled, and 1961 was the highest year of imports for the last 25 years. Lined horsehide gloves was the start performer, up over 1,000 percent.

Members of the Senate Finance Committee, the only reason we continue to exist is that domestic sources can use us when foreign sources fail to make deliveries, and for a few special color and style selections.

To give the power to any individual or group to destroy a basic American industry is unthinkable, and to hold out the silver platter of aid as a payoff to those who have spent their lives in the truly American tradition is barbaric.

We hear too much about the greatness of the EEC or the Common Market and the great marriage these countries have made. I wonder, as you must, how long the love will endure between Italy, France, and Germany.

I have before me a letter from the National Revenue of Canada, the Customs Division, advising me of the rate of duty on a certain glove. I must admit the rate is comparable to ours; however, the punch line is in the last paragraph, where they tell me that, in addition to the duty, there is an 11-percent sales tax also to be added.

Gentlemen, this is going on all the time among many countries, while we sat back and watch them cut us down to size.

We negotiate these trade treaties with them, we have a duty established, and every country in the world has an internal tax against our merchandise and they go on further to say about this tax in Canada that it is levied at the time the custom duties are paid.

Only a few weeks ago, the Canadian Minister of Finance, in speaking before the Parliament in Ottawa, stated that all they have to do is sit back and let the United States negotiate with the Common Market and they will get all the benefits without giving up anything. He is correct in saying that, because Canada will get the benefits under our most-favored-nation rule.

While we are not in accord with the bill in its entirety, we would like to point out to you a few specific sections which we feel need further study, and particularly do we favor the Bush amendments.

Under the 80-percent test specified in section 211, U.S. duties could be eliminated even though the United States accounted for a negligible part of the 80 percent. The presumption is that, because the United States and the EEC are the foremost suppliers, no special benefits would go to other countries. Assume that the United States is not a major factor in this group; then the elimination of duties on such a group would not benefit our efforts. It would be well for the Senate to insist that, before such drastic reductions are made, it be determined that we, the United States, account for at least one-half of the 80 percent.

It appears to us that if, under our most-favored-nation rule, we are going to give concessions to all countries, we should expect the EEC to make similar concessions to all countries. This would prevent European countries from setting up specific trade blocks on goods coming in from low-cost producing countries and diverting their fair share to the United States.

The principle of selective reduction of duties on all items should be restored to the bill. While we do not think this will prevent injury, it could be helpful in determining the various economic factors that are common to some industries and not to others, and would certainly provide a more orderly program. To attempt to lump several industries together could be very harmful to many domestic industries.

The peril point determination should be carefully spelled out and not presented as a recommendation, but as a positive finding, below which no consideration could be given. Much time, effort, and study is given to this work, and to permit any individual to alter it is granting him extraordinary power.

No bargaining group or negotiating team can possibly predetermine the consequences of their findings. This is true of the tariff as well as anything else. Thus the escape clause should be made a definite and important section of this bill. The clause should be clear and concise and mean exactly what its title suggests—a remedy for an industry which finds that imports are causing injury.

Gentlemen, for many years we have watched the tariffs on gloves adjusted downward and, since 1938, we can only recall one instance where an upward revision was made. Now we are considering a bill which further broadens the power of our executive branch of the

Government, to add injury on injury, and we appear willing to give them 5 full years to do the job, without any senatorial restraint.

Is not such a program a giveaway of your responsibility and, we might say, a shirking of your obligations to us, as American citizens?

Can you consider a more modified approach, a time limit or 2 or even 3 years and the creation of a more watchful eye over the program?

Industry is concerned with this bill and just what you have in store for them. We think we are better informed about the problems of our own industry than any man outside it. The negotiating teams are established with one man from each of various branches of our Government, yet never have we had a man from industry sit at the conference, while our State Department tells industry what is good for it. Foreign countries don't do this, and that is why we are outtraded at every conference.

All workers are concerned with this bill and as yet are not ready to accept the fact that low-wage areas should be permitted to destroy the economy of any industry. Free trade will be accepted by the workers when the American standard of living becomes the international standard.

Reciprocal trade may mean many different things to many people; however, in pursuing a goal of reciprocity, we must make certain American workers and industry are not called on to underwrite the exploitation of workers in other parts of the world where wages are kept very low.

The Common Market, its concept and program, have been so well publicized that most people are, to say the least, confused. Many look at this as a great trading bloc and only that, forgetting that it has as many political considerations as it has economic. It may prove good for Europe and the British if they can make the grade, yet there is nothing that has shown up yet that says it is good for the United States.

Your consideration of this bill, and the apprehensive feeling that exists among industries and labor, leaves you with a gigantic task ahead. Many of us, I am sure, will feel no pain if you let the bill die, while giving us a chance to learn to live with the trade adjustments that have been made to date.

Thank you very much.

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

Any questions?

Senator CARLSON. Mr. Casey, may I inquire what countries import gloves into the United States?

Mr. CASEY. Almost every one today, every domestic country. We have special men who just specialize in importing, but all domestic producers do, too.

Senator CARLSON. What is the principal importing of gloves?

Mr. CASEY. In leather gloves it is Italy, France, in that order, and Germany. In fabrics it is Japan, then Hong Kong.

Senator CARLSON. Thank you very much.

The CHAIRMAN. Thank you, Mr. Casey.

The next witness is Mr. R. C. Cobourn, American Fine China Guild, Inc.

STATEMENT OF R. C. COBOURN, AMERICAN FINE CHINA GUILD, INC.

Mr. COBOURN. I am R. C. Cobourn of the Syracuse China Corp., here to represent the membership of the American Fine China Guild, and the membership of the United States Potters Association in their opposition to provisions of the Trade Expansion Act.

Members of the American Fine China Guild produce some 85 percent of the fine, thin, translucent household china tableware of high quality that is made in the United States today.

Members of the United States Potters Association produce over 55 percent of the earthen tableware for household use that is made in the United States today.

I will provide this committee within the next few days a list of the distinguished members of these two organizations.

(The list as subsequently submitted follows:)

Membership of the American Fine China Guild, Inc.:
- Castleton China, Inc.
- Flintridge China Co.
- Gladding, McBean & Co.
- Lenox, Inc.
- Syracuse China Corp. (division of Onondaga Pottery Co.)

Membership of United States Potters Association:
- Canonsburg Pottery Co.
- French Saxon China Co.
- The Hall China Co.
- Harker Pottery Co.
- Edwin M. Knowles China Co.
- Homer Laughlin China Co.
- Royal China, Inc.
- Salem China Co.
- Taylor, Smith & Taylor Co.

Mr. COBOURN. Under the Trade Agreements Act these branches of the ceramic industry of the United States have suffered to the point of distress as a result of tremendous influx of low-cost ceramic tableware from other countries.

Domestic production of fine china declined from about 860,000 dozen in 1950 to an estimated 450,000 dozen in 1960.

Earthenware production declined from about 43 million dozen to 25 million dozen in the same year.

During this same span chinaware imports increased from 4,500,000 dozen to 10 million dozen, and earthenware imports climbed from 2,200,000 dozen to 9,200,000 dozen.

Under the Trade Agreements Act the ad valorem equivalent of duty applied to ceramic tableware imports declined from 94 percent in 1933 to 51 percent in 1960 on china, and from 68 percent in 1933 to 31 percent in 1960 on earthenware.

Under the Trade Expansion Act present duties for both commodities could be lowered an additional 50 percent over the next 5 years.

I am quite sure that a number of existing manufacturers of ceramic tableware will not be able to survive unless current tariffs are increased and unless quotas are employed.

Fifteen producers of earthen tableware have gone out of business since 1954.

Our difficulty arises out of the great disparity in wages paid here and in the countries with which we compete. This is something over which we have no control, and it is this gap that tariffs must over-

come to a greater extent if our industry is to be preserved and permitted to make its contributions to the balanced economy of our country.

We are a labor-intensive industry. Wages and fringe benefit costs represent from 55 to 60 percent—65 percent of our costs of manufacture. The influence of wage scales on manufacturing costs and selling prices in various countries will be evident in detailed exhibits which I will submit to you.

I should like to assure this committee that we are not an inefficient industry. We are mechanized to the full degree that has been developed in any country of the world.

We have led the world industry in this respect.

We are opposed to further tariff reductions. We are dismayed to have in prospect a weakening of the "peril point" and escape clause provisions through the bill under consideration, and we fail to see the logic of permitting long-established industry to be liquidated or obliged to move into a new field of endeavor when competition is already intense in all areas of industrial activity in this country.

This is particularly bitter medicine for us because the countries that are our prime competitors in our home markets protect this industry in their home markets through licensing, tariffs, or quotas, or all three.

I will submit information to confirm that statement.

(The confirming information was subsequently submitted to the committee and incorporated in the committee files.)

The CHAIRMAN. Thank you.

Mr. COBOURN. We have just concluded hearings in escape clause procedures covering household china tableware and earthern tableware. This is the second escape clause action for the china tableware group, which also applied for relief about 10 years ago under section 336.

No relief was granted to the chinaware group under the previous escape clause action and under the section 336 action, though the trend of imports was clearly threatening the industry.

Our difficulty arises out of the great disparity in wages paid here and in the countries which are our competitors in the U.S. market. This is something over which we have no control and it is this gap that tariffs must overcome to a greater extent if our industry is to be preserved and permitted to make its contribution to the balanced economy of our country.

We are a labor-intensive industry. Wages and fringe benefits represent from 50 to 65 percent of our costs of manufacture. The influence, therefore, that wages exert on manufacturing costs and selling prices is self-evident when the average hourly rate paid, including fringe benefits, for 1961, are reported for the pottery industry by the U.S. Department of Labor to be 33 cents in Japan, 79 cents in the United Kingdom, 79 cents in West Germany—our principal competitors. These wage costs per hour for members of the American Fine China Guild averaged $2.53.

I should like to assure this committee that we are not an inefficient industry. We are mechanized to the full degree that has been developed in any country of the world. We have led the world industry in this respect.

We are dismayed over the provisions of H.R. 11970, as the countries that are our prime competitors in the U.S. market protect the ceramic tableware industry in their home markets through import licensing, tariffs, or quotas, and in some cases by all three methods.

Let me speak more generally of the effects the sort of international trade and finance philosophies we have been pursuing in this country are having on American industry.

The problem of how to cope with low-cost production of other countries of the world is now faced by almost all manufacturers in the United States.

Production costs are lower abroad. We do not need to await surveys and studies to prove this. Hundreds of major U.S. companies have had to build plants in other countries because they can no longer sell in foreign markets the production they once turned out in American shops.

Higher costs at home are not the only reason for these moves. In many cases a company not only can make more money, but can keep more of what it makes, by investing and operating in a foreign country, than it can in the United States.

In other cases, foreign countries have closed their doors to American imports, insisting that goods be manufactured within their borders by their own citizens.

This movement of American money and transfer of our production know-how to other countries has been and is still being encouraged by the U.S. Government. Our Government has, at the same time, lowered our tariffs to encourage importation of these lower cost, foreign made goods that drive long-established U.S. producers out of business.

Each time a commodity already manufactured in the United States comes into our market from abroad, the U.S. producer of it has the choice of slow death, of converting to the manufacture of some other item (which may be under the gun next year) or of moving his own operation abroad.

The abandonment or transferring of an operation abroad is roughest, of course, on the worker. He has invested the only asset he has—the years of his working life—in a job that our Government trade policy takes away from him.

For him, there is unemployment insurance or, perhaps, relief or, perhaps, retraining for (but no guarantee of) a new job that he would enter on the lowest rung of the seniority ladder.

Of those who defend this trade policy, those who shrug off the unpleasantness of import-liquidated jobs with the statement, "I suppose it does make a difference whose ox is being gored." I ask, when is the goring of any ox moral?

The drums are now being beaten for an even more liberal trade policy for the United States. The administration is using every means at its disposal to persuade Congressmen to vote the Executive sweeping power to slash tariffs and to wipe out virtually all legislation designed to preserve efficient American industry from destructive import competition.

A predictable result of the trade policy for which our Government is crusading is a concentration of American industry to supply specialized items to the markets of the free world. In return, we would

be dependent on foreign producers for other manufactured goods we would require.

If no such refinement occurs, our own pattern of manufacturing, instead of being geared mainly to U.S. needs and demand will be subject to constant upset by the appearance or disappearance of foreign products in our markets—an activity over which we would have no control.

There seems to be a general lack of understanding that manufacturing efficiency is promoted by a dependable market. Imports attack that stability. Their appearance, unpredictable and uncontrolled in volume and price, creates unfair and disruptive competition. Every country in Europe recognizes this and does something about it.

The time is long overdue for that group of economic theorists that is now so influential in Washington, to awake to the fact that their concern should be for a healthy and balanced industry in this country.

Industry, which includes agriculture, is our only agency for creating national wealth. It is the wellspring of all purchasing power, on which our national economic well-being is completely dependent.

In this situation, free trade would be as damaging and demoralizing to the U.S. industrial community as anarchy or the law of the jungle would be to our social order.

H.R. 11970 completely ignores what, in my opinion, is the greatest single disruptive element to orderly and sound international trade: I speak of the strange and arbitrary schedule of international currency exchange rates agreed to by the U.S. Government.

Only a hasty glance at the vast differences in wages paid per hour (in terms of U.S. dollars) in the major trading countries of the world is enough to bring into question the equitableness of these exchange schedules.

I think there can be no doubt that existing exchange rates overprice the unit of American labor in products we do and would ship to other countries of the world and that they undervalue the unit of labor in foreign products that enter our country. I think I would not be wrong in claiming that inequitable exchange rates distort all costs of goods entering international trade.

Under the system, even grossly inefficient production from other countries can gain ready access to the U.S. market. But more important, even efficient foreign production enters our markets at needlessly low prices so that most countries do not earn the full dollars in trade with the United States that would bolster our export industries.

A second whipsaw result of this system is that some countries do convert the proceeds of undervalued sales to the United States to gold or to credits for use in purchasing imports from third countries in which more favorable prices prevail.

To those who would defend this system on the basis that it is benefiting the American consumer, I say, beware. Imports under these conditions are a heavy factor in our national balance-of-payments deficit. Further, if a low-priced import is a windfall because it is undervalued in the country of origin, we could be contributing to the economic instability of a nation we need as a strong partner in the free world.

Having said this, about the only pertinent comment I can make about H.R. 11970 is that it is greatly out of step with the basic prob-

lems confronting American industry. It substitutes an alleged ability to "negotiate" trade for the factors needed to maintain a sound trade that is of mutual benefit and service to the nations involved.

It anticipates and clears the way for further disruption of the balance in industrial activity that has made this country the greatest power in the world.

The weakening of peril point and escape clause provisions for the purpose of freeing the hands of program administrators to negotiate and bargain out of existence whole industrial enterprises is not in keeping with democratic processes.

The provisions for aid and assistance to adversely affected companies and workers are, at best, visionary; at worst, improvident and not practicable; and, altogether an expensive substitute (even when successful) for established, self-supporting members of our industrial community.

Under the current conditions of international trade and finance, tariffs and quotas are the only measures now available to many American producers to compensate for the inequitable competitive advantages enjoyed by foreign manufacturers.

Unless the American dollar is revalued on a realistic basis, I am not only opposed to the tariff reduction features of H.R. 11970, but I also feel the bill should instruct the use of quotas and require upward tariff revisions similar to those that were once available under section 336 of the Tariff Act of 1930.

I thank you for this opportunity to express my views on what I consider to be an intemperate and poorly drawn trade measure.

Senator TALMADGE. Mr. Chairman, I was impressed with some of the statistics about the decline in production of the earthenware industry in our country. Were proceedings filed under the escape clause provision of the Trade Act?

Mr. COBOURN. We have just concluded, the chinaware people, an escape clause hearing. This is the second one for the china.

Earthenware just concluded its first hearing under the escape clause. The chinaware people also applied for relief under section 336 back in 1952.

Senator TALMADGE. What was the result of those various procedures?

Mr. COBOURN. There was no relief granted. The decision on 336 was one which we could never quite accept. The staff of the Tariff Commission determined that a tariff of 284 percent and 15 cents per dozen specific would be needed to equalize the cost of production between Japan and the United States.

However, the ruling was that because the Japanese ware was priced so low, it was not commercially competitive and, therefore, we were not entitled to relief.

Senator TALMADGE. That is a rather strange thesis, isn't it?

Mr. COBOURN. We thought so.

Senator TALMADGE. Thank you.

The CHAIRMAN. Thank you.

Mr. Cobourn, what is the average wage in Japan?

Mr. COBOURN. Including fringe benefit, 33 cents an hour, Mr. Chairman.

The CHAIRMAN. On this particular work, the china work?

Mr. COBOURN. In England, sir?

The CHAIRMAN. Yes.

Mr. COBOURN. Including fringe benefits, 79½ cents per hour, and in West Germany, which is another major supplier 79.7 cents per hour.

Our own industry is paying $2.53 per hour.

The CHAIRMAN. Do they have overtime in Japan?

Mr. COBOURN. Not much at this time, but they are working the full 44 hour week which is standard in Japan.

The CHAIRMAN. I say, do they get paid for overtime?

Mr. COBOURN. Yes, they do. It is at the rate of time and one-quarter for the overtime.

The CHAIRMAN. In the textile industry when I was over there in December, I was told it was 28 cents an hour without overtime, is that correct, do you think?

Mr. COBURN. That is confirmed by information I have from the Department of Labor, yes.

The CHAIRMAN. Thank you very much.

The next witness is Mr. George M. Parker of the American Flint Glass Workers Union of North America.

Mr. Parker, you take a seat, sir, and proceed.

STATEMENT OF GEORGE M. PARKER, PRESIDENT, AMERICAN FLINT GLASS WORKERS' UNION OF NORTH AMERICA, AFL-CIO

Mr. PARKER. Mr. Chairman and gentlemen of the committee, I am George M. Parker, president of the American Flint Glass Workers' Union of North America, an affiliate of the AFL-CIO. Our union represents, among other workers, those in America's oldest industry, that of making glass by hand.

I speak today on behalf of the remaining American workers in this traditional craft, workers whose jobs and security depend on preserving the American handmade glass industry. The livelihood of these workers is chiefly threatened by the growing stream of imports from low wage countries.

The most seriously affected group now are the hand-blown and handpressed table and art glassware productions. In recent years, however, foreign producers also have made ever increasing inroads into the illuminating and allied glass manufacturing market.

Based on past experience and present trends, manufacturers and workers in the technical, scientific and laboratory glassware fields will be open to increased attack.

It is the apparent philosophy of H. R. 11790 to sacrifice certain industries if necessary to stimulate foreign trade on the assumption that in the overall there will be a net gain in those industries in which we are better able to compete.

It is our sincere belief that the forces which H. R. 11790 would unleash clearly would mark the handmade glass industry for ultimate extinction and that this would be detrimental to the United States, both immediately and over the long haul.

Our union represents virtually all of the workers in this industry. We are uniquely qualified to observe the impact of industry trends. We note that in 1950 some 44 plants were engaged in making glass products by hand.

In 1960, only a decade later, 19 of them had closed their doors, a decline of 43 percent.

In 1950 these plants employed over 10,000 production and maintenance workers.

In 1961 the remaining plants employed 4,900 workers, a decline of more than 50 percent.

We do not maintain that imports were the sole cause of the deterioration of the hand-press and hand-blown glass industries.

Automation and standardization also have taken their toll. But we do believe imports were and are still the principal cause of our problems.

Moreover, recently the Department of Commerce released a prediction that imports in handmade glass products would rise 8 percent in 1962, a projection presumably based on 1961 tariff levels.

Under the trade agreement announced earlier this year, existing tariffs will be reduced by 20 percent on many items and even more on others.

To us, each tariff reduction means fewer jobs.

Under the sweeping across-the-board tariff revisions made possible by H.R. 11970, the new, lower tariff could be reduced by an additional 50 percent in the next 5 years. The industry trend toward obliteration would indeed be accelerated.

One of the peculiarities of the handmade glass industry is that labor costs make up approximately 65 percent of the entire cost of the product. By American standards, our wage levels are low, averaging $2.30 an hour in the handmade segment of the industry.

We are however, competing against workers overseas earning a fraction of this amount. The competitive West German glassware is made by labor receiving approximately 58 cents an hour; the Swedish by workers earning 75 cents; the French and Italian by workers who receive 43 and 39 cents, respectively; Japanese glass imports are made by workers who earn approximately 25 cents an hour.

As a "most favored nation" the tariff concessions made under H.R. 11970 designed for Europe would apply equally to Japan if the bill is adopted.

Product after product which has been traditionally American has simply disappeared from our factories under the growing impact of imports. We find a broad range of glass products offered, duty paid, f.o.b. New York, at from 20 percent to 35 percent below the price for comparable products made by American industry and craftsmen. The industry simply cannot meet this competition at a profit, and, of course, cannot endlessly operate at a loss.

We are convinced that there will always be a market for handmade glassware. Beautiful glassware is a most prized possession in many American homes. In science and industry, handmade glass products are essential and used extensively.

But whose hands shall make these things, the skilled American craftsman or the skilled worker overseas?

Today, if we faced a national emergency similar to that created by World War II, the American handmade glass industry would experience great difficulty in supplying the craftsmen who would be urgently needed.

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The skilled glassblower in World War II made radar and other electronic devices immediately available for forming the technical and exacting glass tubes necessary for producing these miracles. He also fashioned all television tubes when that giant industry was in its infancy. We understand that presently most electronic tubes under 5 inches in diameter continue to be made by hand. Science, industry and the military are the principal users.

The average age of the journeyman glassworker in this essential industry is an incredible 55.

Fewer than 100 men under 35 are learning this vital trade. American artisans have been producing handmade glassware since 1608. We have been world famous for our glassmaking. For more than 350 years the art of making glass by hand has been handed down from generation to generation.

The glasworker is a man with quarter-inch callouses on his hands, a man of intense technical skill and often an artist as well.

He starts with a globule of glass, heated to 2,000 degrees, at the end of a pipe, and by blowing, pressing as the job may require, and using the special tools of his craft, creates beautiful table and art glassware, illuminating and industrial glassware or scientific apparatus, often within the closest of tolerances and always of highest quality.

This is the ancient craft, the art form, the American heritage, the tradition being entrusted now to a relative handful of younger men.

If you believe we overstate the case, consider this: I was advised some months ago that $22 million worth of electronic equipment destined for use in the B-52 and B-70 bomber programs were delayed because of difficulty encountered in producing just 66 handmade glass tubes used in radar scanning devices.

As a result of the continued depressed condition of the hand-glass industry, the history of alternating a week of compensated unemployment with a week of employment, and the dim future of the industry, we simply cannot attract qualified apprentices where opportunities do not exist.

Our industry is lagging behind others in wages and fringes. Pensions, for example, were not achieved to any great extent until 1959 for our members employed in hand production plants.

We do not believe that from either a cultural or a military standpoint we can afford to let the handmade glass industry die.

Moreover, the glowing promises of retraining and relocation made in the present legislation, we out of bitter experience, view with an extremely jaundiced eye.

Much of the handmade glass industry is concentrated in the smaller communities of New York, West Virginia, Pennsylvania, Indiana and the Ohio Valley. Often the glass company is the principal, or one of the principal employers. When the glass plant closes or slows down, that community suffers a very real and lasting depression. We know of at least one company which we are advised plans to close its doors, of economic necessity, if H.R. 11970 passes in its present form. Others will surely follow.

Perhaps this is what Khrushchev meant when he said, "We will bury you."

For our members and their communities, H.R. 11970 means more pockets of chronic unemployment, more community hardships, more individual suffering.

For our older men, especially the skilled glass workers, retraining and relocation holds no promise whatsoever. Even if they abandon the skills of their fathers and grandfathers for new ones, no job opportunities exist for men of their ages.

We do not believe the conscience of America should permit this problem to be swept under the rug by giving these men a little more "rocking chair money." What we want, and need, is full time employment and economy building jobs.

In America we have a whole body of social legislation, financed in great measure by the employer, which is designed to assure American working people of a decent and ever-rising standard of living. The American economy is built upon this rock. We are now, and always should be, our own best customer.

By allowing our jobs to fall by the wayside, many of our members will become a tax burden instead of a positive economic asset. What is the net gain to America when low-wage imports absorb American jobs and factories?

In our industry, as in any other where the major cost component is labor, we are now being asked to yield to industries abroad where the workers get far less pay, work longer hours and have a lower standard of living.

Is it the intent of Congress that all such American industrites go down the drain?

Is it the intent that we become a purely automated nation and the craftsmen and the artisans and the industry in which they are employed be abandoned in favor of those in less fortunate lands?

We do not oppose accelerating trade between nations of the free world. We do, however, oppose sacrificing American workers, American culture, American crafts and entire American industries to bring it about.

We are a specific industry condemned to ultimate extinction by the "across-the-board" tariff reductions made possible by H.R. 11970. Unless more effective and positive escape clause mechanisms are inserted in the legislation, unless the products of American craftsmen are given reasonable protection against low-wage imports, H.R. 11970 will ultimately destroy the industry which first nourished our Founding Fathers.

I for one, am much impressed by the White House effort to preserve traditionally American crafts and arts. But would it not indeed be a cosmic jest if, on some future White House tour, the television camera paused before American glassware while the narrator explained that the same administration which started the cultural revival, sponsored legislation that killed the glass craft in America, and that we now rely entirely on Europe and Japan for these essential and beautiful products.

A few years ago, our union contributed $5,000 to the rebuilding of the site of America's first industry, a glass house built in 1603 at historic Jamestown, Va.

It is up to you gentlemen and the Congress to decide whether this monument shall be a shrine or a headstone.

Thank you.

The CHAIRMAN. Thank you very much.

I want to congratulate you on making a very impressive statement.

Mr. PARKER. Thank you, sir.

The CHAIRMAN. Have you appealed to the Tariff Commission for relief?

Mr. PARKER. Yes. We appealed to the Tariff Commission I believe it was in 1957 under President Eisenhower. There was a tie vote by the Tariff Commission, and when we applied to the President we were turned down insofar as relief under the escape clause was concerned.

The CHAIRMAN. I note that your employees have been reduced from 10,000 to 4,900; is that in the space of 10 years?

Mr. PARKER. Yes, in the past 10 years.

The CHAIRMAN. Under the present conditions, the present tariffs, do you see any hope of the future?

Mr. PARKER. Well, under the present tariff we won't be hurt as bad as we will be under the new bill, but even under the present arrangement we will continue to need some sort of relief.

The CHAIRMAN. I am one of those who is a great admirer of these beautiful pieces of glass which have been made.

What country is your chief competitor?

Mr. PARKER. At the present time, West Germany is sending more glass into the United States than any of the other countries.

The CHAIRMAN. And the wages in Germany, what did you state they were?

Mr. PARKER. About 58 cents an hour.

The CHAIRMAN. And Russia?

How does Russia import?

Mr. PARKER. Well, we don't have any competition from there at the present time.

The CHAIRMAN. Didn't you say that your chief competitors were Germany and Russia?

Mr. PARKER. West Germany.

The CHAIRMAN. Yes.

Mr. PARKER. And Italy.

The CHAIRMAN. Eastern Germany?

Mr. PARKER. No, western.

The CHAIRMAN. Thank you very much.

Senator Talmadge?

Senator TALMADGE. In your statement, you say:

> As the most favored nation tariff concessions made under H.R. 11970 designed for Europe would apply equally to Japan if the bill is adopted.

Now, there has been some criticism of this most favored nation provision of the bill, as you know. Japan would get the benefits, but would they in turn give the benefits under the most favored nation provision?

Mr. PARKER. I don't know, sir.

Senator TALMADGE. What I am trying to get at is what do we get in return for this most favored nations provisions? I recall a number of years ago we made a trade agreement with Iceland about fish, and as a result of that most favored nation provision Japan received the biggest benefit therefrom and almost took over the American fishing industry in certain categories.

I am wondering if that is a two-way or a one-way street?

Mr. PARKER. I am not aware of that. Apparently it is a one-way street. I know that it would be very difficult for us to send any hand-

made glassware into Japan and compete with those people over there under our standard of living and the costs that our manufacturers have.

Senator TALMADGE. Thank you very much.

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

The next witness is Mr. John H. Zwicker, president of the American Knit Glove Association, Inc., of Gloversville, N.Y.

Please proceed, Mr. Zwicker.

STATEMENT OF JOHN H. ZWICKER, PRESIDENT, AMERICAN KNIT GLOVE ASSOCIATION, INC., GLOVERSVILLE, N.Y.

Mr. ZWICKER. Honorable chairman and members of the committee, my name is John H. Zwicker. I am appearing before you today for the American Knit Glove Association, Inc., of Gloversville, N.Y., of which I am the president, on behalf of the American knit handwear industry, manufacturers of those gloves and mittens which are knit directly from yarn.

This industry is composed of the firms listed on the sheet titled "Knitted Glove Industry," appended to the copies of my statement. We trust you will observe the longer list of plants which are out of business, liquidated, merged, or closed indefinitely.

Those "out of business" are the victims of low-wage import competition. They have all ceased operations since 1950, shortly after the postwar resumption of oriental imports.

Our experience with imports goes back to the early 1930's. At the outset of World War II, imports of knit gloves took about 25 percent of the American market. Today the positions are reversed.

Our interest in H.R. 11970 is, therefore, obvious. We have had a long period of education through adversity. While we do not pretend to be omniscient, we can form a commonsense judgment of what is involved in legislation such as is proposed in this bill.

Frankly, we must oppose the radical about-face in U.S. foreign policy which it would effect. The traditional policy of countenancing no injury to American industries would be supplanted by a policy of anticipating and accepting import injury. This is inherent in the purposes set forth in the bill, which include provisions for "adjustment assistance."

This concept of Government aid for stricken industries, companies, and workers undoubtedly was devised to rationalize the sacrifice of one industry for another. To the industry being injured it is no solace, because the aid proposed is impractical. The illusory benefits of such provisions are a conscience salve for those proponents who will profit by the misery of the unfortunate.

The need for "assistance" will result from the radically new 5-year grant of authority to the President to rewrite U.S. tariff schedules, not according to a formula or criteria which can be ascertained in advance, but rather according to circumstances within and outside of the United States at the time he proposes to make the changes.

Your committee is respected for its good balance in considering any proposals which affect the economy of our country. We hope that you will continue to be aware of both the civilian and military need

for diversified industry, including industries, such as ours, which cannot compete with foreign producers.

The list of "dead" firms submitted with this statement attests to the vulnerability of so many small American industries such as ours, in selling to our own American market.

What is not so apparent is the exclusion over the years of such American industries from export markets. We never had any market but the American market, so little of which is left to us under the present law and so much less that may be permitted to survive under the proposed law.

We may illustrate our lack of export opportunities by briefly quoting from a letter received by one of our member companies. Earlier this year, at the invitation of the U.S. Department of Commerce, Marr Knitting, Inc., of Osage, Iowa, contracted to exhibit their gloves at the accessories show in the newly opened U.S. Trade Center Building in London, England, during this past June and July. Attendance was from all Western European countries, to get a look at American lines, place orders, and arrange agencies.

Marr had no illusions about our inability to compete in the European market, but thought the matter worth the proof.

On July 23, 1962, Vernon A. Acker of London, who had been retained by Marr to attend to Marr's stand at the show wrote to Marr, in part:

> * * * Exhibition, which was held at the U.S. Trade Center, July 3–13 * * *. I must say that your stand with the ladies' knitted gloves and mittens did not receive the attention you must have expected * * *.
>
> Your stand was the only one at the exhibition with a display of gloves * * *. There are two main obstacles cited by visitors to a profitable selling of the samples you submitted: first, it was stated that knitted gloves and mittens coming into Britain from Austria, Switzerland, and Hong Kong are similar to the ones you manufacture; and, secondly, it was remarked that these foreign imports are retailing in Britain at a price lower than yours, thereby making your gloves uncompetitive in the British market * * *.

We trust that the picture of this industry clearly demonstrates our involvement with the subject matter of this bill and confirms the propriety of our opinions.

We therefore urge your committee to amend H.R. 11970 in the following respects:

(*a*) Eliminate completely the adjustment assistance provisions of this bill. They do not conform to the remedies in present law. They create radical standards of unemployment assistance, inequalities between classes of unemployed workers and distressed firms and provide an administrative enticement to substitute postmortem assistance for antemortem tariff adjustment.

(*b*) Restore to the bill the historic principle that tariff rates are to be reduced selectively, thereby avoiding the cause or threat of serious injury to domestic workers and industries; the principle which Congress has developed and emphasized in extension of the trade agreements program.

(*c*) Strengthen the escape clause provisions of the bill. We emphatically urge incorporating the definition of industry as provided in the present law.

(*d*) Eliminate the proposed preliminaries to negotiation. In place thereof, incorporate the peril point provisions of the present law.

(The material previously referred to follows:)

KNITTED GLOVE INDUSTRY

MEMBERS OF AMERICAN KNIT GLOVE ASSOCIATION, INC.

Clydebank Knitting Co., Inc., Canal Street, Fort Plain, N.Y.
Gloversville-Continental Mills, Beaver Street, Gloversville, N.Y.
Knit-True Handwear Corp., 6 Division Street, Gloversville, N.Y.
Marr Knitting, Inc., 508 Main Street, Osage, Iowa.
Sternwild Knitting Mills, Inc., 53 South Broadway, Yonkers, N.Y.
Leon F. Swears, Inc., 111 North Perry Street, Johnstown, N.Y.
Zwicker Knitting Mills, 416 North Richmond Street, Appleton, Wis.

NONMEMBERS

Allied Knitting Mills, 1239 Broadway, New York, N.Y.
Gelmart Knitting Mills, 33 Prospect Street, Yonkers, N.Y. (P.R.)
Hitchcock & Curtiss Knitting Co., 111 Lock Street, Nashua, N.H.
Manheim Knitting Co., 329 West High Street, Manheim, Pa.
York Glove Mills, 35 St. Casimir Avenue, Yonkers, N.Y. (P.R.)

OUT OF GLOVE BUSINESS, LIQUIDATED, MERGED, OR CLOSED INDEFINITELY

Ackshand Knitting Co., Ballston Spa, N.Y.
Alma Knitting Mills, Inc., 11 East Pine Street, Gloversville, N.Y.
Albany Knitting Co., 373 South Pearl Street, Albany, N.Y.
Ashe Manufacturing Corp., 17 Washington Street, Rensselaer, N.Y.
Becopa Glove Mills, Inc., 4 Warburton Avenue, Yonkers, N.Y.
Geo. Dorner Knitting Mills, 107–02 37th Avenue, Corona, N.Y.
Eagle Knitting Mills (Glove Division), 507 Second Street, Milwaukee, Wis.
Figel Knitting Mills, Inc., 22–30 Orange Street, Albany, N.Y.
Florida Knitting Mills, Inc., 20 North Coburn Avenue, Orlando, Fla.
M. Friedlander Knitting Co., Milwaukee, Wis.
Glove Associates, Inc., 151 Ludlow Street, Yonkers, N.Y.
Glovemasters, Inc., 52 St. Casimir Avenue, Yonkers, N.Y.
Granite State Knitting Co., 18 Merrimack Street, Nashua, N.H.
D. C. Haber Knitting Co., 7400 Stanton Avenue, Cleveland, Ohio.
Hega Knitting Mills, Inc., 209 Riverdale Avenue, Yonkers, N.Y.
Interboro Knitting Mills, Inc., 209 Riverdale Avenue, Yonkers, N.Y. (P.R.)
Jerome Knitting Mills, 289 Nepperhan Avenue, Yonkers, N.Y.
Joseph A. Milstein Co., Inc., 64 Trinity Place, Albany, N.Y.
Mode Knitting Mills (Glove Division), 1319 South Michigan Avenue, Chicago, Ill.
Modern Knitting Co., 732 North Fifth Street, Milwaukee, Wis.
Mohawk Glove Co., 42 Wall Street, Amsterdam, N.Y.
Nolde & Horst Co., Reading, Pa.
Reliance Knitting Mills Co., 640 Broadway, New York, N.Y.
Riverdale Glove Mills Corp., 93 Riverdale Avenue, Yonkers, N.Y.
Rivoli Knitting Mills, Inc., 151 Ludlow Street, Yonkers, N.Y.
Royalknit Glove Division, 19 West State Street, Johnstown, N.Y.
Scotsmoor Co., Inc., 29 North Market Street, Johnstown, N.Y.
Star Manufacturing Co., 243 West 17th Street, New York, N.Y.
Straus Knitting Mills (Glove Division), 350 Sibley Street, St. Paul, Minn.
Sweetwater plant, Gloversville Knitting Co., 107 Morris Street, Sweetwater, Tenn.
Waldorf Knitting Co., 243 West 17th Street, New York, N.Y.
Wells Lamont Corp. (Wool Glove Division), 1791 Howard Street, Chicago, Ill.
Wings Knitting Co., 827 East Locust Street, Milwaukee, Wis.

OTHER

Max Lowenthal & Sons, 422 Clinton Avenue, South, Rochester, N.Y.
Portage Hosiery Co., Portage, Wis.
Royal Knitting Mills, Inc., 20th Street and South California Avenue, Chicago, Ill.

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

The next witness is Mr. A. K. Scribner, president of Virginia Chemicals & Smelting Co., of West Norfolk, Va.

Please proceed, Mr. Scribner.

STATEMENT OF A. K. SCRIBNER, PRESIDENT OF VIRGINIA CHEMICALS & SMELTING CO.

Mr. SCRIBNER. I am A. K. Scribner, president of Virginia Chemicals & Smelting Co. of West Norfolk, Va. I appreciate this opportunity of appearing before you as a small chemical manufacturer.

Our company is rated as "small business," is a major producer of sodium hydrosulfite, a chemical that generates over 35 percent of our sales and profits. Bill H.R. 11970, as written, carries with it the threat of serious injury to the hydrosulfite industry and perhaps irrevocable damage or fatal consequences to Virginia Chemicals and other small companies involved due to the basic economic advantages European producers have in the production of sodium hydrosulfite. As a result, U.S. producers have been unable to export to EEC or United Kingdom. A substantial lowering or removal of our tariffs would open the doors to foreign hydrosulfite and would not create new markets for "hydro"—merely replace domestic production in this country.

We are opposed to H.R. 11970 as now written even though we operate an export department and appreciate the necessity for world trade.

We recommend that H.R. 11970 be amended to include more definitive safeguards that will assure the continuing existence of efficiently operated small business.

RECOMMENDATIONS

1. The Tariff Commission after the necessary hearings, whether prenegotiation or postnegotiation should report its findings, with recommendations, to the President and specify the minimum level below which a tariff reduction on each product would threaten or cause serious injury (secs. 221 and 211), and the President should be required to explain to Congress his reasons for not following the recommendations of the Tariff Commission (sec. 226).

2. Chapter 5 should provide that during the course of negotiations information and advice pertaining to the group of products under consideration must be sought from industry sources with specific knowledge of the products under discussion.

3. (*a*) Tariff concessions and negotiations should be made on a product-by-product basis and not on broad category groupings.

(*b*) Reciprocal trading should be limited to like products and not, for example, permit the trading of chemicals for agricultural products.

4. (*a*) The adjustment assistance chapters should be eliminated.

(*b*) The escape clause procedures of our present laws should be restored and strengthened.

These recommendations are based upon the following considerations:

THE SMALL BUSINESS PROBLEM

Although we are a small chemical company (375 employees), I am sure we must be representative of many other manufacturing concerns of our size in this country who compete successfully on a product-by-product basis with large, diversified companies manufacturing the same products. The fact that we are all operating in

the same economic climate and with the same ground rules makes this possible.

Competition with efficient foreign producers, large or small, with their economic advantages is quite different.

Representatives of the Manufacturing Chemists' Association (of which we are a member) and of the Synthetic Organic Chemical Manufacturers Association have already presented in a comprehensive manner the overall objections of the chemical industry to H.R. 11970.

My objective in presenting this testimony to you is to call your attention to the fact that the dangers as presented by the larger industries are compounded many times in the case of small companies such as ours.

Companies in our type of industry, chemicals, must maintain a profit picture that will support a strong research and development program to even maintain our position, let alone grow. The impact of a drop in dollar profits in a large business can probably be absorbed but in a small business a loss of the equivalent profit dollars could have a drastic effect. The alternatives open to them would be to curtail operations, close down, shrink, or merge. Any of these alternatives would be serious, and even disastrous for the small company and its employees, customers, suppliers, stockholders, and the recipients of its tax dollars.

During 40 years with this company I have been exposed to a wide variety of customers both small and large. The consensus has been that the efficient profit-minded small business helps maintain healthy competition and has a responsible place in our economic system and the community.

One of the fundamental differences between large and small companies is availability of capital. This not only narrows a small company's choice of new products and processes but normally leads them into batch and semicontinuous processes that inherently operate with more man-hours per unit of production than the large, automated, continuous processes. Moreover, many of these batch and semicontinuous processes consume several manufactured products as raw materials instead of starting from a natural resource. The cumulative labor charges in these raw materials are indirect but all enter into the final unit cost of the end product. Although competitive batch-type manufacturing processes will also be found in many large companies, they usually represent a small segment of their total business. Thus limited capital, narrow choice of products, and high direct and indirect labor content of the products combine to make small business particularly sensitive to imports.

For example, in the process of manufacturing the 62 million pounds of sodium hydrosulfite produced by this industry in 1961, more than 310 million pounds of previously manufactured items were consumed as raw materials. These different chemicals carry forward indirectly into the ultimate unit cost of "hydro" not only all their labor and transportation costs, but also the taxes and profits they generated.

For "hydro," this is a use ratio of 5 to 1 between the raw materials consumed and the finished product. This ratio varies from product to product and is needed to better evaluate the total impact of tariff concessions. These facts will contradict the simple statement that a pound of imported goods will merely replace a similar pound of U.S. production.

The utimate effect on the U.S. economy can be deep and far reaching as these ratios change, product by product. This is the type of basic information our negotiators should have available when evaluating and deciding upon concessions.

To a small company each product manufactured is an important and substantial part of the whole with little depth for mistakes and losses. Damage to the profitability of one item can seriously threaten a small company's ability to operate and perhaps exist, let alone expand; whereas a large diversified company producing the same product can probably withdraw or close down with much less injury or jeopardy to their entire business. A small company's limited number of products should not be obscured or trapped in broad categories or on an industry-wide basis.

THE IMPACT OF H.R. 11970 ON THE HYDROSULFITE INDUSTRY AND VIRGINIA CHEMICALS & SMELTING CO.

The chemicals that concern my company are hydrosulfites or "dithionites" (as described on page 19, series M, No. 34, SITC), and particularly sodium hydrosulfite or "hydro" as we shall call it.

The importance of hydrosulfites to Virginia Chemicals is based upon the fact that these generate 35 percent or more of our total sales and profit. Any substantial drop in profits from "hydro" would seriously affect our ability to exist or expand.

"Hydro" selling prices are in the range of 21.5 to 22 cents per pound at U.S. producers' plants. There are six U.S. producers. Total production has varied from 55 to 62 million pounds annually. A 25-percent excess capacity has existed for some time. Competition is very keen; prices have moved in a narrow range (±5 percent), and profits have been thin.

Of the producers, four are large, diversified chemical manufacturers, and two would be classified as "small business". Our company is in the latter group. In spite of size, the two small companies have become major producers of "hydro."

"Hydro" is produced worldwide by a batch process. An average U.S. "hydro" plant would require an investment of less than $1½ million and has a high man-hour requirement per unit of production. To the best of our knowledge a "hydro" manufacturing plant could not be converted to the production of any other chemical.

The following comparisons clearly pinpoint the fact that the United States cannot produce hydrosulfites without a tariff. This sensitiveness of "hydro" to imports is a result of the basic differences in unit costs:

(*a*) We estimate from our knowledge of European operations that U.S. plant unit costs for "hydro" (no plant overhead, depreciation or profit) are 35 to 40 percent higher than European costs. This provides European producers with a cost advantage of approximately 4 to 5 cents per pound on plant unit costs alone.

This differential is not leveled by ocean freight costs to our market and exceeds our pretax operating profit by a substantial margin.

This European advantage is not due to U.S. inefficiency or plant capacity but to their much lower labor rates including benefits, even after a 70-percent productivity adjustment allowance (Virginia esti-

mate) is applied to "hydro," plus varying lower prices on raw materials and packages.

(*b*) If the tariff on "hydro" should be eliminatd by both parties through reciprocal negotiations and both used a minimum marginal pricing policy (plant unit costs plus return on investment) for export pricing, then imports of "hydro" would increase, exports to the European Economic Community or United Kingdom would not improve, and our total world exports would probably decrease. It is our judgment that—

(1) EEC or U.K. producers could land their "hydro" at our east coast ports at prices 20 percent or more below our operating costs.

(2) U.S. "hydro" landed at U.K. or EEC producing countries' ports would cost 20 to 25 percent above European home market prices.

From 1957 through 1961, only 2.4 to 3.8 percent of the U.S. annual production was exported including substantial foreign economic aid shipments in 1961 in spite of the 25-percent excess plant capacity readily available. During this period of 5 years just 55 tons of "hydro" were exported to Europe. Canada was our best customer (35 percent of total exported), but European competition is rapidly taking this Canadian business at prices we cannot afford to match.

Vital industries such as paper, textiles, synthetic rubber, and other uses of "hydro" would become dependent upon foreign products, placing them in jeopardy in a national emergency.

Finally, any lowering of duties on hydrosulfite would leave us with two choices, loss of business or reduction of prices to meet foreign competition. Either of these would result in serious erosion of profit. As a result, our business would be seriously affected. While our profits were sinking, our foreign counterparts' would be increasing. Our research and development program would suffer and have to be curtailed. Theirs would prosper. The hours worked by our operators would be reduced and people might be laid off. Overall, our foreign competition would improve their position while ours deteriorated.

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

The next witness is Mr. Raymond J. Price of the Glass Crafts of America.

Mr. Price, please take a seat, sir, and proceed.

STATEMENT OF J. RAYMOND PRICE, EXECUTIVE SECRETARY, GLASS CRAFTS OF AMERICA

Mr. PRICE. Mr. Chairman, in addition to the typed draft I have given to the committee there are several exhibits that I will dispense without reading at this time.

My name is J. Raymond Price. I am executive secretary of Glass Crafts of America, an organization comprised of 17 U.S. companies engaged in the production of hand-pressed and hand-blown glassware.

I am also executive secretary of the Illuminating and Allied Glassware Manufacturers Association, an organization of seven U.S. companies engaged in the production of hand-made glassware products for illuminating, industrial and allied purposes.

In addition to these two association groups of glassware manufacturers, I also represent, on an individual company basis, seven addi-

tional companies producing a general line of hand-made glassware. (See exhibit "A".)

I am speaking today on behalf of all these companies, and all are unanimously opposed to H.R. 11970. These companies, in toto, manufacture from 90 to 95 percent [1] of all of the hand-made glassware made in America today. Incidentally, I would like to call your attention to the fact that of these 31 companies, 10 are located in West Virginia, a State which has received much comment and publicity as a distressed area.

In addition, three others are located at West Virginia's borders. In each of their respective locations these companies contribute substantially to the total industrial payroll, and in some cases almost 100 percent of the total industrial payroll.

I have served this industry in various capacities for more than 25 years. This service has been as a production worker in the factory, as a union officer and representative, and as an official of various associations of glass manufacturers that have existed over this period of time.

Because of my long and intimate association with the affairs and problems of this industry I can relay to you, from first-hand knowledge, some of the troubles we have experienced under the governmental policy of continuing, and ever-increasing, exposure of this vital industry to the unfair competition of low-wage foreign imports, a policy which is now being carried to the ultimate and which, if persisted in, threatens to deal a final, fatal blow to some of the most time-honored and highly respected manufacturing firms in this, the oldest of American manufacturing industries.

We are but one of many industries similarly affected.

To illustrate the fact that we, in the glass industry, do have a vital stake in any legislation on tariffs, I think it is appropriate to say, and important to remember, that in the decade of 1950–60 the number of hand-made glassware plants in this country has been reduced by at least 16; incidentally, Mr. Chairman, now that number is 19 or possibly 20.

The number of men and women employed at hourly rated work has been reduced by approximately 42 percent. This represents a loss of approximately 1½ million man-hours of work per year. These losses are attributable, in large measure, to foreign imports produced at wages which are far below those paid to American glassworkers.

Over the same decade, imports of competing glassware products increased from $5½ million per year in 1950 to $11½ million in 1960, as reported by the U.S. Department of Commerce. (See exhibits C, D, and E.)

These Department of Commerce reports show an increase in imports of over 100 percent in all categories of glassware as of 1960.

However, if we were to spearate the data applicable to certain categories of glassware important to the U.S. companies today, the percentage increase in imports would range upward to 3,000 percent or higher.

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[1] Estimated by comparing our individual company reports against hand plants listed in the industry's glass directories.

Over this same decade, our exports of glass and glass products were reduced by 27.3 percent and, I might add, current exports of handmade glassware are practically nil.

It thus becomes obvious that, even at present rates, U.S. tariff duties are no obstacle to a foreign manufacturer. Notwithstanding these facts, the legislation to which we are addressing ourselves today would open the way to the complete elimination of the already extremely low tariffs remaining.

Moreover, even if our own tariff negotiators should do an about face and introduce true reciprocity into the agreements entered into with foreign countries it would avail us very little, if anything, because of the restrictions, other than tariffs, which are imposed by those countries upon the importation of U.S. goods.

We are told that by sacrificing some product lines the United States will more than make up the loss through increased exports of others. However, in the record of past experience, as revealed by Department of Commerce data in imports and exports, we can find no justification for such predictions.

Even if that were to become a fact, it would be of little comfort to a highly skilled glassworker whose investment in skills and experience would be of little value elsewhere.

The simple truth is that, in industry after industry, imports have been taking over our domestic markets for products in which the labor cost factor is high. Such gains as we have made have been in the export of products reflecting a relatively low labor cost.

The handmade glassware industry is one of those with a very high labor cost—approximately 65 to 70 percent of the total manufacturing cost—and it is, therefore, extremely sensitive to imports of comparable items made at very low foreign wages.

It is the wide disparity in wages that gives the foreign manufacturer the overwhelming advantage. Knowing that to be true, the point that shocks us most grievously is that H.R. 11970 makes no pretense at giving affected industries any chance to survive—they are to be callously tossed into the discard by Executive decree.

We earnestly, and as vigorously as possible, object to any and all legislation that proposes to permit our Government to barter away our jobs and our livelihoods, our properties and our life investments.

The skills peculiar to the handmade glassware industry are not readily adaptable to other lines of endeavor excepting, possible those of the very small number of mouldmakers these plants employ. The equipment and the facilities of this industry do not feasibly lend themselves to other product lines.

Gentlemen, we firmly believe that the reduction, or the elimination, of our already too low tariffs will surely result in the destruction of the job opportunities and earnings of millions of Americans now employed in many of our manufacturing industries.

It will accentuate the already serious problems stemming from the exports of American capital and jobs to oversea low-wage countries.

Secretary of the Treasury Dillon, in his testimony before the House Ways and Means Committee on March 15 of this year, expressed concern over this possibility when he said:

> I think it is more than ever essential that we work toward equality of taxes so that our own investment won't all flow overseas to produce items for our own markets.

That Secretary Dillon's fears were well founded is indicated by an article published in the July 31 issue of the Lnport Bulletin.

This article, entitled "Common Market Position of Belgium Attractive," starts out by saying:

Increasing investments in the economic union of Belgium and Luxembourg, many from U.S. companies, promise greater prosperity for the two countries and point to increased trade abroad. * * * The United States accounts for a major share in the foreign investments currently going on, 77 U.S. companies having set themselves up in Belgium last year to bring the total to over 500. The 1961 U.S. investments compared to 48 companies in 1960, and 19 companies in 1958. * * * Belgium has, through this year under the ESCS, to remain protected from free coal trading within the Common Market. Quotas for imports from Common Market producers have simultaneously been raised, mostly at the expense of imports from the United States. U.S. shipments have fallen to 668,000 tons of coal in 1961 from 1,900,000 tons in 1958 * * *.

In the same article Carlos Van Bellinghen, Minister Plenipotentiary, General Consul of Belgium, expresses his extreme satisfaction with the trend our tariff policy is taking when he says his country exports 40 percent of her total production and 70 percent of her industrial production in order to maintain a high level of employment.

For this reason, he said, Belgium has made intensive efforts since the end of World War II to expand her trading activities in the vast U.S. market.

These efforts have met with such success that the U.S. market now absorbs over 9 percent of Belgium's total exports, or $355 million last year.

The credit for this success is due, says Mr. Bellinghen, not only to the achievements of the public and private sectors of the Belgium economy—

but is also a consequence of the moral and material aid afforded by the United States to my country and to all Europe after the war. After having contributed greatly to the liberation of the Continent of Europe, the United States, through Marshall aid, has helped rebuild the economies of the Western European nations.

In the same article, the consul general speaks favorably of the vote of the U.S. House of Representatives on this trade expansion bill, and said that when the bill is enacted it will, by making possible a considerable lowering of customs duties, help, no doubt, to increase Belgium's exports to the United States.

The Import Bulletin also reports, in connection with the above comments, that in 1961 Belgium shipped $20.7 million worth of glass into the United States. Most of this was in plate glass and window glass, but we note that enough of the total was in crystal glassware (approximately $2 million) to equal the entire annual shipments of one of the larger of the few remaining handmade glassware plants in the country.

I make this reference to our latest reports on the Belgium situation because we have every reason to believe that it is typical of the situation with respect to the other Common Market countries insofar as trade practices affect employment in the handmade glassware industry in this country.

Foreign manufacturers paying wages far below rates required by law in the United States and using the latest, most efficient machinery and method—supplied, in large measure, by American tax dollars under the Marshall plan and otherwise—are in a position to eliminate almost all possibility of successful competition on our part.

There is no equity in proposing that the United States increase its exports of raw materials and semimanufactured goods if that must be done at the sacrifice of the jobs of thousands of working men and women in this country to say nothing of the millions of dollars of invested capital and taxes paid by these industries.

From the standpoint of national interest, gentlemen, the handmade glassware industry is of vital importance to our national defense in times of war or other national emergency, yet these factories cannot be maintained nor can the irreplaceable skills of the men and women who work in the industry be preserved on a wartime or emergency-need basis.

Their ability to rapidly convert to the production of such items as glass for ships, planes, airports, ordnance use, signal glass, sonar, radar and television bulbs has been fully demonstrated in World Wars I and II and in the Korean situation, and there is no reliable source of supply outside our Nation's borders to replace them in time of war.

This reservoir of facilities, technical personnel, and skilled craftsmen cannot be tossed into the discard. However, these companies cannot exist unless we can find some way to preserve for them a fair share of the domestic market for the ordinary household glassware, giftware glass, glass for household and business illumination purposes, and so forth—their "bread and butter" items as it were—in times of peace.

In order that there be no misunderstanding of our position, gentlemen, this industry is fully cognizant of the necessity for maintaining trade with foreign nations.

It does not seek to create tariff barriers for the sole purpose of eliminating competition. All it asks is that the American manufacturer be given an opportunity to sell his wares, made by American workmen at American labor rates, equal to the opportunity afforded foreign manufacturers whose employees are paid much lower rates.

While there are many justifiable reasons for this opposition, I will attempt only to touch upon a few of its more objectionable features.

Ostensibly, the purpose of this bill is to promote the general welfare, foreign policy and security of the United States through international trade agreements and through adjustment assistance to domestic industry, agriculture and labor, and for other purposes.

Certainly volumes could be written about the objectives so broadly outlined, so general in scope and so inadequately provided for in detailed terms of implementation.

One of the prime objectives we are asked to believe is the development of freer trade between the nations involved. It should by now be quite clear to all concerned that H.R. 11970 does not eliminate many of the major obstructions to free trade nor does it include any provision to do so.

Such restrictions on free trade as import quotas, licensing arrangements and other discriminatory practices are in no way dealt with. These various types of nontariff restrictions exist in almost every country in the world in one form or another and this is certainly true of all of the Common Market countries.

Tabulations and descriptions of such practices occupy more than a hundred pages in the records of the Ways and Means Committee hearings.

Since our tariffs are already the lowest in the world and we see no hope of removal of these nontariff restrictions, it is difficult for us to understand how H.R. 11970 will "promote the general welfare."

With respect to foreign policy we do not believe that our industry should be sacrificed upon the altar of international politics.

The adjustment assistance ostensibly provided under this bill is particularly objectionable because of the unprecedented powers it gives to the executive department in determining which firms or groups of workers shall be granted relief.

These powers are so broad that the President will be able to pick and choose among persons or firms seeking relief. This opens the way to at least the possibility of granting or withholding adjustment assistance on the basis of purely political considerations. Such unlimited delegation of authority would give to the President virtual life and death power over any industry.

The final phrase, "and for other purposes," is indeed all-inclusive and frightening to contemplate.

Section 224 of the bill requires only that the President shall transmit to Congress his reasons for entering into an agreement after the agreement has been entered.

We believe that if additional powers are granted to the executive department the Congress should very carefully insure retention of its constitutional right to "regulate commerce with foreign nations * * *."

We believe that the escape clause in the present law should be strengthened and applied to its original purpose;

We believe that the peril point provisions should be retained and strengthened to the extent that the findings of the responsible body entrusted with injury determination cannot be overruled nor ignored by any one person. We believe that the peril point should be the ruling criterion in cases of import injury; and

We believe that the special Federal standards of adjustment provisions of H.R. 11970 should be removed from consideration in the development of any new legislation affecting our tariff policies.

For the reasons I have stated and the many more reasons which time would not permit of introduction here, we respectfully urge that this committee will recommend the rejection of H.R. 11970 in its present form.

We further respectfully urge that this committee will lend its experience, its knowledge and its judgment to legislation that will preserve and strengthen the free enterprise system in America and to legislation that will restore equity and balance to our national import-export policy.

On behalf of the companies I represent, I want to thank the committee for this opportunity to be heard today. I would like also to request that my statement, together with the exhibits attached, be made a part of the record of this hearing.

The CHAIRMAN. Without objection that will be done.

(The exhibits referred to follow:)

EXHIBIT A

GLASS CRAFTS OF AMERICA

Blenko Glass Co., Milton, W. Va.
Bryce Bros. Co., Mount Pleasant, Pa.
Fenton Art Glass Co., Williamstown, W. Va.
Fostoria Glass Co., Moundsville, W. Va.
Houze Glass Corp., Point Marion, Pa.
Imperial Glass Corp., Bellaire, Ohio.
Indiana Glass Co., Dunkirk, Ind.
Lewis County Glass Co., Jane Lew, W. Va.
Morgantown Glassware Guild, Morgantown, W. Va.
Pennsboro Glass Co., Pennsboro, W. Va.
Rainbow Art Glass Co., Huntington, W. Va.
Seneca Glass Co., Morgantown, W. Va.
Smith Glass Co., L. E., Mount Pleasant, Pa.
United States Glass Co., Tiffin, Ohio.
Viking Glass Co., New Martinsville, W. Va.
Westmoreland Glass Co., Grapeville, Pa.
West Virginia Glass Specialty Co., Weston, W. Va.

ILLUMINATING & ALLIED GLASSWARE MANUFACTURERS ASSOCIATION

Gillinder Bros., Inc., Port Jervis, N.Y.
Holophane Co., Inc., Newark, Ohio.
Inland Glass Division, La Grange Park, Ill.
Jeannette Shade & Novelty Co., Jeannette, Pa.
Kopp Glass, Inc., Swissdale, Pittsburgh, Pa.
Phoenix Glass Co., Monaca, Pa.
Rodefer-Gleason Glass Co., Bellaire, Ohio.

INDIVIDUAL PLANTS

Beaumont Co., Morgantown, W. Va.
Brock Glass Co., Ltd., Santa Ana, Calif.
Consolidated Lamp & Glass Co., Coraopolis, Pa.
Crescent Glass Co., Wellsburg, W. Va.
Lancaster Glass Corp., Lancaster, Ohio.
Peltier Glass Co., Ottawa, Ill.
United States Glass Co., Glassport, Pa.

EXHIBIT B

Handmade glassware manufacturing companies which have gone out of business since 1950

Company	Number of workers	Total hours	Total earnings [1]	Approximate date company went out of business
Anco Glass Co., Toronto, Ohio	(2)	(2)	(2)	(2)
Demuth Glass Works, Brooklyn, N.Y., 1950	121	65,801	$66,130	1951-52
A. H. Heisey & Co., Newark, Ohio, 1956	157	86,845	145,572	1957
Gill Glass & Fixture, Philadelphia, Pa., 1950	78	49,101	77,803	1957
American Glass Corp., Greensburg, Pa., 1953	159	206,400	308,570	1954
Paden City Glass Co., Paden City, W. Va., 1950	231	268,776	320,366	1951-52
Victory Glass Co., Jeannette, Pa., 1950	195	173,245	231,528	1952-53
Duncan & Miller Co., Washington, Pa., 1955	157	78,011	123,916	1955
Gleason-Tiebout Co., Brooklyn, N.Y., 1950	90	58,745	79,230	1954-55
Sneath Glass Co., Hartford City, Ind., 1950	195	125,426	163,171	1954-55
Cambridge Glass Co., Cambridge, Ohio, 1954	352	198,731	291,067	1958-59
Erickson Glass Co., Bremen, Ohio	(2)	(2)	(2)	(2)
Cumberland Glass Co., Mount Savage, Md	(2)	(2)	(2)	(2)
Dunbar Glass Corp., Dunbar, W. Va	(2)	(2)	(2)	(2)
Commercial Glass Co., Fairmont, W. Va	(2)	(2)	(2)	(2)
Eastern Glass Co., Dunkirk, N.Y	(2)	(2)	(2)	(2)

[1] Hourly paid employees only.
[2] No figures available.

EXHIBIT C

Volume and percentage change from 1950 in imports of table and ornamental household glassware[1]

	Imports (number of articles)	Amount of change (number of articles)	Percentage change
1950	7,8[illegible],774		
1951	10,244,260	2,416,486	+30.9
1952 to 1954[2]			
1955	16,071,672	8,243,898	+105.3
1956	20,322,622	12,494,848	+159.6
1957	22,290,906	14,463,132	+184.8
1958	24,655,791	16,828,017	+215.0
1959	29,184,118	21,356,344	+272.8
1960	28,523,301	20,695,527	+264.4

[1] Consists of articles imported under schedule A, statistical classes 5278240, 5278500, and 5278690.
[2] Comparable data not available.

Source: U.S. Imports of Merchandise for Consumption, Reports FT-110, Bureau of the Census, Department of Commerce.

EXHIBIT D

Imports of handmade blown glassware as estimated by the Department of Commerce and the Tariff Commission

These imports are based upon their foreign valuation. The foreign value may be converted to U.S. wholesale value by multiplying by 250 percent (footnote 1, table 13, 1953 report). Accordingly, the increase in the imports of handblown glassware, measured in terms of its U.S. wholesale price is shown by the following table:

	Imports			Imports	
	Foreign value	U.S. wholesale value		Foreign value	U.S. wholesale value
1946	$2,212,742	$5,531,855	1953	$4,627,084	$11,567,710
1947	2,977,348	7,443,370	1954	4,934,142	12,335,355
1948	2,094,000	5,235,000	1955	5,843,995	14,609,988
1949	2,294,000	5,735,000	1956	7,125,807	17,814,518
1950	2,779,399	6,948,498	1957	7,502,109	18,755,273
1951	4,169,592	10,423,980	1958	7,376,839	18,442,098
1952	4,221,658	10,554,145	1959	9,273,885	23,184,713

Accordingly, it will be seen that since the first GATT concessions were made in Geneva in 1947, the imports of handmade blown glassware have increased from a foreign value of $2,212,742 in 1946 to a value of $9,273,885 in 1959, an increase of 319 percent.

EXHIBIT E

U.S. imports of pressed and blown glassware increase in 1960 (1961 data received too late to be tabulated for this hearing)

U.S. imports of pressed and blown glassware reached a record high of $24.3 million in 1960, 4 percent above the previous high of $23.4 million in 1959, as reported today by the Consumer Durable Goods Division, Business and Defense Services Administration, U.S. Department of Commerce.

Handmade glassware, which represented about one-half of total glassware imports, showed the greatest increase and reached $11.6 million, 8 percent above the 1959 figure of $10.8 million. Technical, scientific, and industrial glassware, accounted for about one-third of the total imports, and increased 3.8 percent, totaling $8.6 million compared with $8.3 million in 1959. Illuminating and electronic ware which represented about one-sixth of all glassware imports, totaled $4 million, a decrease of 3.3 percent from the $4.1 million of 1959. Machine-made

glassware, which accounted for less than 1 percent of the total, declined to $98,000 from $194,000 in 1959, a decrease of 49.7 percent.

In 1960, West Germany remained the largest supplier to the United States of pressed and blown glassware, and accounted for 28.7 percent of the total imports. Imports from West Germany also showed the greatest increase, amounting to $7 million, 11.6 percent over the 1959 figure of $6.2 million. Japan was next, representing 18.3 percent of the total, amounting to $4.4 million, an increase of 3.1 percent over the $4.3 million of 1959. The third largest supplier, Italy, which accounted for 15.9 percent of total imports of glassware, showed a decline of 4.9 percent for a total of $3.9 million compared with $4.1 million in 1959.

EXHIBIT F

Volume and percentage change from 1950 in U.S. shipments of handmade blown tumblers, goblets, and other stemware

	Shipments (thousand dozens)	Amount of change (thousand dozens)	Percentage change
1950	2,419		
1951	2,191	−228	−9.4
1952	2,074	−345	−14.3
1953	1,954	−465	−19.2
1954	1,564	−855	−35.3
1955	1,966	−453	−18.7
1956	2,000	−419	−17.3
1957	1,804	−615	−25.4
1958	1,508	−911	−37.7
1959	1,548	−871	−36.0
1960	1,618	−801	−33.1

Volume and percentage change from 1950 in U.S. shipments of machine-made tumblers, goblets, and other stemware

	Shipments (thousand dozens)	Amount of change (thousand dozens)	Percentage change
1950	71,884		
1951	72,589	+706	+1.0
1952	65,160	−6,724	−9.4
1953	66,128	−5,756	−8.0
1954	68,216	−3,668	−5.1
1955	66,010	−5,874	−8.2
1956	57,437	−14,447	−20.1
1957	58,507	−13,377	−18.6
1958	56,195	−15,689	−21.8
1959	54,777	−17,107	−23.8
1960	53,729	−18,155	−25.3

The CHAIRMAN. Mr. Price, you state that 77 U.S. companies set themselves up in Belgium this past year to bring the total to over 500; you mean 500 American companies are operating——

Mr. PRICE. I am not quite clear on that, Mr. Chairman. I lifted this statement from a press article in the import bulletin and it is put in here verbatim as reported. I can only assume that over 500 U.S. companies are located there now.

If you will note, the writer goes on to say this compares to 48 companies in 1960, and only 19 in 1958.

So, I can only assume that there has been this tremendous growth since 1958 from 19 companies to 500 now.

The CHAIRMAN. I don't question the figures but that is a tremendous growth.

Mr. PRICE. It is indeed, sir.

My personal opinion is, it is very alarming and indicative of the outflow of capital and job opportunities from the United States to these more favorable nations.

The CHAIRMAN. I am alarmed, too. I wish you would check on those figures because it doesn't seem reasonable that the companies would grow from 48 in 1960 to 500. Maybe that covers, that 500 covers something else.

Mr. PRICE. I will be happy to check further into that report, Mr. Chairman, and provide it for you, if possible.

The CHAIRMAN. If you have it available, I would like to know the investment made.

Could that be secured, by these companies, are they built factories or selling organizations or what are they?

Mr. PRICE. I assume you mean the total investment capital represented by these 500.

The CHAIRMAN. When you say companies have set themselves up in Belgium, do you mean manufacturing companies or selling organizations? Some of them are selling organizations and some of them are manufacturing, aren't they?

Mr. PRICE. That might very well be that some of them are selling organizations. I am not sure because the article was not that explicit.

The CHAIRMAN. I share your concern about this tremendous oversea investment of American capital.

Do you think it is accelerated by reason of the Common Market?

Mr. PRICE. I think it has been accelerated, and this is my personal opinion, because of the extremely low labor rates in the foreign countries it is—it has been part of the general picture for a number of years.

The CHAIRMAN. It is also perhaps accelerated by the thought they can sell among themselves without a tariff and get the benefit of low labor rates?

Mr. PRICE. I think that is a natural trend.

The CHAIRMAN. What was that?

Mr. PRICE. I think that was the natural trend. It might very well have been foreseen.

The CHAIRMAN. The Common Market was first announced about 3 years ago?

Mr. PRICE. Three, three and a half years ago, I am not just sure.

The CHAIRMAN. I would like to have the increase in American companies locating within the Common Market area beginning with the time that the announcement was first made, if these figures are available.

Mr. PRICE. I shall make every effort to obtain them for you, sir.

The CHAIRMAN. And also, if possible, that amount invested by the companies.

(The following was later received for the record:)

GLASS CRAFTS OF AMERICA,
August 10, 1962.

Re H.R. 11970 (additional data requested).

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee, New Senate Office Building, Washington, D.C.

DEAR SIR: At the close of my testimony before the Senate Finance Committee on August 7, you asked several questions which I was unable to answer offhand. In keeping with my promise to obtain the answers, if possible, I submit the following additional data:

A. Question. When did the EEC come into being?

Answer. The EEC came into being as a result of the Treaty of Rome, which became effective January 1, 1958.

B. Question. You mention an increase of from 19 companies in 1958 to 500 companies (setting up in business in Belgium and Luxembourg) between 1958 and 1962—are these all U.S. companies?

Answer. The Consumer Durable Goods Division of the U.S. Department of Commerce has informed me that 236 new business establishments were set up in Belgium in 1961. Of these 236 new establishments, 77 were U.S. firms; these 77 firms represented an investment of $79 million and they employ 2,855 workers.

The types of new enterprises by U.S. investors for 1961 are broken down as follows:

Industrial	33
Commercial	30
Services	14
Total	77

This is the same total that I quoted from the Import Bulletin in my testimony on August 7.

The Consumer Durable Goods Division could not answer immediately my question with respect to the 500 new establishments in Belgium and Luxembourg since 1958; i.e., how many were U.S. firms, total capital investment, etc. However, I am enclosing several charts from the September 1961 issue of Survey of Current Business, as published by the U.S. Department of Commerce, Office of Business Economics.

These charts are to be found on pages 20, 21, 22, and 23 of the issue mentioned above. For identification purposes, they are designated as follows, and you will note that the upsurge in U.S. investment in manufacturing facilities in the Common Market countries coincides with the enactment of the Treaty of Rome and is growing each year:

No. 1. "Comparison of domestic and foreign plant and equipment expenditures by U.S. companies—1957–61."

No. 2. "Plant and equipment expenditures abroad by U.S. manufacturing companies by area and major commodity—1959–62." (With respect to this chart, please note the high totals in the Common Market countries as compared to all other areas of Europe and the rest of the world.)

No. 3. "Plant and equipment expenditures of direct foreign investments in selected industries, 1959–62."

No. 4. "Domestic and foreign expenditures for plant equipment in selected industries, 1959–61."

No. 5. "Sales of manufacturers by direct investment enterprises abroad, principal commodities by areas—1957, 1959, and 1960."

No. 6. "Production abroad by direct investment manufacturing enterprises, by selected countries—1957, 1959, and 1960."

The above charts are in an article written by Frederick Cutler and Christopher Douty for the September issue of Survey of Current Business for 1961 and, in connection with the charts, they write:

"U.S. direct investment enterprises abroad are planning to spend over $4.5 billion this year for plant and equipment, and expect to maintain this rate during 1962. Of this total, nearly $4 billion is expected to be invested in production facilities for manufacturers, petroleum, and raw materials of various kinds, the remainder for utilities, trade and distribution, and service industries. (I believe this answers your question as to how much of this foreign investment is going into production facilities for manufacturers.)

"The 1961 amount exceeds the previous year's actual investment by more than 20 percent, and approaches the earlier high established in 1957 when the petroleum industry was extremely active abroad. * * *

"U.S. manufacturing companies anticipate an increase of 30 percent in outlays for capital equipment in 1961, with only a small decrease from this high now expected for 1962. * * *

"Outlays in Europe—over half of the total—are rising sharply in both the Common Market countries and the United Kingdom. * * *

"Outlays in the Common Market are expected to increase more than 50 percent in 1961.

"COMPARISON WITH DOMESTIC OUTLAYS

"Foreign plant and equipment expeditures are becoming an increasingly large proportion of the overall capital investment programs of many U.S. manufacturing industries, as shown in table 4 (exhibit No. 4 attached hereto). * * *

"[They] are rising faster than for the domestic industry. * * * Domestic expenditures in 1961 remained practically unchanged, compared to 1960, while foreign expenditures show a strong upward trend."

The above comments, issued by the Department of Commerce, and the charts developed in connection therewith, certainly substantiate our more general reference to this trend in our testimony before your committee on August 7.

Since it is imperative that I submit to you the information obtained as quickly as possible, I am sending it by air mail this afternoon.

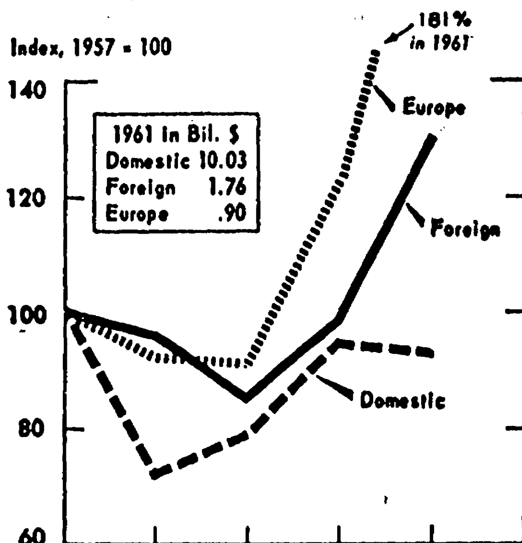
Again may I express to you and your committee my sincere appreciation for the courtesy extended to me and to the American handmade glassware industry on August 7.

Very truly yours,

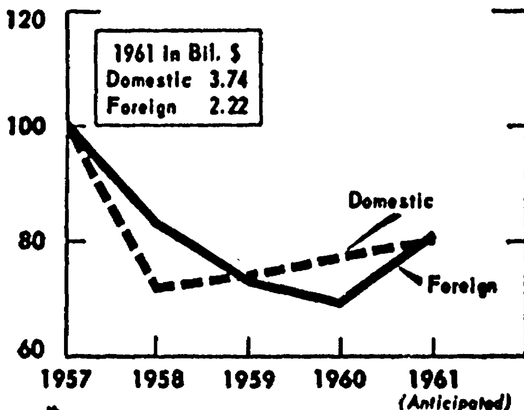
J. RAYMOND PRICE,
Executive Secretary.

Comparison of Domestic and Foreign Plant and Equipment Expenditures By U.S. Companies—1957-61

MANUFACTURING*— Upsurge in Foreign Expenditures Places Them Considerably Above 1957; Domestic Still Below



PETROLEUM AND MINING — Foreign Expenditures Show Recovery From 1960 Low



*Excludes Primary Iron and Steel and Petroleum Products.

U.S. Department of Commerce, Office of Business Economics 61-9-8

TABLE 2.—*Plant and equipment expenditures abroad by U.S. manufacturing companies, by area and major commodity, 1959–62*

[Millions of dollars]

Areas and years	Total	Food products	Paper and allied products	Chemicals	Rubber products	Primary and fabricated metals	Machinery, except electrical	Electrical machinery	Transportation equipment	Other manufacturing
All areas, total:										
1959 [1]	$1,147	$82	$83	$232	$76	$127	$109	$96	$228	$114
1960 [1]	1,337	97	78	237	68	133	132	104	336	152
1961 [2]	1,755	142	79	288	71	176	179	142	530	148
1962 [2]	1,706	112	73	301	74	182	167	128	519	150
Canada:										
1959 [1]	389	22	65	78	14	65	10	27	65	43
1960 [1]	384	30	55	75	15	49	17	30	63	50
1961 [2]	371	30	60	66	18	50	22	35	45	45
1962 [2]	378	28	57	62	16	65	22	28	55	45
Latin America: [3]										
1959 [1]	193	20	8	52	16	16	6	15	41	20
1960 [1]	207	24	7	49	12	11	8	18	47	31
1961 [2]	290	44	9	58	11	20	6	27	86	28
1962 [2]	257	33	7	60	12	21	9	24	63	27
Europe:										
Common Market:										
1959 [1]	214	16	2	20	4	9	61	21	62	19
1960 [1]	328	17	2	44	11	10	72	21	128	23
1961 [2]	504	31	3	72	7	12	99	35	218	28
1962 [2]	455	21	3	65	6	12	83	30	206	30
Other Europe:										
1959 [1]	236	13	5	60	23	30	26	17	40	22
1960 [1]	280	18	3	42	15	50	24	18	74	35
1961 [2]	398	26	4	50	14	55	41	31	143	33
1962 [2]	407	20	4	65	25	47	43	31	138	34
Other areas:										
1959 [1]	115	11	3	22	19	7	6	16	20	11
1960 [1]	139	8	12	28	16	13	10	16	23	12
1961 [2]	191	11	4	41	19	39	11	15	38	13
1962 [2]	209	9	3	48	16	37	11	15	57	13

[1] Revised.
[2] Estimated on the basis of company projections.
[3] Includes Western Hemisphere dependencies.

NOTE.—Detail may not add to totals because of rounding.

TABLE 8.—*Plant and equipment expenditures of direct foreign investments in selected industries, 1959–62*

[Millions of dollars]

	1959 [1]	1960 [1]	1961 [2]	1962 [2]
All areas, total	$563	$559	$591	$592
Agriculture	79	73	66	63
Public utilities [3]	191	143	141	126
Trade	198	256	291	312
Miscellaneous	95	87	93	91
Canada, total	170	225	208	190
Agriculture	35	35	38	35
Public utilities	35	85	55	50
Trade	45	60	65	55
Miscellaneous	55	45	50	50
Latin America, total	214	125	151	150
Agriculture	37	30	20	20
Public utilities	128	40	65	65
Trade	31	35	45	45
Miscellaneous	18	20	21	20
Europe, total	115	137	147	166
Agriculture	(4)	(4)	(4)	(4)
Public utilities	6	5	5	5
Trade	101	125	135	155
Miscellaneous	8	7	7	6
Other areas, total	64	72	85	86
Agriculture	7	8	8	8
Public utilities [3]	22	13	16	6
Trade	21	36	46	57
Miscellaneous	14	15	15	15

[1] Revised.
[2] Estimated on the basis of company projections.
[3] Excludes international shipping.
[4] Less than $500,000.

TABLE 4.—*Domestic and foreign expenditures for plant and equipment in selected industries, 1959–61*

[Amounts in millions of dollars]

	Expenditures—1959 [1]				Expenditures—1960				Expenditures—1961			
	Total	Domestic	foreign	Percent of foreign to total		Domestic	Foreign	Percent of foreign to total	Total	Domestic	Foreign	Percent of foreign to total
Mining and petroleum, total	$5,475	$3,480	$1,995	36	$5,523	$3,630	$1,893	34	$5,984	$3,770	$2,214	37
Selected manufacturing industries, total	7,373	6,340	1,033	14	8,785	7,600	1,155	13	9,007	7,400	1,607	18
Primary and fabricated metals [2]	1,127	1,000	127	11	1,143	1,010	133	12	1,066	880	176	17
Electrical machinery	616	520	96	16	784	680	104	13	822	680	142	17
Machinery, except electrical	1,019	910	109	11	1,232	1,100	132	11	1,279	1,100	179	14
Transportation equipment	1,258	1,030	228	18	1,646	1,310	336	20	1,700	1,170	530	31
Paper and allied products	713	630	83	12	828	750	78	9	799	720	79	10
Chemicals	1,462	1,230	232	16	1,837	1,600	237	13	1,938	1,650	288	15
Rubber products	266	190	76	29	298	230	68	23	291	220	71	24
Food products	912	830	82	9	1,017	920	97	10	1,122	930	142	13

[1] Revised.
[2] Excludes primary iron and steel producers.

NOTE.—Foreign expenditures include acquisitions of existing fixed assets, which are excluded from the domestic series.

TABLE 6.—*Sales of manufactures by direct-investment enterprises abroad, principal commodities, by areas, 1957, 1959, and 1960*

[Millions of dollars]

Area and years	Manufacturing, total	Food products	Paper and allied products	Chemicals	Rubber products	Primary and fabricated metals	Machinery, except electrical	Electrical machinery	Transportation equipment	Other products
All areas, total:										
1957	$18,331	$2,457	$881	$2,411	$968	$1,548	$1,903	$2,047	$4,228	$1,889
1959	21,100	2,810	1,170	2,950	1,040	1,590	2,200	2,100	5,140	2,100
1960	23,570	2,920	1,260	3,290	1,170	1,680	2,490	2,280	6,170	2,310
Canada:										
1957	7,897	928	769	897	272	927	696	1,080	1,488	842
1959	8,670	1,060	1,030	1,070	290	950	760	1,030	1,600	880
1960	8,920	1,020	1,100	1,150	310	920	780	1,040	1,650	960
Latin America: [1]										
1957	2,436	608	55	499	239	111	66	190	375	292
1959	2,830	740	60	590	260	100	80	190	470	340
1960	3,180	750	70	620	280	100	100	240	710	310
Europe:										
1957	6,318	734	34	822	262	435	1,009	678	1,700	639
1959	7,690	760	50	1,060	290	470	1,210	770	2,350	740
1960	9,310	900	60	1,240	360	590	1,420	890	2,970	880
Other:										
1957	1,686	188	23	193	196	75	133	99	665	116
1959	1,910	250	30	240	200	70	150	110	720	140
1960	2,160	250	30	280	220	70	190	110	840	170

[1] Includes Western Hemisphere dependencies.

TABLE 7.—*Production abroad by direct-investment manufacturing enterprises, by selected countries, 1957, 1959, and 1960*

[Millions of dollars]

	1957	1959	1960
All areas, total	$18,331	$21,100	$23,570
Canada	7,897	8,670	8,920
Latin America, total [1]	2,435	2,830	3,180
Argentina	385	426	696
Brazil	659	764	879
Mexico	643	751	770
Venezuela	268	364	360
Other countries [2]	480	525	475
Europe, total	6,313	7,690	9,310
Belgium, Netherlands, and Luxembourg	416	461	602
France	763	789	965
Germany	1,116	1,572	1,835
Italy	230	244	350
United Kingdom	3,303	4,050	4,715
Other countries	485	574	843
Other areas, total	1,685	1,910	2,160
Australia	787	933	1,085
Japan	217	240	290
Philippine Republic	118	141	140
Union of South Africa	300	292	305
Other countries	263	304	340

[1] Includes Western Hemisphere dependencies.
[2] Includes production in Cuba amounting to $149 million in 1957, and $181 million in 1959, but excludes Cuba in 1960.

The CHAIRMAN. Thank you very much.

Any questions?

Senator TALMADGE. Mr. Chairman, I have a question.

Mr. Price, your statement was restricted to the handmade. I assume that matters such as bottles and glass jars and things of that type are made by machinery?

Mr. PRICE. Yes, sir.

Senator TALMADGE. Would your testimony relate substantially the same to these machine-made glass items also?

Mr. PRICE. No, sir, it does not. We have tried in the Department of Commerce figures upon which we must rely for our import information—we have tried to separate as best we can and differentiate between the machine-made and the handmade product. The situation is somewhat different with the machine product.

Senator TALMADGE. Thank you very much.

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

The next witness is Mr. C. Frank Dale of the International Brotherhood of Operative Potters.

Take a seat, sir, and proceed.

STATEMENT OF C. FRANK DALE, SIXTH VICE PRESIDENT, INTERNATIONAL BROTHERHOOD OF OPERATIVE POTTERS

Mr. DALE. The statement of E. L. Wheatley, president, will be presented by me, C. Frank Dale, sixth vice president, International Brotherhood of Operative Potters.

The International Brotherhood of Operative Potters speaks for the vast majority of workers in potteries that make household and restau-

rant china and earthenware. We also have membership in tilemaking, vitrified china bathroom fixtures, and refractories establishments.

Pottery products have long been imported and imports have caused great difficulty to the domestic industry. This difficulty can be laid at the feet of the low wages that prevail in the competing countries.

Our potteries are no less efficient than their foreign counterparts; but potterymaking is an operation in which labor represents a high portion of the cost of production. Therefore, we have little or no mechanical advantage over foreign producers.

In the pottery industry labor wages amount to over 60 percent of the total costs while material costs are relatively less. This means that employment in the industry is higher per dollar of output than in the more highly mechanized industries.

Today this is a consideration that should not be dismissed too lightly. Employment has become a matter of national concern. It is estimated that automation is causing the displacement of 25,000 workers in the Nation per day. We should be thankful that we still have some industries that are not casting workers on to the unemployment rolls so rapidly.

The pottery industry has also suffered from displacement of workers but this has come principally from import competition rather than from automation.

This competition, of course, causes pressure for mechanization in order to reduce costs; but no automatic potterymaking machine has yet been produced.

If rapid mechanization did occur, unemployment would become worse because in the present state of the world and the rapid spread of technology overseas it would be only a short time before Japan and other countries would install the same machinery and we would soon lose our advantage. If more pottery were consumed because of lower prices, cheaper imports rather than we would fill the demand.

Higher productivity is a desirable goal but it does not guarantee a competitive advantage because our own companies are free to go abroad and manufacture there or to license foreign manufacturers.

The result is that the lower foreign wages maintain their competitive advantage. Without adequate tariffs or import quotas the domestic market becomes fair game to any foreign manufacturer who keeps up with or achieves mechanical or technological parity with American producers. It is then that his low wage payments take effect.

Having the same or nearly the same output per hour as the American manufacturer the foreign producer reaps a great advantage by paying wages that may be only a third or a fourth or as low as an eighth of our pay, including fringe benefits.

American potteries are principally located in towns or small cities and very often represent the economic mainstay of the community.

If calamity befalls the industry it also falls on the community and causes hardship and privation far beyond the factory doors.

It affects the local business and professions and visits a blight on them as surely as a natural calamity and one that lasts longer.

H.R. 11970 proposes Federal aid under these circumstances. It would pay two-thirds of the accustomed wages to displaced workers and retrain them and in some cases relocate them.

Mr. Chairman, on the first line of the third paragraph there, I made a correction of the "a" to "I" and I will read it as corrected.

Mr. Chairman, you will pardon me if I say that this proposal gets a sour reception from our membership. They are as patriotic as any other Americans and are ready to make sacrifices in behalf of the country's security and defeating our enemies.

They are, however, not ready to make these sacrifices in behalf of State Department theorists and professors who have never put a day of work in a factory in their lives or, if they did, got out of it as quickly as possible.

The pottern workers do not understand and will not understand and cannot be expected to understand why they should be consigned to the ranks of the unemployed and probably onto the ash heap as a matter of conscious policy, when the supposed benefits of the trade bill are bitterly disputed.

The question is highly controversial and this means that numerous people do not agree with the objectives of the bill.

How can anyone expect the probable victims of the bill, workers who are peacefully and gainfully employed; who are law-abiding citizens who have supported their Government and who cheerfully meet their obligations as citizens—I ask, how can anyone reasonably expect that these people will look with favor on such a bill as this, a bill that would put their livelihood, their family lives, and their future in jeopardy?

They regard it as a monstrous proposal that reflects a callous bureaucratic reach for power over the lives of people in behalf of a doctrine many regard as unsound in the first place.

The hundreds or thousands of dinnerware and chinaware potters who have been idled because of potteries that failed, quit business or went bankrupt, and those now working in plants that have a high rate of partial unemployment, have a high age average.

Our organization's record show that potter's age averages are over 50 years in the dinnerware and chinaware industry.

The average potters know what to expect when they start looking for new employment in another industry at such a high age level. They cannot conceive of a Federal training plan accepting them as applicants for special retraining for any jobs higher than low-paid service operations in the minimum wage levels.

Many ceramic plants are located in hilly country where clay is mined and far enough removed from any potential training centers that transportation allowances could well match their income, if such allowances were permitted.

This bill comes as a shock to those of us who are familiar with the long line of promises and assurances given by Presidents Roosevelt, Truman, and Eisenhower to the effect that the trade program was not to put industry out of business or cause serious injury.

These promises were supported by various Secretaries of State who served from 1934 to 1960, beginning with Cordell Hull.

We remember that much was made of the care that was being exercised by the State Department and other governmental agencies to see to it that tariffs were not to be reduced to a point where injury would take place. To assure this the peril point legislation was adopted.

It was also said repeatedly that if serious injury did occur the escape clause was available as a remedy. This was written into law in 1951.

It is true that the administration of the escape clause has been a severe disappointment. Only 15 cases out of about 180 has ever succeeded in getting a remedy in the form of a higher duty.

Now, it is proposed to drop the peril point provision out of the law and to cut the heart out of the escape clause. This, I say, is a shocking proposal and should not prevail.

What we need is a stronger rather than a gutted escape clause. The Government should move to redeem its pledge rather than to brush it unceremoniously aside. This is no way to build respect for our Government or to promote faith in its goodwill.

It is a mistake to think that the people who support the Government can be so easily fooled. We know when we are being taken for a ride and we do not appreciate it.

This bill would very soon result in a solid ceiling over wages. It stands to reason that if tariffs are lowered still more industry will find that import competition will give it a powerful weapon against any further increases. We are being asked to walk into a stone wall of collective bargaining.

Should we agree to this we would be silenced in future wage conferences.

I know that the pottery industry itself is opposed to this bill and in this we stand shoulder to shoulder. We do not want to see a ceiling erected over their heads any more than they want to see one put over us.

Mr. Chairman, in making this presentation of objections to the proposals for trade expansion there is no intent to imply that we are opposed to any foreign nation.

I have supported the past Federal administrations on foreign aid to assist people and other nations throughout the world.

I respect the present administration headed by our President and have supported his election and practically all of his proposed legislation with this one excetpion of H.R. 11970.

I am opposed to the U.S. Congress delegating or giving away any of the established authority under the United States of America's Constitution to anyone.

Mr. Chairman, we are opposed fervently to the enactment of H.R. 11970. We do not want a passport to the junk pile but want a remedy against injury from imports that rely on low wages for their competitive advantage.

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

Mr. DALE. Mr. Chairman, could I insert the copy of an excerpt from the AFL-CIO debate?

The CHAIRMAN. Without objection.

(The excerpts referred to follow:)

EXCERPTS FROM AFL-CIO DEBATE ON FOREIGN TRADE RELATIONS, DECEMBER 11, 1961, BIENNIAL CONVENTION AT MIAMI BEACH, FLA.

(Proceedings, pp. 51-67, third day)

Mr. E. L. Wheatley, president, International Brotherhood of Operative Potters: "We are not anti to any foreign nation. We are anti to having the rights of Congress turned over to the State Department.

"You can talk of giving money to help distressed people and train them to come into new industries * * *. We do not think that program will get there in time to do any good in the way of offering relief for our people.

* * * * * * *

"But you people remember how long it takes the American labor movement to even raise the minimum rate here, and that is too long * * * to assume that the pottery workers and the other thousands and millions of workers who are being deprived of their job opportunities are going to sit and wait on the relief lines while some labor organization in these other nations brings up a decent minimum."

Mr. George Baldanzi, president, United Textile Workers:

"We are not for isolation. We believe in reciprocal trade. But our definition of "reciprocity" is that we will supply nations with products that they do not have, and we will buy from them products which we need and we do not have.

"We do not interpret reciprocal trade to be a concept under which we will permit low-wage areas or no-wage areas to destroy the economy of entire industries in this country, merely for the purpose of having friends.

* * * * * * *

"With due respect to President Kennedy, who I firmly believe has a feeling and a grasp of the problems of the world, I do not believe in the principle that we should give to any President the right as an individual to wipe out any kind of tariff or controls as an individual administrative act, because who may be President today may be one type of personality. Who may be President tomorrow or 5 years from now may be a completely different personality.

* * * * * * *

"When there are corporate interests * * * investing millions of dollars in the Common Market of Europe, that are establishing plants that are more modern than ours today, unless we get some safeguard against wholesale importation into this country, there is no guarantee that 5 years from now these same automated factories that are being built in many parts of the world * * * will not curtail operations in this country and dump all the cheap goods right back here in the United States."

Mr. Enoch Rust, vice president, United Glass & Ceramic Workers:

"Well, I went to Washington and I didn't have to stay long until I found that we did not have a trade program based on the law as written, the reciprocal trade program of 1934 and amended several times thereafter.

* * * * * * *

"Why are we excited? There was enough window glass imported in 1959 and 1960 to furnish over 4 million six-room dwellings * * *. In that period of time (1959 and 1960) over a million automobiles were imported into this country carrying 30 million square feet of glass and carrying 5 million rubber tires replacing thousands of rubber workers, thousands of glass workers, thousands of textile workers, and thousands of automobile workers.

* * * * * * *

"We were told by Khrushchev that he was going to "bury us" economically. What did we do to help him do it? We gave him a spade to dig the hole with and to throw the dirt in our face."

Mr. George Burdon, president, United Rubber, Cork, Linoleum, and Plastic Workers:

"In the rubber industry we are experiencing a serious challenge from the growing imports of rubber footwear * * *. Imports totaled 50 million pairs in 1959 and doubled to 100 million pairs in 1960.

* * * * * * *

"We have an average of $2.50 an hour versus an average in some other countries of 23 cents an hour. We cannot compete with that kind of competition."

Mr. George Fecteau, president, United Shoe Workers of America:

"In 1949 we imported 3 million pairs of shoes * * *. We exported 6 million pairs.

"Last year, 1960, we imported 30 million pairs * * * and our exports had dropped to 3 million pairs to all countries, so that the balance we have been speaking about certainly is not in favor of the shoe industry.

"Many of our companies in the shoe industry—the large companies, those who can afford to move—have moved to Japan. They have moved to Italy.

They have moved to other foreign countries. Many of them have closed shoe factories here in the United States * * *. These companies are moving for profit reasons.

* * * * * * *

"We have estimated that unless some protection * * * comes about * * * the shoes industry here will become as extinct as the dodo bird within 8 years.

* * * * * * *

"It is suggested that the people employed in those industries can go to other industries. As one who has been in the field and has seen factory after factory close down, and has seen the efforts of our union and these workers to place themselves in industry, I know that such talk is a lot of damned foolishness. It is not practical or just."

Mr. William Pollock, president, Textile Workers of America:

"Since 1934 we have been for reciprocal trade; but we feel as an industry and as representatives of the workers in that industry that we should not be offered up as a sacrifice in the altar of international trade.

"You know, it is all very well to be for international trade, but we represent workers * * * and they are told that in the interest of international trade we must accept the imports from other nations, and 'to protect you we will retrain you and prepare you to go into some other industry.' Well, I think this is fine, it is as it should be.

"But when you get an individual that has spent 20 or 30 years learning a skill * * * only to find his job shipped to some other nation and he is to be trained to go, maybe the electronics industry, where they are barely paying a minimum wage, it is pretty hard to convince him that this is a sacrifice he must make in the interest of world peace.

* * * * * * *

"I know that in 1962 when we have to elect a full Congress, if the representatives of our unions go to a Congressman in that congressional district and find that he is going to vote for a liberal trade program that will export their job to Europe, that he cannot count on their votes to send him back to Washington."

Mr. George Meany, president, AFL-CIO:

"If you read this resolution carefully, you will see that we are setting forth stipulations that we feel should go in this legislation.

* * * * * * *

"We call for retention of the escape clause provision in the new legislation, and then I would like to point to section 4 of the proposed resolution, that 'the new legislation should direct the President to take whatever action is necessary to mitigate problems of market disruption.'

"To all these organizations, I can say to you that when the legislation comes up * * * that our legislative department, our research department, our economists and everybody concerned will cooperate with these organizations and try to get in the legislative safeguard to protect them to the maximum extent that is possible.

"But we cannot * * * depart from the idea of a reciprocal trade pact with the other nations of the world."

Mr. George Harrison, chairman of the resolutions committee:

"This resolution goes further than any other trade policy resolution adopted by this federation, in the direction of protecting our industries against undue hardship because of reciprocal trade agreements.

* * * * * * *

"If you will look at paragraph 6 you will find that it says: 'In all phases of tariff and trade policy, the U.S. Government should seek to safeguard the absolute historic levels of production of significant industries.'

"Now that means only one thing. Certainly imports shall not be permitted to the point where it causes serious injury to any of our historic industries."

The resolution was carried.

The CHAIRMAN. I would like to ask you a question or two. On page 3 you discuss the proposed aid to those who may be displaced or industries that may be injured.

What is your understanding of the standards whereby it is decided whether or not an industry is injured by importations?

Mr. DALE. Well, Mr. Chairman, I would answer it this way: We know from experience I think we are one of the oldest unions that has led this fight against the influx of foreign ceramics coming into the country. We have never been able to get any aid in the form of a quota or tariffs to protect us. Using as an illustration a little town in northeastern part of Tennessee that employed something over a thousand potters for quite a number of years and just recently they went out of existence completely due to the competition.

The CHAIRMAN. You come out very strongly against this aid. I am impressed with what you say.

When it comes to paying the compensation for the aid, I assume they will go first on the unemployment compensation rolls within the State, is that correct?

Mr. DALE. Yes, that would be my understanding.

The CHAIRMAN. And then that is supplemented by Federal aid.

Mr. DALE. Yes, that is my understanding, too.

The CHAIRMAN. Therefore, if you have one company that is injured by competition within the United States, you will have one rate of payments of aid, and those that are injured by imports would have another, is that correct?

Mr. DALE. That is right.

Mr. Chairman, I would like to say, if you would permit me, using as examples the two small towns in West Virginia, Nolan and Chester, the four companies which have plants there, the Homer Laughlin, the Edwin N. Nolan, Harker Pottery, Taylor, Smith & Taylor should employ a good many over 6,000 people, yet the maximum that are employed by them in the last 5 or 6 years is in the neighborhood of 3,000 or 3,100 at the outmost.

Today they are employing something like 2,500 people at a maximum.

That is what we mean by "the partial unemployed" even with plants still in existence.

The CHAIRMAN. Yes, but what I am getting at is that they first start out on the State unemployment rolls, don't they?

Mr. DALE. That would be my thinking, yes sir.

The CHAIRMAN. If they become unemployed by reason of imports?

That is augmented by the Federal aid, by paying them at a higher rate than the State would pay ordinary unemployment?

Mr. DALE. That is my understanding of the law, yes.

The CHAIRMAN. Don't you think that is a first step toward federalizing the unemployment benefits?

Mr. DALE. I would assume so; yes.

The CHAIRMAN. It is something which I would be very much opposed to. I think you have made a very strong argument here with your particular business, because, as you state, it would be very difficult to train these skilled pottery workers for some other jobs.

Did you say the majority were over 50 years of age?

Mr. DALE. Yes; better than 50 years of age, average.

The CHAIRMAN. What countries give you the worst competition?

Mr. DALE. Well, the worst is Japan, naturally; they produce more china, send more in, and their wage level is much less than any of the other ones. I think Mr. Coburn gave the figures there, I believe something like 32 cents of Japanese wages against $2.50 something.

The CHAIRMAN. 32 cents an hour?

Mr. DALE. 32 cents an hour, against——

The CHAIRMAN. Compared to your wage of what?

Mr. DALE. $2.56, I believe in china.

The CHAIRMAN. $2.56?

Mr. DALE. Yes.

The CHAIRMAN. All right. Thank you very much.

Mr. DALE. Thank you, sir.

The CHAIRMAN. Any questions?

Senator SMATHERS. No; thank you.

The CHAIRMAN. The next witness is Mr. Carl Gustkey of the Imperial Glass Corp.

Mr. Gustkey, take a seat, sir, and proceed.

STATEMENT OF CARL GUSTKEY, PRESIDENT, IMPERIAL GLASS CORP.

Mr. GUSTKEY. Mr. Chairman, and gentleman, I am Carl Gustkey, for over 25 years president of the 59-year-old Imperial Glass Corp., Bellaire, Ohio, United States of America—the low tariff country of the entire world. We employ about 400 skilled glassmakers in producing some 2,000 items of handpressed and handblown, nationally marketed table, gift, institutional and other types of handcrafted crystal and colored glassware sold through nearly 10,000 retail outlets in the United States and Canada. We are a proud part of America's oldest industry, established at Jamestown by the Virginia colonists, in 1608.

I can't possibly tell the full story of my company's sore experiences, difficulties, declining employment and earnings caused by 25 years of damaging import competition in but 10 short minutes, or even begin to describe our fears of the fatal results we see coming from the proposed adoption of H.R. 11970, but, I thank you, Mr. Chairman, for allowing me to appear at all.

Mr. Chairman and gentlemen, we in our company and industry qualify as experts-by-experience on the ill effects caused by imports. We have been forced to become economic literates to survive. There are no economic boobs in our industry. Just because we sincerely oppose passage of H.R. 11970 does not mean we are mental midgets.

Our company and our entire industry long ago labeled Mr. Hull's trade invention as the nonreciprocating trade policy of the United States, because it has not ever been reciprocal for handmade glass products in any portion of the past quarter century.

During the life of this carelessly and erroneously called reciprocal trade policy of our Nation, our own company's export business has been reduced from a quarter-million dollars to $50,000 per year—a decrease (or loss) in such sales of 80 percent per year; the equivalent of 4 full weeks work (1 full month) for 400 full-time people in our plant.

Since Mr. Hull's "brain child" was first adopted by Congress our Nation has reduced duties on imported handcrafted glassware by 70 percent and foreign nations have "reciprocated" by enforcing quotas, internal taxes, other varied and serious nontariff barriers including complete embargoes against our products, time after time, until a small Canadian market is all the export business left open to us and

even it exacts a tariff rate today of over 30 percent on our wares and imposes an added tax or levy of 15 percent at the consumer point of sale.

Will we be any better able to build a profitable and worthwhile export volume under H.R. 11970? How? What about the vast and wide differences in international manufacturing costs and wage levels?

When an American producer has direct-wage costs of from 3 to 10 times higher than his foreign competitor how can he make and sell on an equal basis? The difference is that great in our product field.

On this subject of wage percentage of total cost, Congress has been told that "in the countries where wages are low, raw materials are expensive and they balance out in the cost mix."

Such a statement is a fallacy if applied to our product. In nearly all nations of the world, raw materials for melted glass are close, available, and there are no real disadvantages compared with our raw material costs. Nor do they have any in fuel costs for melting.

Today, raw materials cost us but 3 cents out of each income dollar. Wages cost us 56 cents out of each income dollar. When the statement is made that "all over the world, materials comprise the biggest percentage of the average cost dollar," an economic ignoramus is speaking, for it is falsehood.

The author of such a statement knows nothing of the world's craft industries, to put it kindly.

And to refer again to differences in wages and labor's earnings throughout the world: How, in face of them, can the low-wage area buy our products? It's one thing to desire or want to buy—quite another matter to be able to afford to buy.

Am I right?

Of course I'm right.

During this long and tortuous 25-year period of alleged reciprocal trade policy, we have seen both industrywide handblown and handpressed domestic production and sales of glassware decline dollarwise by more than 50 percent, far more so in numbers of units produced, and in our own company, we have painfully watched the percentage-of-capacity operating level go down to a current 42 percent.

Our total annual average employment has dropped from 550 to 300 during the past quarter century under our government's trade policy and annual production downtime has moved from none to 60 full days per year.

All of this has been caused by the large quantities of imported like-or-similar glass items retailing in our domestic markets at from 25 to 75 percent less than our American-made products.

We proved this situation and trend to both the House Steed subcommittee (12 years ago—in 1950) and to the House Dent subcommittee in July 1961.

Over the years we have repeatedly presented these proven trends to the House Ways and Means Committee, to this Senate Finance Committee, and more than once to the Committee on Reciprocity Information.

We have proved it twice to the Tariff Commission, but because none of the separate companies in our industry were ready to acknowledge outright bankruptcy at the times of these Tariff Commission hearings, we were granted no relief.

As a painful aside, I might interject here, that the second largest handmade glass plant in America and one of the oldest in our industry was forced into bankruptcy proceedings the day after we recently were testifying before the House Ways and Means Committee on H.R. 9900.

Why?

It was America's largest producer of handblown stemware and could no longer successfully compete with foreign like-or-similar items which have been entering our country in ever-increasing quantity since 1938.

Listen to but one current example—of literally hundreds—of such proof of damage from imports: We make a 10-ounce table tumbler in a Bambu pattern which we invented, originally designed, and originally marketed, and it retails for $1 each. A pirated exact copy from Italy retails here for but 39 cents each.

Our 6-ounce juice tumbler retails for 90 cents each and the imported steal-on-ours from Italy retails for only 29 cents each.

The price difference is in current direct-wage differentials.

In the first 3 months of 1961, we worked 480 total man-days on the 4 items in this pattern.

In the same period this year, we needed only 32 man-days to produce to our sales. In such manner we have repeatedly and seriously suffered since the adoption of our present so-called reciprocal trade legislation.

Do imports hurt us now? The answer is self-evident from only this one described example. From this, project if you will, please, the difficulty we'll face should H.R. 11970 rule our future.

Nowhere, in the current, vast, effective, costly, many times misleading but skillfully handled administration public relations campaign—at the expense of the American taxpayer—to crash H.R. 11970 into sudden existence have we seen or heard any recognition of or fair mention made of the wide cost differences that exist between foreign and domestic producers and how H.R. 11970 will cure or compensate for this damaging factor.

Why, gentlemen?

Or has this been recognized by various governmental proponents who before you have casually alluded to possible dire effects of H.R. 11970 on corporate entities and the American jobs they support?

Our employees, management, and 800 local stockholders are against passage of the entire H.R. 11970 as now before you.

Particularly I speak against the so-called adjustment-and-assistance sections of this proposed law as they relate to both firms and industries and to employees.

The involved mechanics and methods of determination would take so much time, as to make the whole intent of these sections of the act ineffective, and the provisions for and extent of assistance are completely inadequate.

Right today I wager there are several domestic glass producers eligible for assistance in accordance with certain of the provisions of H.R. 11970. Who, may I ask, will be the sole judge of and/or write the definitions of such words as "significant," "prolonged," "persistent," "a profit," and so forth?

If we are to continue to mother and nurture foreign employment and across-the-sea prosperity, Imperial's 400 employees and 800 stockholders say, "Don't do it further at our expense."

They can find no right in our entire governmental structure for anyone or any department or bureau to barter or to give away our jobs or our investments at the stroke of a pen, regardless of who grips that pen.

During the past full quarter of a century under what our Congress has chosen to describe as a "reciprocal trade era," despite all the soft soap to the contrary, our Government has permitted the horse to be stolen because of a wide-open unlocked barn door.

Hasn't the time come, gentlemen, for the good of America, to put a lock on the barn door before the horse is stolen? Oh yes, keep the key at hand for entrance at proper moments and for certain lengths of time, but let's never again carelessly and deliberately throw it away or completely lose it while the door is left wide open.

It's finally time to safeguard American trade and employment welfare, in advance of and prior to possible damage. Otherwise, we're courting further economic disaster by permitting more and more unemployment and more underemployment. Let's legislate to prevent loss of American jobs and profits, and not just legislate for token assistance after the damage happens.

But, if enactment of H.R. 11970 should become absolutely necessary to hold America secure from her enemies, then for heaven's sake amend it to (1) fully compensate the American workers whose jobs it will deliberately destroy, by guaranteeing to and paying to them their full past average earnings until age 65 or until physical disabilities arise which would prevent them working at the jobs they once had.

How can a fine craftsman of 55, in many cases without even a high school education, who has spent his entire working life acquiring high manual skills, now earning from $38 to $45 per day, be retrained for similar uninterrupted income-earnings in a dissimilar, unfamiliar new vocation?

And (2) further amend this far-reaching proposed act, so fraught with potential extensive damage, to set the date of passage of H.R. 11970 as the date of governmental agreement to purchase all corporate assets of the companies you deliberately put out of business by H.R. 11970 and let the compensation be based upon full book value of the stockholders' or owners' equity in these businesses as of the date of adoption of H.R. 11970.

Under H.R. 11970, for companies and industries such as ours it will just be a matter of logistics as to when we are liquidated.

How else can our Government be honestly and completely fair? It has no right to deliberately destroy domestic employment and private investments without adequate and full compensation to both workers and stockholders/owners for the full damages brought about by H.R. 11970.

Years and years ago, Cordell Hull listened to our story and said:

> Your fears will soon be dispelled, for the legislation I am sponsoring will produce true reciprocity.

It has not.

Dr. Steelman, Assistant President for Mr. Roosevelt, told me in a White House Office conference that the craft industries of America were—

> on a frail raft on the river of oblivion, in a flood current, and that we'd better jump and swin for our very lives.

President Truman listened to me tell my story in his office and smilingly but curtly and brutally ended the visit with these words, "son, I'm agin' you."

President Eisenhower would not even hear us: and very recently on a national TV program, by inference, he told us why; we were considered too insignificant to warrant time and attention.

President Kennedy has twice issued a proclamation for an annual Buy Imports Week but his office tells us he dares not proclaim an annual Buy American Week for fear of "foreign-trade retaliation."

Now comes H.R. 11970 to finally eradicate us.

Is the welfare of the rest of the world more important to our Government, to the Senate of the United States, than American jobs and corporate prosperity here at home?

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Gustkey.

Any questions?

Senator SMATHERS. No questions.

The CHAIRMAN. Thank you very much.

Mr. GUSTKEY. Come visit the western portion of your Commonwealth next year during our centennial.

The CHAIRMAN. The Finance Committee is honored today to have with us my good friend, the very distinguished Senator from Colorado, Mr. Allott, who will present the next witness.

Senator ALLOTT. Mr. Chairman, and members of the committee, I am very happy this morning to introduce to the commitee Mr. Coors, Mr. Joseph Coors of Golden, Colo.

He is the manager of a business which was established by his grandfather in 1873 and which has continued in business to the present time.

The particular portion of the business which he wishes to speak to this morning involves chemical or scientific porcelain which was established by the business in 1912.

It is the only chemical porcelain producer in the Western Hemisphere, not just the United States, but in the Western Hemisphere.

Now, because of the fact that this portion of their business amounts to only 1½ percent of their total volume of sales, he is able to come here, Mr. Chairman, in a position of being able to dissociate the financial impact, although it will have a financial impact, on the company, from the other things involved, and for this reason, and because of my high respect for the Coors family and Joseph Coors, I asked the chairman for the privilege of introducing him to the committee this morning.

The CHAIRMAN. Thank you, Senator Allott.

Mr. Coors, you proceed, sir.

STATEMENT OF JOSEPH COORS, COORS PORCELAIN CO., GOLDEN, COLO.

Mr. COORS. Because of the unusual character of chemical porcelain——

Senator ALLOTT. May I interrupt, Mr. Chairman. I asked Mr. Coors, since people are not acquainted with chemical porcelain if he

would bring along for the committee a few samples, small samples of what they produce so that the committee will have a better idea.

Mr. COORS. Thank you, Mr. Chairman.

The position of the Coors Porcelain Co. regarding the effect on the chemical porcelain industry of any reduction in tariff which might result from revised reciprocal trade agreements as proposed in H.R. 11970.

The Coors Porcelain Co. was given its real start in life at the beginning of World War I when the Allied blockade of Germany stopped the importation into the United States of chemical porcelain, along with all other kinds of scientific apparatus.

At that time there were no manufacturers of chemical porcelain in the Western Hemisphere, and the chemists of this country soon found themselves in dire straits for the necessary laboratory equipment to carry out their valuable research and control work.

At that time the Federal Government made an appeal to all ceramic companies to produce chemical porcelain as needed in the laboratories.

Coors Porcelain Co., along with aproximately 26 other companies, started small-scale operations to produce these items. Today, Coors Porcelain Co. is the only manufacturer of chemical porcelain left in the Western Hemisphere.

This porcelain is distributed throughout the United States and Canada through scientific apparatus dealers to all of the private and governmental laboratories, as well as universities and high schools.

There is not a laboratory in the United States which does not in some way use Coors chemical and scientific porcelain ware.

The manufacture of chemical porcelain has been a good business and a slowly but steadily growing one over the past 45 years, amounting to roughly $1½ million in annual sales today at Coors' sales value.

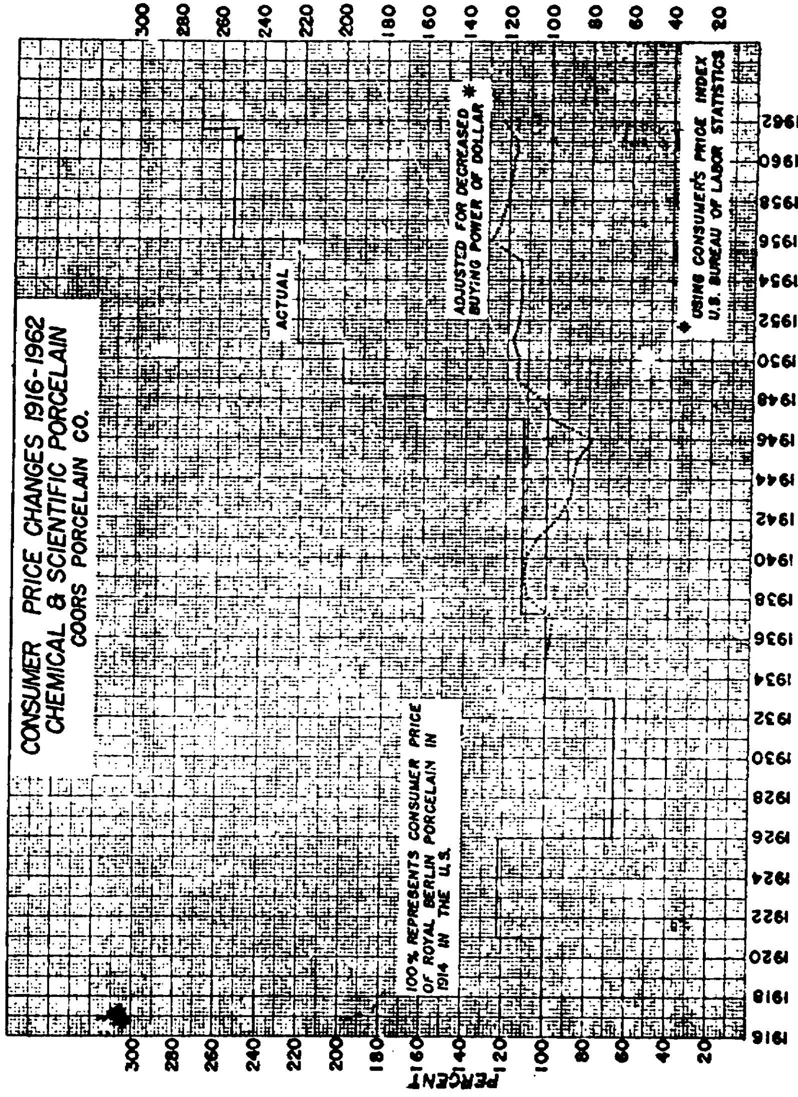
This business has never been a highly profitable one, however, because of the continuing threat from foreign importation.

This pressure, plus the ability to keep costs down by mechanization, has resulted in a much lower increase in prices over the year than most comparable products.

For example, on two typical major items of this line, crucibles and evaporating dishes, prices have increased by only 141 percent from 1939 to 1962, and since 1950 by only 21.5 percent.

I have included in the report a graph which shows in addition to the actual price increases the prices adjusted for the decreased buying power of the dollar, and from that graph you can see that we get the same net adjusted price today that we got back in 1921 there, 1925.

(The graph referred to follows:)


CONSUMER PRICE CHANGES 1916-1962
CHEMICAL & SCIENTIFIC PORCELAIN
COORS PORCELAIN CO.
PERCENT
100% REPRESENTS CONSUMER PRICE OF ROYAL BERLIN PORCELAIN IN 1914 IN THE U.S.
ACTUAL
ADJUSTED FOR DECREASED BUYING POWER OF DOLLAR *
* USING CONSUMER'S PRICE INDEX U.S. BUREAU OF LABOR STATISTICS
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Mr. COORS. Because the national importance of this product was recognized by the scientific community, a separate category in paragraph 212 of the Tariff Act of 1930 was set up. The U.S. Tariff Commission has stated in paragraph 212, page 178, that "chemical porcelain is vital in national defense."

Great Britain also lists chemical porcelain as a key industry entitled to protection by import duties.

Previous to World War II, German chemical porcelain was making rather rapid inroads into this business despite the high tariffs which were in existence at that time. Today, again, we see the threat of the destruction of this business by low-priced foreign importation. Just within the past 6 months, an American firm, Laboratory Equipment Co. of St. Joseph, Mich., has taken over the franchise for a line of Japanese-made chemical porcelain. Their list price to the ultimate user is 25 to 40 percent lower than our present price, despite tne 60 percent tariff which now exists on chemical porcelain. Although they are making some inroads into our business and will undoubtedly continue to, we believe that it is possible for us to do a pretty good job of competing at this price differential because of the service and quality which we can supply. It is inconceivable, however, that any rightfully thinking purchasing man would continue to buy Coors' porcelain rather than this imported Japanese ware if the protective tariff were removed.

There is a wide variety and number of parts required in a complete line of chemical porcelain. We actually list in our catalog and stock 476 separate items and make a good number of additional items on special order. The quantity of any one individual item which is sold varies from 1 or 2 of some items up to approximately 200,000 of the more popular smaller items per year. With this wide variety and low volume, there is a tremendous amount of hand labor involved in the manufacture of this ware, and it does not lend itself easily to automation. We have been working toward automation where possible for the last 15 years, and have invested heavily in modern tools and machinery to become as efficient as possible.

Because of the large amount of handwork required in the manufacture of chemical porcelain, a large percentage of the cost of this material is in labor. Actually, over 30 percent of our sales dollars go to direct operating labor and an additional 20 percent to other classes of wages. With the average wage rate for production workers in this plant at $2.41 per hour at the present time—and this does not include fringe benefits—it is obvious that we cannot compete under any circumstances with ware being produced in Japan by equally competent people and a wage rate of 35 cents per hour, which is average for the ceramic industry there, nor even from the United Kingdom, where the average wage rate in the pottery industry is 48 cents per hour for women and 97 cents per hour for men. The average rate in West Germany is 61 cents per hour. These wage rates from the foreign countries were compiled by the Business and Defense Services Administration of the Department of Commerce and represent the latest data for 1961.

There is no question that if the protective tariff against the importation of chemical porcelain were removed, this segment of the business at Coors Porcelain Co. would be destroyed, and some 125

of our employees would be put out of work. Many of these people have been working at these jobs for 25 years or longer. They know no other skills.

Of even greater concern than this, however, is the fact that the entire Western Hemisphere would be left without a single supplier of chemical porcelain. This was disastrous to our budding young chemical industry in World War I. It certainly would have been disastrous to our entire war effort if it had happened at World War II, and there is certainly no one who can claim that it would not be disastrous to the research and development effort required if this country were to again face a world conflict.

It can only be concluded that it would be extremely poor judgment to pass laws or make regulations which would destroy an industry which is vital to all of the chemical and physical laboratories of this United States. We strongly urge all Congressmen to reject any attempt to enact legislation which would allow such an occurrence.

Thank you very much for the privilege of appearing before you.

The CHAIRMAN. Thank you very much, Mr. Coors. You have made a very impressive statement.

Any questions?

Senator SMATHERS. No, thank you.

The CHAIRMAN. Thank you very much, sir.

The next witness is Mr. W. V. Oliver, of the French Saxon China Co.

Is Mr. Oliver present?

If not, the committee will recess until 10 o'clock tomorrow morning.

(By direction of the Chairman, the following is made a part of the record:)

STATEMENT SUBMITTED JOINTLY BY AMERICAN-ST. GOBAIN CORP., BLACKFORD WINDOW GLASS CO., LIBBEY-OWENS-FORD GLASS CO., AND PITTSBURGH PLATE GLASS CO., MANUFACTURERS OF FLAT GLASS PRODUCTS

The undersigned manufacturers together account for approximately 80 percent of the total domestic commercial production of flat glass, including principally, plate glass, sheet or window glass, rolled glass, laminated glass and tempered glass.

We recognize the need for continued flexibility in our foreign trade relations. We recognize as a part of this need the desirability of continued delegation of power to the President to reduce tariff duties in return for truly reciprocal benefits from other countries. We strongly believe, however, that any such continued delegation must be accompanied by adequate limitations and safeguards to preserve U.S. industry, agriculture, and labor.

To accomplish these objectives, H.R. 11970 should be amended in the following respects:

1. The requirement and practice of present law of consideration of individual products for possible modification of duties should be retained in lieu of the proposed unlimited authority to reduce or eliminate duties on undefined broad categories of products.

2. The proposed 80-percent test for reduction or elimination of duties in agreements with the European Economic Community should be dropped or such broad authority, if granted, limited to products in which the United States has, itself, a large export balance.

3. The peril point provisions of existing law, including the determination of specific peril or injury points below which duties may not be reduced by the Tariff Commission, and the requirement of institution of escape clause proceedings, where warranted, should be restored in lieu of the vague, general proposals of section 221(b).

4. The escape clause provisions of existing law, section 7 of the Trade Agreements Extension Act, should be maintained in full force and effect in lieu of the sweeping proposed substitute provisions of sections 301 and 351 of the bill.

5. "Industry" should be defined to apply to a segment or subdivision of an industry producing a particular product as provided in present section 7(e) of the Trade Agreements Extension Act, in lieu of the proposed test of injury to an "industry" not expressly defined.

6. The proposed adjustment assistance to workers and firms is wholly inadequate for industries like the sheet glass, plate glass, and other classes of flat glass industries, and affords no adequate alternative to tariff relief.

1. The requirement and practice of present law of consideration of individual products for possible modification of duties should be retained in lieu of the proposed unlimited authority to reduce or eliminate duties on undefined broad categories of products

H.R. 11970 contemplates broadly a delegation of power to reduce duties up to 50 percent on single articles, classes or groups of products, as the President may determine. In the case of the European Economic Community, specific additional power is proposed to be delegated to eliminate duties entirely on categories of products. Although the President is directed in section 211 to select "a system of comprehensive classification of articles by category," the House report indicates that this means "an international statistical classification system" undoubtedly similar to the so-called three-digit category system that would have been used under the original administration bill and which drew so much criticism during the House hearings.

Plate glass, sheet glass, rolled glass, laminated glass, and tempered glass are each made in different plants with the use of different machinery, equipment, and labor. They have quite diverse problems of production and distribution. All of these unrelated flat glass products are included in the broad flat glass category 664 of the three-digit category system proposed to be used in the original H.R. 9900. Other products which fall within category 664, are, if possible, even more unrelated. The sole and only common denominator is that they consist of glass. The suggested delegation accordingly would authorize sharp reductions or complete elimination of duties on extremely broad groups or classes of products, including flat glass, without regard to the specific competitive problems of a particular product or segment of production in the United States and the workers dependent upon it.

We recognize that by virtue of section 225 of the bill, sheet glass would be reserved from any tariff negotiations for the life of the President's proclamation increasing duties thereon. But we are deeply disturbed at the threat to our other products and our employees. It is urged, therefore, that the proposed authority to reduce duties on categories be deleted and a specific requirement substituted that any tariff modification apply on the basis of individual products with due regard to the different competitive problems applicable to such products.

2. The proposed 80 percent test for reduction or elimination of duties in agreements with the European Economic Community should be dropped or such broad authority, if granted, limited to products in which the United States has, itself, a large export balance

Domestic exports of sheet glass represent less than one-half of 1 percent of total domestic production, plate glass less than 3 percent, and rolled glass less than 2 percent. Necessarily, none of such production finds its way to the Common Market countries of Western Europe.

The European Economic Community, as it is now constituted, accounts for the bulk of exports of sheet, plate, and other flat glass products to world markets. If the United Kingdom shall become a member of the Community, its share of world markets will be considerably increased. Use of the test of supplying 80 percent of world markets, therefore, means in the case of sheet, plate, and other flat glass products that the reduction or elimination of U.S. duties would be based on the fact that the European Economic Community supplies the major part of world markets. Such reduction or elimination would be of absolutely no benefit to the domestic industry. On the contrary, it would insure complete unrestricted access to U.S. markets by foreign glass producers, the ultimate complete takeover of our markets, and the displacement of thousands of American workers.

Not even a reciprocal reduction of tariff rates by the European Economic Community would open up our exports to the Common Market countries or increase our percentage of world markets, for we are unable to compete with the low-cost, low-price products of the Common Market industries. Present evidence of this fact is their present monopoly of world trade outside the United States.

The Ways and Means Committee in its report on H.R. 11970 explaining the President's authority to exceed the basic 50-percent limitation on tariff reductions, stated that it expects the President to confine this broad authority to categories of goods which the United States exports more than it imports. This intention should be spelled out in the law so that the broad authority, if granted to the President, is limited to production in which the United States has, itself, a large export balance.

3. The peril point provisions of existing law, including the determination of specific peril or injury points below which duties may not be reduced by the Tariff Commission, and the requirement of institution of escape clause proceedings, where warranted, should be restored in lieu of the vague, general proposals of section 221(b)

Tariff duties applicable to sheet, plate, and other classes of flat glass products have been progressively reduced in a series of trade agreements entered into by the United States under successive trade agreement statutes which have been in force since 1934. These prior statutes limited consideration of tariff duties to individual products and provided for adequate notice and opportunity of interested parties to be heard, as well as requirements for peril point determinations prior to any tariff negotiations and escape clause procedures to remedy and prevent serious injury to a domestic industry or subdivision thereof. As a result of these carefully devised safeguards, producers of these different classes of flat glass from time to time were able to satisfy the administrators of our trade agreement program that no changes should be made in duties in effect. The recently concluded GATT tariff negotiations offer a case in point.

Plate glass, sheet glass, rolled glass, laminated glass, and tempered glass were all included in the list of products to be considered for possible reductions in tariff duties in these GATT negotiations. Availing themselves of the safeguarding procedures established by the Congress, the various producers were able to demonstrate to the President and his advisers that no further reduction in duties should be made on plate glass, rolled glass, and tempered glass, and no reductions were made on such products. The producers apparently failed to make a satisfactory case of injury on laminated glass and an announcement has been made of proposed further reductions in the duty applicable thereto.

The foregoing facts, based on this industry's recent experience, demonstrate that the peril point procedures of existing law are necessary if wholesale injury to domestic industries or any segment or subdivision thereof is to be prevented.

On sheet glass, the Tariff Commission, as a result of its peril point investigation, and pursuant to the express safeguards of present law, instituted on its own motion an escape clause investigation to determine whether the rates of duty should be increased. After a comprehensive investigation and public hearing in which representatives of domestic manufacturers, labor unions, distributors, importers, and foreign manufacturers participated, the Tariff Commission unanimously found and reported to the President that the existing duties were too low and resulted in serious injury to the domestic sheet glass industry and recommended increases in such rates. By direction of the President, a thorough supplemental investigation was conducted by the Tariff Commission and a further report made to the President. On March 19, 1962, the President announced his approval of the Commission's findings and issued a proclamation giving effect, after April 18, 1962, to the increased rates of duty found necessary by the Commission to prevent further serious injury. On March 28 the effective date was changed to June 18. Such duties are now in effect.

It is open to serious question whether the affirmative action taken by the President to prevent continued injury to domestic sheet glass producers and the apparent conclusion that duties should not be further reduced on plate glass, rolled glass, and tempered glass would have been taken if H.R. 11970 were the then existing law.

4. The escape clause provisions of existing law, section 7 of the trade agreements extension act, should be maintained in full force and effect in lieu of the broad proposed substitute provisions of sections 301 and 351 of the bill

In the sheet glass escape clause case, the Tariff Commission, after two exhaustive investigations made findings in its report to the President which fully sustain conclusions that there existed in effect a significant idling of facilities devoted to production of sheet glass, that the firms in the industry had suffered losses in sheet glass operations in the year 1960 and that there was considerable unemployment and underemployment of sheet glass workers. These findings would meet the tests of injury set forth in section 301(b)(2) of H.R. 11970 with respect to sheet glass.

Because of the multiple-product operations of some of the firms producing sheet glass in the United States, however, and the proposed deletion of the specific definition of industry under present law as meaning a segment or subdivision devoted to production of individual products, the industry might very well have failed to qualify for the tariff relief had the tariff investigation referred to taken place under H.R. 11970. Had this unfortunate result come about, the sheet glass industry in the United States, its employees, and the affected communities would have been faced with an increasingly difficult task of survival.

The sheet glass industry is, of course, deeply grateful to the President for his action in approving the unanimous recommendation of the Tariff Commission to increase duties on sheet glass. We feel obligated, however, to point out to this committee that had H.R. 11970 been in force and effect, such relief probably would not have been available.

5. "Industry" should be defined to apply to a segment or subdivision of an industry producing a particular product as provided in present section 7(e) of the trade agreements extension law in lieu of the proposed test of injury to an "industry" not expressly defined

H.R. 11970 omits the basic declaration of policy by the Congress in existing law that no reduction in duties shall be made or continued in effect if imports are causing or threatening injury to a domestic industry or subdivision thereof. Omitted also are the very comprehensive, specific criteria of existing law for determining injury to a domestic industry or subdivision thereof.

Section 301 of H.R. 11970 refers to serious injury to a domestic "industry." "Industry" is nowhere defined and accordingly would seem to permit or require the consideration of all or a considerable portion of the operations of involved firms in addition to the effects of imports on a particular product. This conclusion is fortified by the omission of section 7(e) of present law which, as indicated, defines industry to mean that portion or subdivision of companies engaged in production of a particular product. Section 7(e) should be restored.

Unless "industry" is defined so as to relate to the production of a particular product, no tariff relief can be expected as long as some producers of the product are able to operate profitably by reason of their diversity. The smaller, undiversified companies, denied such relief, would be forced to suspend operations and get out of the business, while their larger, diversified competitors could survive a protracted period of loss on the product.

A further insignificant difference in the proposals of H.R. 11970 and present law lies in the recitation of factors to be considered in determination of injury. Section 301(b)(2) of the bill would permit the Tariff Commission to take into account all economic factors which it considers relevant, including idling of productive facilities, inability to operate at a profit, or unemployment or underemployment. The specific factors of injury recited by the Congress in section 7(b) of present law should be restored as a part of any injury determination.

Another weakness in the proposed escape-clause provisions of H.R. 11970 is that the President, even if the Tariff Commission finds injury and recommends a tariff increase, is given broad discretion to (1) provide tariff adjustment, (2) allow firms to apply for adjustment assistance, (3) allow workers to apply for adjustment assistance, or (4) take any combination of such actions. Statements by responsible officials of the administration in connection with the consideration of this bill and of its predecessor H.R. 9900, indicates the strong probability that the President would avail himself of his alternatives under the bill, rather than increase tariffs. The proposed alternatives are wholly inadequate for flat glass and similar industries.

The limitation of present law requiring application of tariff relief when found necessary should be maintained.

6. The proposed adjustment assistance to workers and firms is wholly inadequate for industries like the sheet glass, plate glass, and other glasses of flat glass industries, and affords no adequate alternative to tariff relief

Title III, H.R. 11970, makes rather sharp distinctions in the adjustment assistance provided to workers, to firms, and to industries. For example, section 302 makes workers in a firm or in an appropriate subdivision of a firm eligible for such assistance. Firms, as defined in the bill, are seemingly made eligible for assistance only on the basis of established injury in overall firm operations.

The proposed adjustment assistance provisions of H.R. 11970 would afford no relief to labor or to firms in the sheet glass industry or to a firm engaged in making other flat glass products. According to the Tariff Commission escape clause report, the average hourly earnings of workers in the sheet glass industry in 1960 were $3.35 per hour (since increased in new labor contracts)—a figure which is far above the indicated readjustment allowance provided for in H.R. 11970. By comparison, readjustment compensation and retraining are no substitute to labor for loss of jobs.

Furthermore, the impact of the readjustment allowance provided for labor under the bill on the unemployment compensation laws of the various States should be given serious consideration, for it will greatly influence future payments to those unemployed due to economic reasons other than import competition. The present cost of unemployment compensation is placing a heavy burden on industry and other employers. Further increases would discourage expansion and/or continuity of operation.

The adjustment assistance to firms apparently contemplates technical advice and assistance; loans for contruction, modernization, or expansion of plants, buildings, equipment, etc., or supplying working capital and specified forms of tax relief. The plants, equipment, and machinery used in making sheet glass, plate glass, and other classes of flat glass are both modern and highly efficient. Each plant is, however, restricted in its use and cannot be converted to other purposes. Consequently, the proposed adjustment assistance to firms could only result in the confiscation of valuable single-purpose real and personal property without just compensation.

Manufacturers of the various flat glass products in the United States utilize modern, highly efficient machinery and equipment and expend many millions of dollars annually in research and development and process and product improvement. They employ a total of approximately 25,000 workers, with a payroll in excess of $170 million annually, and the annual value of shipments is well in excess of one-half billion dollars. Practically all of the glass plants are located in communities wherein they are the predominate economic factor of community life. The communities, its people and businesses, are dependent upon the operation of these plants for their physical and economic welfare.

Of this group, the sheet glass manufacturers represent an industry with reported investment in productive facilities not convertible to other use of approximately $100 million, an annual average employment of 8,000 workers, with an annual payroll in excess of $50 million, and total annual sales of about $130 million. Notwithstanding our investment in new technology and new plant facilities, we enjoy no competitive advantage over our foreign competitors.

In 1960, imports of flat glass products came into the United States from at least 25 different foreign countries. Producers in those countries have modern machinery and equipment and skilled labor fully equal to that in the United States. The processes utilized are similar throughout the world. It follows necessarily that the substantially lower unit cost of foreign producers arising from their great advantage in labor and raw material costs cannot be overcome unless adequate tariffs be maintained.

Respectfully submitted.

AMERICAN-ST. GOBAIN CORP.,
JAMES L. WILLIAMS.
BLACKFORD WINDOW GLASS CO.,
CURTIS G. SHAKE.
LIBBEY-OWENS-FORD GLASS CO.,
GEORGE P. MACNICHOL, JR.
PITTSBURGH PLATE GLASS CO.,
F. F. BARKER.

JULY 27, 1962.

STATEMENTS OF ADOLPH P. SCHUMAN, PRESIDENT, LILLI ANN CORP., AND CHAIRMAN, SAN FRANCISCO WORLD TRADE CENTER AUTHORITY

My name is Adolph P. Schuman. I am president of the Lilli Ann Corp. of San Francisco, manufacturer of women's wear, and also chairman of the San Francisco World Trade Center Authority. I appear before you today to support the President's trade expansion program.

Because I have been an importer for many years, I have been greatly interested in world trade, and as chairman of our State authority I have the responsibility of developing and carrying out a program which will be of benefit to the State and the Nation. This is a large undertaking because California will soon be the largest State in terms of population, and in 1960 California became the leading export State in the Nation by exporting $1,780 million of natural, processed, and manufactured goods.

Our authority now performs two important functions, operating the San Francisco World Trade Center, "western America's international trade mart," and promoting world trade, particularly exports from the State. Soon we will be promoting tourism, and as far as I know there is no other actual State world trade authority, world trade center operation in the Nation.

I briefly cite the above information to show why we are so vitally interested in world trade and to indicate why I feel H.R. 9900, or similar legislation, must be approved. You have no doubt heard a great deal of testimony about trade theory and about the awful things which could happen to the United States unless either protectionism or free trade is followed, so I won't burden the committee with a repetition of the pros and cons of each philosophy, but do want to say that I know the value of trade and support the Trade Expansion Act.

However, since I wear two hats, I would like to bring to the attention of the committee two important matters concerning woolen textiles. Woolen fabrics present a rather unique problem. No U.S. manufacturer makes woolen textiles in the higher priced range of $7 to $9 per yard and those of us who use this quality must import it from France and elsewhere. We must pay a 38-percent tariff plus 37½ cents specific duty per pound for imported goods. Our U.S. competitors pay only 22 percent tariff plus 37½ cents on finished goods, and on garments which are not quite finished (for example, a hem may be left open so that it can be completed hurriedly and with little cost in the United States) they pay only 15 to 17 percent tariff.

This places the American manufacturer in an untenable position. In California, by using highly automated machinery we can pay U.S. wages and compete, but if what amounts to a subsidy to foreign manufacturers continues we will be forced to cease operations in the United States and will be forced to build plants outside of the country. Normally, labor comprises about 18 to 20 percent of the costs of textile fabrics, and raw material is 60 to 65 percent of the cost to manufacturers. A tariff covering the differential on higher cost of labor in the United States would be logical to place the American manufacturer in a competitive position, but subsidizing foreign competitors is completely illogical and extremely hurtful.

I am not seeking protection, just equality of treatment, and my recommendation is to lower tariffs on high quality, high priced woolen textiles for the reasons stated.

Another problem which I would like to mention concerns reworked or reused wool, sometimes referred to as Prato woolens because this process originated in the town of Prato, Italy. Reworked woolens come from rags, old carpets, etc. Processors cut up these rags and chemically process them, reweave and sell as low-grade woolen textiles. Competitively the cost of the so-called raw material (rags, etc.) may be no more than 3 to 5 percent whereas the cost of virgin raw material averages about 65 percent. Weaving labor cost remains about 18 to 20 percent so you can see how Prato woolens can affect a market.

Following is a table showing the tremendous increase in the importations of this commodity into the United States during the 6-year period, 1955-60:

U.S. imports of selected woolen fabrics, total, and from Italy, 1955–60

[Quantities in thousands of pounds; values in thousands of dollars]

Year	Low-price wool fabrics [1]			
	Total		Italy	
	Quantity	Value	Quantity	Value
1955	8,901.3	26,079.9	490.4	1,177.0
1956	11,810.1	33,530.3	807.4	2,634.4
1957	10,442.6	20,780.0	742.4	1,945.6
1958	10,873.6	28,492.9	2,361.8	3,880.4
1959	17,737.3	38,992.0	7,856.6	10,924.1
1960	23,193.4	46,746.8	13,081.5	16,577.9

[1] Prices at not over $4 a pound.

Source: U.S. Bureau of the Census, U.S. imports of merchandise for consumption, commodity by country of origin (Rept. No. FT110) calendar years 1955–60.

Although a new tariff became effective in January of 1961, the National Association of Wool Manufacturers advises that this tariff has had no appreciable effect in stemming the flow of these inferior woolens into the United States. Although we have a labeling act in the United States, it is impossible for experts to determine whether a fabric is made of reused, reprocessed Prato woolens or simply made from inferior wool. No one knows what kind of diseases, viruses, etc., might be associated with the reprocessed Prato woolens.

The damage resulting from the introduction of this inferior material to the U.S. wool industry is tremendous and it cannot be overcome by higher tariffs. As I have shown in my first example, higher tariffs can be a hindrance to trade and to an industry. They do not mean real protection. In the case of Prato woolens, the consumers should be protected by prohibiting the introduction of this material into the United States.

Economic and political necessity call for a review of our trade and tariff policies, and in general lower tariffs will eventually result from this study.

I hope I have shown that sometimes mistaken arguments have been used by certain groups in seeking certain kinds of protection for their industry. I have tried to show that high tariffs hinder rather than protect my industry, which is the reverse of the intended effect, because if it continues American manufacturers with plants in the United States will be eliminated. I have also endeavored to show that there are some problems that cannot be solved by tariffs. One of them is the Prato woolen problem. Such products should be prohibited from entering the United States, not only because of the damage they do to our own wool industry but because American consumers must be protected and must know what product they are receiving.

I will be happy to endeavor to answer any questions you may have.

Thank you.

MONARCH TILE MANUFACTURING, INC.,

July 13, 1962.

Hon. HARRY F. BYRD,
Senate Office Building,
Washington, D.C.

DEAR SENATOR BYRD: When your committee begins hearings on the foreign trade bill, American industry will wait with anxiety because of the far-reaching effects their action will have on our independence.

Ceramic tile manufacturers in the United States are sorely pressed to survive the flood of imports into the markets of America, manufactured by labor at wages in "Japan average, at 17 cents per hour, compared to the average of $1.87 paid domestic workers" (U.S. Tariff Commission report, table No. 16), even with the scant tariff protection now existing.

The Tariff Commission recommended in 1961, through escape clause investigation No. 7-100, a modest increase in that tariff on tile imports. This action the President refused to ratify by signatuie (brochure enclosed).

The foreign trade bill passed recently by the House not only does away with our tariff system but introduces "adjustment assistance," not considered to be conducive to a spiirt that has borne us through in the competitive challenge always prevalent among us. The courage to continue to support ourselves, our employees, and America in the American way cannot survive without incentive, which this legislation tends to destroy.

The ceramic tile industry in the United States is composed largely of small, by comparison, independent manufacturers who, through their own initiative, expanded the market adequate to support themselves and their employees without subsidy of any character.

We oppose the passage of any legislation that will weaken domestic industry, large or small, and urge the Senate Finance Committee prepare a bill tuned to the survival of American industry, of which we are a proud segment.

Most respectfully yours,

H. E. McCulloch,
Executive Vice President.

Window Glass Cutters League of America,
Columbus, Ohio, July 12, 1962.

Senator Harry Flood Byrd,
Chairman, Senate Finance Committee,
New Senate Office Building, Washington, D.C.

Mr. Chairman and Members of the Senate Finance Committee: Realizing your busy schedules and the value of your time, I am writing to you and enclosing my statement in opposition to H.R. 11970. I respectfully submit for your convenience, subject headings relative to my statement, numbered (1) through (6), and in lieu of a personal appearance submit this statement for the record.

(1) Reduction of existing tariff.

(2) High wages—mass production system. Other countries bought half of the system, not the high wages.

(3) The impact of imports on our economy by the displacement in terms of employment and factory use.

(4) Government subsidies.

(5) Potential or lack of, European Common Market as buyers of U.S. products.

(6) Imports beyond the reach of our minimum wage laws, etc.

Much has been made of the employment attributed to exports, and included in the figures quoted by the Department of Labor are indirect employment figures which serve to bring the figure to an estimated 3.1 million workers whose employment is attributed to exports. Very little has been brought out as to the impact of a job lost because of foreign imports.

It is authoritatively estimated that, for every 100 jobs permanently lost, a community is deprived of at least $360,000 in annual retail sales; $270,000 in bank deposits; 107 automobile registrations; 112 households; 74 jobs in other enterprises; and 4 retail establishments. In addition to this, other significant cutbacks must occur, such as reduced Federal, State, and local tax revenues; greater outlays for unemployment compensation; declining school budgets; less income for charitable purposes. These figures give an idea of the chain reaction effect of a job lost to a community through imports.

I would like to point out in opposition to a statement in Undersecretary of State George W. Ball's statement before the House Ways and Means Committee on March 13, 1962, part 2 (bottom of p. 638 and top of p. 639) quote:

"While such an arrangement must of course be reciprocal in form, Europe is unlikely for a number of years to have large exports surpluses available for sale in America or the capital essential to make a major advance in the American market."

This statement would indicate an advantage to the United States insofar as trade opportunity is concerned, but on the contrary, the Common Market countries are expanding their existing facilities, plus the fact that since 1958 over 600 U.S. enterprises have set up in the Common Market countries and in the same period 219 have gone into business in the European free trade area. (See enclosed article from "France Actuelle.")

And in summary, unless imports are given in terms of quantity, their real impact may be hidden. When we judge the impact of imports on our economy and on our prospects of growth and expansion, we should not regard our trade as

balanced when dollar imports are balanced by dollar exports. Our exports, it seems safe to say, would have to be double the imports by value to strike a balance. I think it is time we stopped fooling ourselves about our favorable trade balance and instead of talking about imports and exports in terms of dollars, that we look at them in terms of employment and factory use.

We feel that the peril point and the escape clause should be included in any legislation in a form that will give adequate protection to domestic industry and labor faced with displacement by foreign imports.

Thanking you for this opportunity to present some of the facts of the opposition, I am,

Respectfully and sincerely,

HOWARD P. CHESTER, *President.*

STATEMENT OF HOWARD P. CHESTER, NATIONAL PRESIDENT, WINDOW GLASS CUTTERS LEAGUE OF AMERICA, AFL-CIO, MEMBERS OF STONE, GLASS, AND CLAY COORDINATING COMMITTEE BEFORE THE SENATE FINANCE COMMITTEE ON H.R. 11970

Mr. Chairman and members of the committee, my name is Howard P. Chester. I am national president of the Window Glass Cutters League of America, AFL-CIO. We are a skilled craft organization who have been in existence since the late 1800's. Our craft is to cut window glass from a large sheet into specific sizes, meeting certain standards with as little waste as possible. We have locals throughout the country; two in Pennsylvania, one in Ohio, one in Indiana, four in West Virginia, two in Oklahoma, one in Arkansas, one in Louisiana. Mr. Chairman, on behalf of the Window Glass Cutters League of America, AFL-CIO, and as a part of the 230,000-member Stone, Glass, and Clay Coordinating Committee, I am appearing here in opposition to the proposed bill, H.R. 11970, and with your permission will direct my testimony to the bill as a whole and its potential effect on the American way of life.

(1) First of all, to lower existing trade barriers when from 1934 until the present time we have lowered our tariffs 80 percent, supposedly for similar reductions abroad, and to find after 28 years of bargaining that we are still confronted with a "high" external tariff. Apparently we have shot away our bargaining ammunition in the many tariff conferences that were supposed to reduce world trade barriers and now find that the barriers are still there. Now American industry and labor are again to be placed on the firing line and face the depressing thought of industry being driven to the wall and the resulting mass unemployment sounding the collapse of our American way of life.

(2) Our high wage, mass production system which was peculiar to the United States has now been exported along with our research and technology and our one-time advantage has been lost to other countries who were impressed with our system and eagerly "bought" it, but only one part—the rising productivity—not the other; namely, high wages. With the advantage of low wages, in all cases below our minimum wage, the result is much lower unit cost. How can we compete, and how can we afford to give a green light to trade and lower tariffs which could only result in sacrificing American workers to countries which are so far below our standard of living and wage scale? If it is the intent to confront labor with a formidable foreign challenge so that wages in this country may be held down by threat of foreign competition, the club is too big and too lethal for its purpose. It is not something to be played with, because to think that we can climb down from our high wage, high purchasing power ladder when everything is attuned to it within this country—effective demand for the output of our factories, taxes for the support of the Government, credit and debit obligations—and to act on such a premise would be unforgivably unrealistic. And surely we cannot hope to confront the Russian menace with a broken back.

(3) Another important factor that must be considered is the impact of imports on our economy by the displacement in terms of employment and factory use, brought about by the volume or quantity of goods imported as opposed to the foreign value figures posted.

Mr. Chairman, I feel that it is safe to say that every dollar of imports represents at least $2 in exports expressed in terms of man-hours of employment. This is the same as saying that the $15 billion in goods that we imported in 1960 would have been valued at least $30 billion had they been produced in this country.

Let me offer a few examples that can be verified.

Our imports in terms of dollars represent foreign value, generally manufacturers' wholesale values. They do not include ocean freight, marine insurance, the importers' markup or the tariff.

The real question with respect to imports then is their impact on the domestic industry with which they compete, including employment.

In 1960, for example, imports of portable radios amounted to $56 million. What does this mean? U.S. factory shipments of such radios were an estimated $112 million. Imports then were equal to 50 percent of domestic shipments, on the basis of value.

Is this all? Is this the true measure of the competitive impact?

The more meaningful question is: How many portable radios came in, never mind the import value? The number was 6 million. This is the real figure. It expresses the displacement carried by the imports. The domestic portable that was displaced was sold at wholesale by the manufacturers for about $25 per set; 6 million of them would be valued at $150 million. What a difference between this figure and the $56 million of imports at $9 per set, which was the import value per set.

Another way of saying this is that while imports by value were only 50 percent of domestic shipments, by number of sets three out of five of those sold in this country were imported. Unfortunately, unless imports are given in terms of quantity, their real impact may be hidden.

In the case of window sheet glass the ratio is not quite so sharp. In 1960 imports of this type of glass were valued at $28 million. This came to 7 million boxes. In this country these 7 million boxes would be worth $42 million at the factory, or 50 percent higher.

In the bread-and-butter talk this means that while the work of 2,145 workers would be required to make $28 million worth of window sheet glass at American prices, the displacement created by imports of that value would be 50 percent higher, or 3,217 workers.

Mr. Chairman, many other examples could be provided but these are sufficient to tell us that when we judge the impact of imports on our economy and on our prospects of growth and expansion, we should not regard our trade as balanced when dollar imports are balanced by dollar exports. Our exports, it seems safe to say, would have to be double the imports by value to strike a balance.

In view of these observations our so-called surplus of exports of $5 billion still leaves us in a hole. I think it is time that we stopped fooling ourselves about our "favorable" trade balance and instead of talking about imports and exports in terms of dollars, that we look at them in terms of employment and factory use.

(4) In regards to Government subsidies, there has been a great deal of pointing with pride at the $4.7 billion U.S. export surplus in 1960, but did you ever consider how much Government subsidies contributed to it?

Direct subsidies—where Uncle Sam actually financed shipments—accounted for between 11 and 16 percent, depending on the figures used, of total U.S. exports last year.

Indirect subsidies which run into the hundreds of millions each year would push the subsidy total considerably higher. Included in these are in-kind and cash payments on agricultural exports such as cotton and wheat to erase the U.S. world price differential, and the Government's export insurance program. The Department of Agriculture Bulletin, DPS 80, August 1961, states that 60 percent of our agricultural exports during the fiscal year ended June 30, 1961, received some form of governmental assistance, and that the exports of the unassisted products declined while the $4.9 billion total was a record 9 percent above the previous year; which leads one to believe that the role of Government subsidies is large and will be larger, and when these items are carried as exports it results in an inflated trade export figure.

(5) In regards to the European Common Market and its potential as buyers of U.S. products, the tariffs given on 37 categories of U.S. products (by standard international trade classification) in 13 European nations show how, in fact, they do protect their industries. For example, U.S. exports of aircraft are admitted duty free to the small nations of Austria, Denmark, and Benelux, but are walled out of big aircraft producers such as France, Italy, and the United Kingdom by tariffs of 20, 18, and 17 percent, respectively. At present, tariffs on U.S. petroleum products average 16 percent in Common Market nations and 89 percent in the Outer Seven. For cosmetics it is 18 and 19 percent, respectively; textiles, 19 and 25 percent; electrical machinery, 16 and 14 percent; and instruments, 14 and 16 percent.

By contrast, raw materials, in short supply in Europe, enter freely. As many as 10 groups (ores, scrap metal, coal, etc.) have tariffs under 4.9 percent.

As for a market for sheet glass, this industry invoked the peril point in 1960 and an escape clause hearing was held in March 1961, at which time the Tariff Commission unanimously recommended tariff increases to stem the tide of increasing imports—the increase from 1950 to 1960 was 1,115 percent—and that between 1955 and 1960 the average number of production and related workers engaged in the manufacture of sheet glass declined 16 percent, total man-hours worked decreased 17 percent, and total wages paid did not change significantly despite an increase of 22 percent in average hourly wages. The sale of a large and growing volume of imported glass at prices significantly lower than prices for comparable domestic glass has seriously weakened the price structure in the U.S. market. We have now received President Kennedy's favorable report on the Tariff Commission's recommendations, but this case had support from the unions involved, their sister unions, the companies, and from Congressmen and Senators who have been concerned about this displacement of industry and labor due to foreign imports.

With this rising tide of imports, how can we possibly sell to the Common Market when Belgium, Germany, and Italy are now expanding their existing facilities to take care of Common Market requirements plus a further invasion of U.S. market. Those countries have a labor shortage while we are facing growing high unemployment and certainly the American workingman would much rather work than receive a dole or adjustment assistance.

(6) Certainly we cannot afford to allow any vision of free trade divert our eyes from reality and blind us to the serious obstacles to higher employment that are a part of any unregulated form of competition that invades our shores beyond the reach of our laws on minimum wage and maximum hour, against poor working conditions and exploitation of labor. The tariff and import quotas are the only substitutes for such laws within our reach.

Without such defenses untold numbers of our stable and efficient industries will be driven to the wall, taking the American workingman with them, back to the "selling apples" era. We do not need more unemployment, we need less, and we should strive for more effective protection for industry and labor, who are being severly damaged by foreign imports.

In closing, I do not believe that this committee, after careful consideration of all the facts at their disposal, will recommend passage of a bill that completely relinquishes the constitutional rights of the Congress to govern and regulate foreign commerce, and which would jeopardize the American economy and way of life. And I would like to repeat, we cannot hope to confront the Russian menace with a broken back.

Thank you for this privilege to testify on behalf of the Window Glass Cutters League of America, AFL-CIO.

STATEMENT BY THE TILE COUNCIL OF AMERICA, INC., ON THE TRADE EXPANSION ACT OF 1962, BEFORE THE SENATE COMMITTEE ON FINANCE

Mr. Chairman, members of the committee, the Tile Council of America is an association of manufacturers whose member companies produce about 85 percent of the ceramic floor and wall tile made in this country. The Tile Council wishes to thank the committee for permitting it to make its views known on this important legislation. At the same time, the Tile Council wishes to register its vigorous opposition to the so-called Trade Expansion Act of 1962, as it was passed by the House of Representatives.

The legislation approved by the House, we believe, is not in the best interests of our industry; nor do we believe it to be in the best interests of our Nation. We are appalled that the House-passed version coldbloodedly anticipates the disruption and destruction of American companies and industries, with the ensuing loss of jobs for our citizens. The domestic ceramic tile industry does not believe that these ends can be construed as being "in the national interest."

The domestic ceramic tile industry can speak with a certain amount of authority on the basic issues involved in this trade legislation. On the competent advice of members of this body and of others in high Government circles the ceramic mosaic tile producers (an important segment of our industry) embarked on an escape clause action, as provided for in the Trade Agreements Act which expired on June 30 of this year. After lengthy and detailed hearings the Tariff Commission unanimously found that the domestic industry was being seriously injured by a flood of low-cost imports, and recommended—again, unanimously—

a modest relief. On March 19 of this year the administration made an arbitrary, calloused political decision and denied relief to this hard-pressed industry.

Discussion of our late tariff case is of extreme importance to the committee in its study of the administration's proposals in the field of international trade. The major portion of this bill deals not with tariffs and international trade, but rather it provides a host of bureaucratic nostrums for the serious ills that quite obviously will arise as a result of the program. Instead of enacting a meaningful escape clause that will provide useful assistance to injured industries, the administration is seeking to create a whole new Federal bureaucracy under the title of "trade adjustment assistance."

It is of extreme importance for the committee to note that the President's report rejecting the Tariff Commission's unanimous recommendation for the ceramic mosaic industry is apparently not based on considerations of "national interest"—a phrase we hear so often nowadays. Rather, the President substituted his own "judgment" for that of the Commission, as to serious injury. These findings by the Commission were made after a year of careful investigation by a staff of experts, and the facts developed were given careful scrutiny by the six Tariff Commissioners. Thus, the President adopted the extraordinary procedure of going behind the facts found by a nonpartisan commission created by the Congress. Not only did the President choose to ignore the Commission's findings, but he also interjected into his considerations the highly questionable practice of voluntary quotas from Japan.

We raise this point here only to demonstrate what domestic companies or industries can expect at the hands of an administration indifferent to their serious position as the result of cheap imports. Under the terms of the so-called "trade adjustment assistance" passed by the House, the Federal executive department will be afforded vast new opportunities to substitute their "judgments" for those of the Tariff Commission. And, if the experience of the ceramic mosaic producers is any criteria, we pity the companies and industries left to those tender mercies.

We believe the "assistance" provisions contained in the present version of the act will create a deplorable set of conditions. We seriously challenge the wisdom of creating a caste system among our Nation's unemployed workers. That most certainly is what this provision will do. Men and women who lose their jobs as the result of a flood of cheap imports—and there appears to be no doubt in the minds of the administration that jobs will be lost—will be accorded entirely different treatment from those whose jobs are lost through technological innovation, recessions, undercapitalization, or just plain bad management. In short, it provides an entirely new system of unemployment compensation for those workers who have the wherewithal to prove their case. Since the adjustment benefits provided for in this bill are substantially greater than those available under normal unemployment compensation programs, the bill has obvious built-in inequities for unemployed workers.

We do not believe that the trade adjustment portions of this bill will cure the ills arising out of our freewheeling international trade negotiations. Rather, we believe this section of the bill eventually will pave the way for a huge new Federal bureaucracy that will lead to economic chaos. It will further entrench the Federal Government in our domestic economy to a point where our free enterprise system may no longer exist in this country.

Rather than create a whole new maze in the bureaucratic jungle, we strongly urge that the committee recommend a strengthened, meaningful escape clause in the trade legislation it reports to the Senate. Failure to do this will mean that the Congress concurs in the philosophy that there is no longer a place on the economic scene for industries such as the ceramic tile industry and a great many other; that it is in the "national interest" for industries to be wiped out, firms to be put out of business, and workers shifted around by the Federal Government.

It seems only reasonable that Congress, the source of power of the President to negotiate trade agreements, should enable itself to review the effects of the use of that power on domestic industries. It is indeed unfortunate that the Congress has consistently shunned its constitutional role in this vital area during the past 28 years. In the Trade Agreements Extension Act of 1958, the Congress made a feeble effort at such a review by means of a privileged concurrent resolution. However, the ceramic mosaic producers in our industry can testify to the impossibility of getting a practical review under this procedure. The simple majority provision provided in the House bill—with the resolution

coming only from the Ways and Means Committee—likewise is an ineffectual procedure. A more realistic approach would be a privileged resolution requiring only a majority vote.

In conducting its investigations into this vital field, we strongly urge the committee to make a careful study of this country's actual bargaining position at the international trade table. We strongly suspect that the wheeling and dealing that has taken place over the past 25 years has all but wiped out most of the meaningful tariff concessions we can grant other nations. In the case of ceramic mosaic tile, for example, we know that meaningful tariff concessions can no longer be offered.

The bulk of the ceramic mosaic tile coming into this country, mostly from Japan, has a specific duty of about 4½ cents a square foot or an ad valorem rate of about 21 percent. On the other hand, the average price spread between imported and domestic tile is about 20 cents a foot. It is obvious that the tariff on this type of ceramic tile is virtually meaningless.

It is meaningless in two respects. It is so low that it has very little effect on the amount of tile imported from Japan. That country has demonstrated beyond all reasonable doubt its ability to export tile to this country at an injuriously high rate. They already have captured 42 percent of our market; testimony enough to the ineffectiveness of our tariff schedules.

Our tariffs are meaningless in another respect. Suppose the tariff on ceramic mosaic tile were reduced another 50 percent; that is, from 4½ cents a foot to 2¼ cents. Considering the tremendous price spread resulting from the Japanese low wage rates, our bargaining power with this commodity is virtually nonexistent. As the Common Market raises its tariff wall against our products, it would seem only prudent that we seek ways to strengthen our bargaining position.

The argument that a meaningful escape clause weakens the hands of our trade negotiators is a specious one. Tariffs are not negotiated in perpetuity. Historically, tariff levels and specific tariffs have fluctuated. Our foreign trade negotiating counterparts are aware of this. Within the past year, new "reciprocal" tariff cutting was successfully negotiated within the GATT with the present escape clause on the books, with no apparent ill effects. Since we supposedly control the largest market with the greatest purchasing power, those facts alone should give us considerable leverage at the bargaining table, escape clause notwithstanding. A meaningful escape clause would not necessarily hang as a Damoclean sword over international trade negotiations.

Under present conditions, and because of the Executive attitude, the escape clause is something of a game of Russian roulette. This should not be. It is a deliberate thwarting of the intent of Congress in enacting the escape clause. If this committee does nothing else, we strongly urge that it recommend legislation that will present American industry with a strengthened, workable escape clause. The experience of ceramic mosaic tile producers has demonstrated beyond all reasonable doubt the need for this.

We sincerely believe it was the intent of Congress when it enacted the escape clause that, unless the state of our foreign situation were compelling (in short, a matter of national interest), the recommendations of the Tariff Commission should be proclaimed.

We do not believe the Congress and the American people want our industry, its employees, or others in a similar situation, to be considered expendable. We believe enactment of the Trade Expansion Act of 1962, as passed by the House, could well be disastrous to our industry. We do not believe that the elimination of tariffs, or the reductions authorized in the bill, will materially stimulate trade; they will only add to present injury.

We realize the tremendous responsibility facing the committee. There are no easy answers to the complex problems involved in this critical area of our national life. The Tile Council of America and its member companies are as vitally concerned with the economic health of this Nation as are those who so ardently espouse this measure. For an industry our size, we have invested heavily in the economic future of this country. We have done so in the belief that we would be able to partake of the fruits of our labors as we created demands for our products in the highly competitive building products field. This has not been entirely the case. We have seen an ever-increasing portion of our market swallowed up by foreign producers whose only advantage is a pool of low-paid labor.

The plight of our industry is largely the result of the tariff and other policies of our Federal Government. There is no other place for this industry to turn for relief from this continuing injury than to the Congress. We sincerely petition this committee to give serious consideration to the grave problems facing the domestic ceramic tile industry and those in a similar position.

LAW OFFICE OF GEORGE BRONZ,
Washington, D.C., August 1, 1962.

Hon. HARRY FLOOD BYRD,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This statement is filed on behalf of the pin import group of the National Council of American Importers, Inc.

The pin import group agrees fully with the testimony given on behalf of the National Council on July 24, 1962, endorsing H.R. 11970, and making suggestions to strengthen its provisions for the reduction of international trade barriers. There is, however, one additional change, of vital concern to the pin import group, which we propose to the committee: i.e., the deletion of section 225(b).

Section 225(b) provides that, if the Tariff Commission ever recommended escape clause action with respect to an article, and the President rejected such recommendation, the article must be excluded from consideration for any future tariff reduction, so long as the Commission is prepared to say "that economic conditions in such [domestic] industry have not substantially improved since" the prior finding.

This strange provision would resurrect every rejected recommendation ever made by the Tariff Commission, however outdated, however discredited, however irrelevant to the trade picture of the 1960's and give it operative force, which it never had before, to bar consideration of the product in question in any new trade negotiations.

These old recommendations were made under statutes which gave the Commission no power to act; it could only recommend. The President was given the power to act. He rejected these recommendations. Now section 225(b) would endow this whole array of rejected recommendations, retroactively, with determinative legal status. The President would be powerless.

Section 225(b) does not even permit the Tariff Commission to reexamine a case fully to decide whether a 10-year-old rejected recommendation is still appropriate. It may reexamine, but solely to decide whether or not "economic conditions in [the domestic] industry have * * * substantially improved." If conditions have not improved, or if the improvement has not been substantial, the Commission must close its eyes to the causes of the stagnation, which may, of course, have been due to any number of factors having nothing to do with imports. Indeed, even if imports had stopped completely, the Commission could not undo its own obsolete finding if the domestic industry remained stagnant due, perhaps, to a change in public taste or fashion, or the development of a substitute product.

Here are some examples of the results section 225(b) would seem to compel:

1. In 1952, the Tariff Commission, by a 4 to 2 vote, recommended escape clause restrictions on garlic. President Truman rejected the recommendation. In 1958, the Commission again investigated garlic, and by unanimous vote (5 to 0), found no basis for escape clause relief. Similarly, in 1954, the Tariff Commission, by a 4 to 2 vote, recommended escape clause restrictions on scissors and shears. President Eisenhower rejected the recommendation. In 1959, the Commission unanimously (6 to 0) rejected escape clause action on the same products. Section 225(b) would now make the 1952 vote on garlic, and the 1954 vote on scissors and shears, determinative, despite the unanimous reversals, by the same Commission, in 1958 and 1959.

2. In 1958, the Tariff Commission, by a 3 to 2 vote, recommended escape clause restrictions on umbrella frames. President Eisenhower rejected the recommendation. In 1961, the domestic producers instituted another escape clause proceeding, which was finally dismissed, unanimously, on motion of the applicants themselves. Section 225(b) would make the 3 to 2 vote in 1958 determinative, even though the domestic producers themselves realized in 1961, after an abortive effort, that they had no case, and the Commission agreed.

3. In 1953, the Tariff Commission recommended escape clause restrictions on tobacco pipes and bowls. In 1954, a similar recommendation was made with respect to screen-printed silk scarves. Both these recommendations were rejected by the President. Although the domestic producers do not appear to have considered they had a basis for reopening either case, in all the years which have passed, section 225(b) would make the 1953 and 1954 recommendations determinative today.

4. Straight pins have been investigated by the Tariff Commission three times. In 1954, the application was dismissed by unanimous (6 to 0) vote. In 1957, and again in 1962, the Commission recommended a duty increase, each time by a

4 to 2 vote. Both recommendations were rejected, the first by President Eisenhower, and the second by President Kennedy. Section 225(b) would mean that the importers of straight pins, hauled before the Tariff Commission three times to defend their tiny business, would now be permanently disadvantaged because of the two discredited recommendations of the Tariff Commission.

We submit that section 225(b) has no place in the bill. It would give a measure of finality, retroactively, to Tariff Commission recommendations which the Congress repeatedly refused to make final. It would arbitrarily make obsolete recommendations of the Tariff Commission a curb on the President's new powers.

Thrice exonerated of the charge of causing serious injury to domestic producers, under the procedures of law in force at the time, the importers of straight pins should not now be penalized for their innocence. Section 225(b) should be deleted.

Sincerely yours,

GEORGE BRONZ,
Counsel to the Pin Import Group,
National Council of American Importers, Inc.

RESOLUTION OF BOARD OF DIRECTORS OF NATIONAL ASSOCIATION OF SHOE CHAIN STORES

The Board of Directors of the National Association of Shoe Chain Stores, believes that:

A. Our international trade must be expanded—

1. For the greater well-being of the economy of the United States;
2. To promote the economic growth and political cohesion of free nations; and
3. To strengthen our national security.

B. The European Common Market constitutes a great and powerful economic force, the impact of which requires immediate and positive action in the interests of the economic and political welfare of the United States.

C. Because new legislation to this end is under active consideration, the NASCS desires to set forth its views as follows:

1. Tariff legislation alone cannot fully and sufficiently enhance the competitive strength of the United States in world trade, and to accomplish this vital purpose the executive and legislative branches of government must also initiate effective domestic policies, dealing with such cost factors as taxes, wages, etc.

2. It is immediately necessary and desirable that the President be given adequate authority to negotiate mutually beneficial reductions in all forms of barriers to international trade.

3. As evidenced by the wartime controls under which it operated, the shoe-manufacturing industry should be considered essential to our national security, and as such, its productive facilities and capacities should be preserved in accordance with section 232 of the proposed Trade Expansion Act of 1962.

4. Certain approaches and mechanics of H.R. 9900 indicated the need for improvement and correction, some of which have been carried out in H.R. 11970. The board of directors of the National Association of Shoe Chain Stores therefore continues its endorsement and support of the objectives of this legislation.

(Whereupon, at 11:50 a.m., the committee recessed, to reconvene at 10 a.m., Wednesday, August 8, 1962.)

TRADE EXPANSION ACT OF 1962

WEDNESDAY, AUGUST 8, 1962

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

The committee met, pursuant to recess, at 10:05 a.m., in room 2221, New Senate Office Building, Senator Harry F. Byrd (chairman) presiding.

Present: Senator Byrd, Talmadge, Williams, Carlson, Butler, and Curtis.

Also present: Elizabeth B. Springer, chief clerk; and Serge N. Benson, professional staff member.

The CHAIRMAN. The committee will come to order.

The first witness is Mr. E. C. Coleman, representing the Luggage & Leather Goods Lock Manufacturers Association.

Mr. Coleman, a fellow Virginian, sir, I welcome you.

STATEMENT OF E. C. COLEMAN, SALES MANAGER, LONG MANUFACTURING CO., APPEARING ON BEHALF OF THE LUGGAGE & LEATHER GOODS LOCK MANUFACTURERS ASSOCIATION

Mr. COLEMAN. Mr. Chairman and members of the committee, my name is E. C. Coleman. I am sales manager of the Long Manufacturing Co., Petersburg, Va. I am appearing on behalf of the Luggage & Leather Goods Lock Manufacturers Association.

We make luggage hardware, including locks. We are being driven to the wall by import competition in the face of the present tariff of 22½ percent of foreign value. We think we would be driven out of business if the tariff is eliminated as seems to be intended by the pending bill.

However, I shall not dwell on the details of our business prospects because I think the committee may be more interested in the broader aspects of this legislation.

It is worth recalling that from 1934 to 1961, the proponents of the trade agreements program insisted that it was designed to expand trade without causing injury to American industry.

In asking Congress to delegate to him its constitutional power to adjust tariffs in 1934, President Roosevelt said:

> The exercise of the authority which I propose must be carefully weighed in the light of the latest information so as to give assurance that no sound and important American interest will be injuriously disturbed. (House Ways and Means Committee hearings on reciprocal trade agreements, 1934, p. 458.)

Secretary of State Hull made a similar declaration, as did later Secretaries. President Truman reaffirmed this policy shortly after taking office and, in 1947, issued an executive order directing that all later

trade agreements must contain an escape clause to safeguard American industry from injury.

In 1951, the Congress enacted the escape clause into law, the language having been written by the Committee on Finance. In addition to enacting the procedures for relief (sec. 7), the Congress declared that no trade agreement concession shall be permitted to continue in effect when the product in question is being imported in such increased quantities as to cause or threaten serious injury to the domestic industry (sec. 6(a) Trade Agreements Extension Act of 1951).

It is noteworthy that the protective policy was espoused by Democratic administrations and endorsed by Democratic Congresses.

Now, another administration is asking abandonment of that policy. It asks for unprecedented delegation of power to remove tariffs entirely. It claims that the escape clause is continued by the House bill.

To help the committee in appraising whether or not this is so, we have tabulated in the appendix the key provisions of standards and criteria of the escape clause of present law and of the pending House bill.

The committee will note how the pending bill makes it quite difficult, if not impossible, to make a case for relief. By omission of the words "in whole or in part," it is apparently intended that the increased imports must be proven to be attributable solely to the trade agreement. Thus, if the importer can show some other factor played a part, he is home free.

The pending bill rejects the language of present law which relates increased imports to the duty reflecting a trade agreement concession and requires that the imports be the result of the concession. In 1951, this committee determined the latter test was incapable of proof. Is it not reasonable to conclude the drafters of this bill want an impossible burden of proof imposed on American industry?

It is difficult to understand why the drafters of the bill object to having the Tariff Commission make recommendations to the President. Is this another step in downgrading the Commission?

Of utmost importance are the criteria to be followed by the Tariff Commission in escape clause determinations. Since 1951, the law has provided alternative criteria of downward trends of production, employment, prices, profits, or wages, or a decline in sales, an increase in imports, a higher or growing inventory or a decline in the proportion of the domestic market supplied by the domestic industry. These are significant danger signs in a private-enterprise economy.

The pending bill, on the other hand, recognizes nothing less than economic disaster as the test for the escape clause. It prescribes the cumulative criteria of idling of productive facilities, inability to operate at a profit and unemployment or underemployment.

Thus, the bill rejects our historic test of giving domestic industry a chance to remain healthy, or quickly to regain health when it falls ill, and in lieu says we can't even call a doctor until we are dead. Only a complete hatred of protective tariffs could promote such thinking.

The administration tries to justify its position by declaring it needs a new policy in order to deal effectively with the European Economic Community or Common Market. One would suppose from this that this splendid integration of six countries in Europe was also going free trade. And so they are—but only as far as trade with each other is concerned.

The EEC has the opposite objective so far as trade with the United States and other countries is concerned. The very foundation of the Common Market is the maintenance of a common external tariff and rates on many U.S. exports were substantially raised in the formulation of the CXT. Indeed, the formula used, a simple average of the national tariffs, was bound to have that result. Subsequent declarations of leaders of the EEC have reaffirmed the protective policy, in connection with suggestions that the United States might wish to join.

The bill does not require that we get reciprocal concessions. We do not doubt the President's intention to try to get concessions for exports in return for the removal of the American tariff. What can be expected is that the Common Market will grant us tariff reductions or bindings on goods that complement their own production and that the United States will grant free trade on competitive imports, since most of our noncompetitive imports are already on the free list of the Tariff Act of 1930.

In pushing its trade program, the administration has deluged the country with a propaganda campaign the likes of which have never been seen before. In this campaign, there are many distortions.

Consider, for example, the Labor Department's thesis that 1960 exports generated 3 million jobs whereas less than 1 million could have been adversely affected by imports. All exports are assumed to add jobs; only "competitive" imports are assumed to have a possible adverse effect. This seems plausible enough, until we see the arbitrary classifications that were made to remove imports from the competitive class.

Imports amounting to less than 5 percent of U.S. supply are assumed to be not competitive. Steel mill product imports of over $500 million in 1960 were less than 5 percent of U.S. supply. One wonders whether steelworkers in the southern parts of the country, where imports have been especially heavy, would regard the imports as noncompetitive.

Petroleum imports of over $1½ billion are assumed to be noncompetitive. One wonders whether the Texas oil industry, operating on an 8-day-per-month schedule, would think this reasonable.

Iron ore imports of over $300 million are assumed to be noncompetitive. One wonders how the representatives of the Minnesota iron miners think about this.

It seems clear that the figures were juggled to maximize the benefits of free trade. Does the Congress want to delegate control over trade policy to an administration that does this? Is this massive snow job to succeed?

As I view the scene, I am reminded of the words of Edmund Burke that: "the age of chivalry is gone; that of sophisters, economists and calculators has succeeded."

May I add, Mr. Chairman, we have given a good deal of thought to the amendments of Senator Bush which were submitted last week.

We would have liked it better if Senator Bush had provided for congressional review by either House of Congress and if he had included congressional review of new trade agreements that violate peril point findings, we hope the committee will consider these additional points.

But even if the committee does not favor these additional points, we still want to endorse the Bush amendments.

Thank you.

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

Do you say you favor the amendments offered by Senator Bush and others?

Mr. COLEMAN. Yes, sir.

The CHAIRMAN. Do you have any additional amendments?

Mr. COLEMAN. No, we have no additional amendments to offer, sir, except those I suggested just now.

The CHAIRMAN. Thank you very much.

Any questions?

Thank you, Mr. Coleman.

Mr. COLEMAN. Thank you, sir.

(The appendix referred to follows:)

COLEMAN APPENDIX

Escape Clause of Trade Agreements, July 1962

(PRESENT LAW)	(H.R. 11970, SEC. 301)
Tariff Commission to investigate whether as a result	Tariff Commission to investigate whether as a result
in whole or in part	------------------------------------
of the duty or other customs treatment reflecting a trade agreement concession	of concessions granted under trade agreements
a product is being imported in such increased quantities	an article is being imported in such increased quantities
either actual or relative	------------------------------------
as to cause or threaten serious injury to the domestic industry	as to cause or threaten to cause serious injury to the domestic industry
Should the Commission find injury it shall	Should the Commission find injury it shall
recommend to the President withdrawal or modification of the concession or establishment of import quotas necessary to prevent or remedy the injury.	find the increase in or imposition of duty or other import restriction necessary to prevent or remedy the injury and include such finding in its report to the President.
In making its determination the Commission, without excluding other factors, shall take into consideration	In making its determination the Commission shall take into account all relevant economic factors including
downward trend of production	idling of productive facilities
downward trend of profits	inability to operate at a profit
	and
downward trend of employment	unemployment or underemployment
downward trend of prices	------------------------------------
downward trend of wages	------------------------------------
decline in sales	------------------------------------
increase in imports	------------------------------------
higher or growing inventory	------------------------------------
or	
decline in proportion of domestic market supplied by domestic producers	------------------------------------
Industry means that portion of producing establishments making the product.	No definition but bill apparently requires consideration of all productive facilities of all firms in the industry.

The CHAIRMAN. The next witness is Mr. Burnham B. Holmes, of the Rolled Zinc Manufacturers Association.

Mr. Holmes, take a seat, sir, and proceed.

STATEMENT OF BURNHAM B. HOLMES, ON BEHALF OF THE ROLLED ZINC MANUFACTURERS ASSOCIATION

Mr. HOLMES. Mr. Chairman, I filed a prepared statement but I have some briefer notes that I will talk to if it can all be in the record, with your permission.

The CHAIRMAN. Without objection.

Mr. HOLMES. I am Burnham B. Holmes, a resident of Muncie, Ind., vice president of Ball Bros. Co., appearing here as the spokesman for a trade association, the Rolled Zinc Manufacturers Association.

All of the U.S. companies that roll zinc for sale are members of this association.

I appear to respectfully oppose H.R. 11970. We sincerely believe that H.R. 11970 is a better bill than H.R. 9900, and are deeply appreciative of the work done by the House Ways and Means Committee to improve it.

But we are sincerely convinced this bill is not in the best interests of American workers or American investors.

All of us approve of everything on the cover page and page 2 through line 13 of this bill. We subscribe to the purposes but we do not believe the bill will work toward the achievement of those proper purposes.

Let us recognize that in spite of the implications of the State Department propaganda, the United States is now on a relative basis a free trade or a low tariff nation.

In the last 25 years, we have cut our average duties from about 50 percent to about 12 percent except for our most protected subsidized industry, namely, agriculture. We have very few quota systems, embargoes, and no currency restraints. Few if any other nations can make that statement.

And second, the competitive situation now facing us by creation of the European Economic Community or Common Market is nothing to cause fear or panic. We do not even know yet who is going to be a member, nor do we know all of the rules.

We properly should favor the advent of the Common Market and we properly should adjust our course to meet it, but not in panic, and not in haste.

This will require studious statesmanship of the same order as was required to conceive the Common Market and to nurture it to its present position of promise and hope.

What aspects of H.R. 11970 are unwise in the opinion of the rolled zinc manufacturers?

First, we think it unwise to authorize trade bargaining in broad categories, unless these categories can be and are related to our tariff paragraphs, our records showing histories of imports, exports, and the relative importance to the American industrial picture, and unless proper guidance is given to our representatives, and unless they are required to follow such guidance.

Secondly, we think it unwise to abandon the peril-point concept which, though fraught with difficulties and far from perfect has been worked out by several Congresses and revised to more nearly fit the requirements.

Third, we pray that only will you preserve the peril point, but you make such peril points binding on the executive branch.

Fourth, we urge you to provide that Congress may by a privileged resolution and a majority vote of both Houses affirm any Tariff Commission recommendation which the President has declined to accept.

Fifth, we urge you to consider and review and possibly eliminate the most-favored-nation priciple which has been so abused.

Sixth, eliminate the adjustment assistance for firms.

Seventh, eliminate the assistance to workers other than to give them the same unemployment protection if unemployed due to imports as they would have if unemployed due to lack of work for any other cause.

In addition to these specific criticisms, we must point out that several U.S. industries are in real trouble in their home markets due to higher cost of labor and/or of raw materials. Our own zinc rolling mill products industry is one of these, and we believe it merits special consideration as part of any sound new trade legislation.

Let me now speak just of zinc and certain products thereof.

The United States has a seven-tenths of a cent per pound duty on zinc in ingot form and in addition we have a quota on the import of zinc.

The United States has a duty of just 1 cent a pound on finished and rolled sheets made 100 percent from zinc ingot by a costly process of melting, casting, normalizing, rolling, and rerolling, shearing, and so forth. The result is that the average foreign value in 1961 of imported Yugoslavian zinc sheet was only 13.6 cents per pound, scarcely more than we pay for a slab of zinc to start with.

In the time available I cannot completely support the recommendations that we are making but I would ask your careful consideration of these problems.

We have no objection to a sound program to protect the American zinc miner and smelter but we fear that the present program will in time ruin their American customers, and the products will all be imported and what good will it do to have protected the miners and smelters?

To solve this we recommend that as part of any new trade legislation you incorporate the provision essentially similar to that in bill S. 2747 by Senator Anderson or H.R. 11827 by Congressman Harvey, of Indiana. These bills would do away with the quotas on lead and zinc and on the ores thereof and would provide a certain degree of duty protection and would also give a fairly workable degree of protection to the immediate products thereof.

We feel that we should comment on one particular part of H.R 11970, which is so meritorious. This is the removal of duty concessions to Communist-dominated Yugoslavia and Poland.

We have particularly strong interest in this because they are causing us a large part of our import problem with prices not developed in the marketplace as are our prices, but with prices developed under their centrally planned economic system. Since Yugoslavia is part of a system that has sworn to bury us, we urge you to keep this clause in any trade bill you recomemnd.

I still have not told you our real problem, how imports of zinc sheets have climbed from nothing to more than 40 percent of the in-

dustry, how these are priced so cheap that we cannot pay U.S. prices for zinc and good American wages and compete.

I do have exhibits with me and would welcome any questions.

In summary, may I presume to recomemnd to you a course of action which we believe would be in the finest tradition of this committee and in the interest of a broad base of American industry: Don't pass 11970. Recognize it for what it does; namely, scraps the whole body of legislation built up by many Congresses over many years that now gives us a favorable balance of trade, that now opens our markets to the world, but keeps them under a modicum of control.

Recognize that this bill would result in an abdication by Congress of its constitutional obligations. Instead we urge you to extend the present trade legislation for 2 years with a provision that duty concessions now given to Yugoslavia and Poland be withdrawn and at the same time we request that you request the Tariff Commission to make a broad study of our trade history, the current situation vis-a-vis the Common Market, and other groups and countries, and report back to you with its recomemndations for the guidance of your comimttee and the House Ways and Means Committee in drafting whatever program appears most feasible to replace this program 2 years hence.

Senator WILLIAMS. Mr. Holmes, what concessions have been granted to Yugoslavia and Poland?

Mr. HOLMES. They are on the most-favored-nation basis.

Let me try to support our position with a few direct quotations, and I quote:

> Sweeping changes in our foreign trade policies are not necessary—

I am quoting from a letter written to Gov. E. F. Hollings, August 31, 1960.

Second:

> I supported the peril point and the escape clause, both of which are in the present Reciprocal Trade Act. I would not ask additional legislative action, however, on reciprocal trade.

This is from a TV broadcast, Portland, Maine, September 2, 1960.

Thirdly:

> I believe we can protect our domestic industry within present laws, with Presidential leadership, with a knowledge of the problem, with effective workings between the President and the State Department and countries abroad, and with the provisions in present reciprocal trade laws if vigorously, effectively, and responsibly administered. (Address, New York City, October 12, 1960.)

Gentleman, all of these quotations are, to my best belief, accurate and quotations of talks by John F. Kennedy made while campaigning for the Presidency of the United States. I believe his quotations fully support the request we are making of you today. Speaking for the several hundred employees of the zinc rolling mills of Illinois, Pennsylvania, New York, Massachusetts, Connecticut, and in Indiana, speaking, I believe, for the majority of zinc miners and smelters, speaking for the managers and shareholders, we thank you for this opportunity to express our views.

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

Any questions?

(Mr. Holmes' prepared statement follows:)

STATEMENT OF BURNHAM B. HOLMES IN BEHALF OF THE ROLLED ZINC MANUFACTURERS ASSOCIATION

Mr. Chairman and members of the committee, I am Burnham B. Holmes, vice president of Ball Bros. Co., Muncie, Ind., and I appear as a member of the executive committee and in behalf of the Rolled Zinc Manufacturers Association. The association's seven members manufacture 100 percent of the zinc rolling mill products produced for sale in the United States.

Our industry is one in which import competition was negligible 10 years ago. Since that time imports have increased to the point where they accounted for approximately 44 percent of domestic production last year in one important product we produce and have seriously threatened injury in the case of the other products. Therefore, any legislation which would authorize the lowering of import restrictions on our products is of paramount concern to us.

With this very brief background let me discuss the bill before you, indicate the provisions we consider to be desirable, the provisions we consider to be undesirable, and our overall recommendations for amending the bill if it is to be reported by this committee to the Senate.

DESIRABLE PROVISIONS IN H.R. 11970

1. Requirement that Yugoslavia and Poland pay full duty rates. Section 231 of the bill, beginning on page 12, would require that the products of Yugoslavia and Poland pay the same full duty rates just as such rates now are assessed on the products of other Communist countries. I am sure the committee is familiar with the broad arguments regarding Yugoslavian products paying full duty rates. Concerning products of our industry, we see the direct result of the current U.S. policy which gives Yugoslavian products the same favored customs treatment as the free nations of the world. In 1961, 1,537,748 pounds of zinc sheet were imported from Yugoslavia—over 64 percent of all imports and over 29 percent of U.S. production. The average foreign value in 1961 of imported Yugoslavian zinc sheet was only 13.6 cents per pound, slightly more than the U.S. price for slab zinc. The average Yugoslavian wage in metal products industries in 1960 was 31 cents per hour compared to the U.S. $2.45 per hour according to the "Yearbook of Labor Statistics of the International Labor Office."

Zinc sheets are an item of high labor content. This, combined with the ability of Yugoslavia to buy the base metal for an extremely low price, has enabled Yugoslavia to deliver zinc sheets in the United States at approximately half or less of the price for which U.S. manufacturers must sell zinc sheets and for very little more than the price U.S. manufacturers must pay for the base metal.

If our industry were not confronted with severe import competition from Yugoslavia, we still would favor assessing full duty rates against products imported from Yugoslavia and Poland so as to give the trade from our country to free countries of the world rather than Communist countries. However, in addition to this basically sound economic policy, we feel it is doubly meritorious because Yugoslavian imports are ruining our industry, and perhaps other industries, because the prices of the products from these countries for shipment to the United States may be determined by the Communist Yugoslavian Government without reference to costs of production which, of course, is not the pricing system in countries such as the United States which operate under the private enterprise system. We are pleased that the House bill includes this provision and urge its retention without amendment.

2. The action of the House of Representatives in authorizing a majority of Members of both Houses of Congress to affirm a Tariff Commission escape clause recommendation which the President has declined to accept is a constructive action.

If the factfinding bipartisan Tariff Commission finds serious injury to the domestic industry and recommends increased imports restrictions, we feel that the Congress, since it has delegated much of its tariff determining authority, should have the power to approve a Tariff Commission escape clause recommendation in the event the Members feel that the President is not justified in not accepting the recommendation. The majority override principle is constructive and we favor its retention in the bill.

UNDESIRABLE PROVISIONS IN H.R. 11970

1. Too much tariff-cutting authority

President Kennedy has referred to the current proposal as a bold new approach. We consider it to be a bold, unwise, and disastrous approach inasmuch as our average tariffs have been reduced 75 to 80 percent of the rates existing under the Tariff Act of 1930. We question whether additional tariff-cutting authority in any form should be authorized. If so, however, the authority vested in H.R. 11970 is much too broad. Any tariff-cutting authority should not exceed 20 percent of the rates in effect on July 1, 1962, which is along the line of tariff-cutting authority under the trade agreements program for many years.

2. Strengthen the peril point provision of existing law

If any additional tariff-cutting authority is to be given to the President in view of the threatened peril to domestic industries from imports, then the safeguards for the protection of domestic industries must be strengthened. We have felt that the peril point procedure over the years worked rather well because until this year Presidents representing both political parties practically always respected the peril points as established by the Tariff Commission after thoughtful and impartial hearings. President Truman violated only a very few peril points during his entire Presidential tenure and President Eisenhower in 8 years of office did not lower a single duty in violation of a peril point. However, President Kennedy this year has violated 62 peril points. As long as the President of the United States generally respected the recommendations of the U.S. Tariff Commission as to what duties could not be further lowered without causing or thereatening serious injury to the domestic industry producing like or directly competitive products, we felt it was not objectionable to leave this discretionary authority in the President, knowing and understanding that peril points would be violated only in exceptional and unusual circumstances.

Now, however, that President Kennedy has violated 62 peril points in 1962 and, therefore, in our opinion, has grossly abused this power, we feel that this discretionary authority should not remain with the President. As you know, H.R. 11970 would eliminate the peril point procedure entirely so that the President would not continue to be placed in the embarrassing position of having to report to this committee and the Ways and Means Committee that he has lowered duties which action the Tariff Commission has determined would cause or threaten serious injury to competing domestic industries. We urge you to continue the existing peril point procedure and in addition to make Tariff Commission findings final and binding upon the President.

Although H.R. 11970 would establish procedures involving the publication of a list of items on which there is intention to negotiate, would require the holding of public hearings and the submission of reports to the President by the Tariff Commission to advise regarding concessions, the President would not be required to give any consideration whatsoever to the Tariff Commission recommendations and could act on his own just as independently as he could if no public hearings were held and no advice was received from the Tariff Commission.

3. Privileged resolution status of Tariff Commission escape clause recommendations should not be stricken

When I listed the items in H.R. 11970 which we believe to be desirable, I mentioned favorably the action of the House in authorizing the Congress by a majority vote of the full membership of both Houses to approve a Tariff Commission escape clause recommendation which the President has declined to accept. The House, however, in reducing the vote required from two-thirds to a majority nevertheless eliminated the privileged resolution procedure whereby such a matter might be considered. Since action by both Houses of Congress within a 60-day period would still be required it is obvious that the privileged resolution status must be retained if the provision is to be significant and meaningful, otherwise we look upon the majority override provision as of little if any value.

4. The "most favored nation" principle should be reviewed

If the United States always negotiated a tariff reduction with the country which is the principal supplier to the U.S. market and all other countries pursued similar policies and granted reciprocal concessions, then the most-favored-nation principle could be meritorious. However, the United States not only gives most-

favored-nation treatment to other countries who are also members of GATT but it extends this treatment to all other non-Communist countries of the world who are not members of GATT and who are not legally obligated and frequently do not grant to the United States in return concessions of equal value. We feel that the most-favored-nation clause which is article I of GATT has not been given proper attention and is one of the principal reasons why the United States seems to come out on the short side in most of its international tariff negotiations.

RECOMMENDATIONS FOR AMENDMENT TO H.R. 11970

1. In short we favor amending the bill so as to restrict the President's tariff-cutting authority far below that authorized in the bill, the strengthening instead of elimination of the present peril point provision so as to make binding upon the President peril point recommendations of the Tariff Commission, inclusion of authority for the Members of both Houses of Congress by means of a privileged resolution to affirm any Tariff Commission recommendation which the President has declined to accept and a review and modification or possible elimination of the most-favored-nation principle.

2. Specific amendment pertaining to lead and zinc: At present there are in effect import quotas on lead and zinc ore and metal, although there are no quotas on the manufactured products such as rolled zinc products which are composed almost 100 percent from the base metal. There is widespread dissatisfaction with the quotas and a special burden is placed upon the manufacturers of rolled zinc products both because the quotas on the metal artifically stimulate the U.S. metal price in relation to the world market price and also invite the importation of the zinc metal in the form of manufactured products as a means of circumventing the quotas.

The zinc rolling mill products industry has exhaustively attempted to use administrative remedies to solve this problem. We have tried the escape clause route, made a plea in connection with customs simplification, have attempted to use article XXVIII of GATT, have participated in international meetings and used all other legal means known to us to obtain increased import protection through administrative procedures. Since the administrative procedures have not worked, admittedly to some degree due to technicalities, and inasmuch as there is almost universal dissatisfaction with the quotas, we urge this committee and the Congress to deal with the overall lead-zinc problem by means of an amendment to this bill removing the existing import quotas and in their place establishing increased import duties on lead and zinc including zinc rolling mill products.

Many bills have been introduced in Congress which would accomplish this objective. There is disagreement within the domestic industry as to what the proper rate of duties should be on lead and zinc ore and metal. To our knowledge there is no disagreement within the domestic industry as to what should be the proper rates of duty on rolled zinc products. Included among the bills introduced in Congress are those which follow the recommendations of the custom smelters group and others which reflect the recommendations of the Emergency Lead-Zinc Committee. To our knowledge all of the bills introduced in both the House and the Senate including S. 2747 by Senator Clinton Anderson and 20 others which reflect the recommendations of the Emergency Lead-Zinc Committee, would increase the rolled zinc duty along the lines of our recommendations. A recent bill, H.R. 11827, by Representative Ralph Harvey, of Indiana, would increase the import duties on lead and zinc ore and metal in accordance with the recommendations of the custom smelters group and would also increase the duties on rolled zinc products in accordance with our recommendations.

So as to develop a healthy and prosperous lead and zinc industry in the United States including a healthy rolled zinc industry, we urge the committee to deal directly with this problem in H.R. 11970 by first determining what should be the increased duty on lead and zinc after resolving the differences in viewpoints within the domestic industry as to what should be the amount of the increase, recognizing that all members of the domestic industry seem to favor some increase and then to include the provisions for increased import duties which we recommend on rolled zinc about which there appears to be no dispute within the domestic industry. We urgently request your favorable consideration of these recommendations and I shall be pleased to discuss them with you in detail if you wish. However, in brief let me say that what we are requesting is com-

pensatory import duty increases for any increases which are included for zinc ore and metal and in the case of zinc sheet and zinc wire increases above compensatory increases are imperative because the imports of these items already have been substantial and ruinous in the case of zinc sheets.

TWO-YEAR EXTENSION OF CURRENT LAW

In summary, may I presume to recommend to you a course of action which we believe would be in the finest tradition of this committee, and in the interest of a broad base of American industry.

Don't pass H.R. 11970—recognize it for what it does; namely, scraps the whole body of legislation built up by many Congresses over many years that opens our markets to the world but keeps them under a modicum of control. Recognize that this bill would result in the abdication by Congress of its constitutional obligations.

Instead we urge you—extend the present trade legislation for 2 years, with a provision that duty concessions now given to Yugoslavia and Poland be withdrawn, and at the same time request the Tariff Commission to make a broad study of our trade history, current situation vis-a-vis the EEC and other groups and countries and to report back to you with its recommendations for the guidance of your committee and of the House Ways and Means Committee in drafting whatever program appears most feasible to replace this program 2 years hence.

Following are several quotations made by President Kennedy when he was campaigning for the Presidency:

1. "Sweeping changes in our foreign trade policies are not necessary" (letter to Gov. E. F. Hollings, Aug. 31, 1960);
2. "I supported the peril point and the escape clause, both of which are in the present Reciprocal Trade Act. I would not suggest additional legislative action, however, on reciprocal trade" (TV broadcast, Portland, Maine, Sept. 2, 1960);
3. "* * * I believe that we can protect our domestic industry within present laws, with Presidential leadership, with a knowledge of the problem, with effective workings between the President and the State Department and countries abroad, and with the provisions in present reciprocal trade laws if vigorously, effectively, and responsibly administered" (address, New York City, Oct. 12, 1960);
4. "* * * there are laws on the book for the protection of agriculture and for domestic industry. I hope we will have a President of the United States who is knowledgeable about those laws, who is interested in them, who is concerned about them, who works with the Congress on these subjects, and also uses his great powers and influence here and abroad in order to stimulate successful trade" (address, New York City, Oct. 12, 1960).

We ask you to consider these statements in relation to the bill which is now before you which the President has proposed. In view of this apparent conflict, we feel there is additional basis for the impartial study we have recommended of the entire problem by the Tariff Commission before Congress enacts broad trade legislation.

The CHAIRMAN. The next witness is Mr. Eugene Stewart, Manmade Fiber Producers Association, Inc.

Take a seat, sir, and proceed.

STATEMENT OF EUGENE STEWART, COUNSEL, MAN-MADE FIBER PRODUCERS ASSOCIATION, INC.

Mr. STEWART. Mr. Chairman and members of the committee, I appear here on behalf of the Man-Made Fiber Producers Association.

I have a lengthy brief which I do not propose to read and I respectfully request permission for it to be printed in full in the record.

The CHAIRMAN. Without objection, your supplemental statement will be inserted in the record following your oral testimony.

Mr. STEWART. Gentlemen, it is my purpose this morning to discuss directly with you some major problems that are contained in H.R.

11970 and to explain how the amendments introduced by Senator Bush and Senator Bennett and other Senators, will constructively deal with these problems.

The Bush amendments are designed to fit into the framework of this bill so as to leave intact the broad outline of power desired by the President in order to take initiative in Common Market negotiations, but, at the same time, to provide a stabilizer for the use of this authority in the form of concrete guidelines and specific safeguards.

First, the administration bill proceeds upon assumptions which are unsound. It is assumed that by using the authority to eliminate duties on industrial and agricultural products in negotiations with the Common Market our exports will increase more than our imports, and our balance of trade position will be improved and our economy strengthened.

I refute this assumption as follows:

First, the Bank of International Settlements in its annual report released in June of this year, I may say a classic and highly respected document, points out, and I have quoted it in my brief, that it would be wrong to assume that the United States will increase its exports more than its imports because of the growing competitive strength of the Common Market in comparison with the United States which is already at a level of high efficiency.

The difference is in real costs represented by labor rates and other cost advantages borne by the Europeans and to the credit of the International Bank, this was recognized. So this is respectable authority for the proposition that any trade agreement in which we simply bargain for a mutual elimination or reduction of duties will not benefit our economy.

I have more concrete proof. You gentlemen have heard a great deal about the effect of this bill on employment, how small the effect would be on unemployment caused by imports and how large the benefits would be from an expansion of exports.

The industry which I represent commissioned an independent statistical organization, the Survey and Research Corporation of this city, to take Government data, no estimate, but the official Government statistics, published in the 1958 Census of Manufactures, the 1960 annual survey of manufactures, and to tabulate those industries that had suffered a decline in employment on the one hand, those that had experienced an increase in employment on the other, then to correlate with those data the import and export experience of those industries.

We have this study, the tabulations are presented in my brief and I would like to summarize the results for you because they are of major importance.

Let me say that the correlation of export and import data was done in accordance with a grouping published by the Department of Commerce so that we have proceeded entirely on the basis of Government criteria.

We were able to secure complete data for industries accounting for 14 million workers out of the Nation's total employment in manufacturing of 16 million.

Therefore, we had industries——

Senator CURTIS. Whereabouts in your brief are these?

Mr. STEWART. Exhibits 5 and 6. Our studies encompassed industries accounting for more than 85 percent of the Nation's manufacturing employment.

Now, those industries that suffered a loss of employment while experiencing an adverse shift in foreign trade in the period 1954–60 lost 305,000 workers. During that period the balance of trade in the products of those industries shifted against the United States by the amount of $2.9 billion.

Now, in the census of manufactures we had in addition to the employment data something called value added by manufacturing which is a way of measuring output of workers.

Taking the number of employees and dividing that into the value added by manufacturing we get an output per worker.

If we take the output per worker in these industries which lost 305,000 workers, and divide it into the adverse shift in the balance of trade we find that that adverse shift in terms of output per worker represented the output of 334,000 workers.

In other words, the direct measurement of what employment was lost as a result of these adverse trends in foreign trade came out almost identical with the actual figures recorded by the Government of loss of employees in those industries.

Now, let us take a look at the growth industries; the industries that experienced an increase in employment, had 348,000 employees gain in the same period, 1954–60. They experienced a favorable shift in the balance of trade of their products as imports increased less rapidly than exports, and by taking the value added or the output per worker and dividing it into this favorable increase in foreign trade, we find that the output of 90,000 workers was accounted for by this greater participation in foreign trade.

Therefore, of the 348,000 increase in employees only 90,000 was attributable to foreign trade. So that the country's balance on employment effects in the period 1954–60 directly measured, without estimates, is a net loss of employment of at least 210,000 workers.

Now, if we take all of the employees, all of the industries, accounting for 85 percent of our manufacturing employment, the net gain in employment in those industries for which we had complete data was only 58,000 in the period 1954–60, an insignificant growth in employment.

The striking fact is that we have been sharply affected by increased imports and declining exports of the import sensitive industries, and the gains of our export oriented industries have not made up even one-third of that loss.

Now, this gives real meaning to the absence from this bill of the peril point and escape clause procedures of present law. The Bush amendments would restore these remedies.

I say, that the President's advisers are being unfair to him to try to place into his hands the great powers of this bill, but to withhold from the President the specific detailed information as to the economic effect of changes of duties that every President before him has had in the form of peril-point findings.

Why penalize the President? Why make him operate with economic blinders? We ask this committee to restore to the President the blueprint for action represented by the peril-point findings.

Let me turn now to the most-favored-nation clause and its impact upon this bill. We are in favor of the most-favored-nation clause, but we are in favor of every trading partner of the United States who benefits by that principle living up to it themselves.

The fact of the matter is that the countries of Europe have withheld most-favored-nation treatment from the countries of Asia. They, in addition, have imposed quotas and other barriers, so the net effect is every time the United States reduces its duties in trading with Europe, the benefit accrues to Japan and Asia and we are the only market for the surplus production of those low-wage countries.

We do not call for, and the Bush amendments do not advocate a repeal of the most-favored-nation principle. They would rather incorporate into our President's negotiating authority two ironclad principles:

First, if Europe asks us for any further reductions in duty, then Europe must be prepared to receive the exports of the Asiatic countries on terms as favorable as Europe asks us to receive their exports and the exports of Asia.

Secondly, if Europe asks us for further reductions in duty, Europe should be prepared to receive our exports on terms as favorable as they ask us to extend to them.

These two principles will reform the evils which have grown up through the blind adherence on our part alone to the most-favored-nation principle.

We have in the Bush amendments one additional and important negotiating principle, and that is a requirement that the United States in the future negotiate with the principal supplier of the articles in question so that by trading with the country which will benefit the most from our reduction we can exact the highest price for the benefit of our exports.

Now, a word about growth industries.

The hope for our increasing the labor force and for increasing the tempo of the economy of this country is those dynamic industries which are supplying increased capital investments and increased employment.

There is nothing in our trade laws which would inform the President of the probable effect of eliminations in duty on the economic rate of growth of our growth industries.

We say, and the Bush amendments, we are pleased to note, provide for a procedure very much like the peril point and escape clause in which the President would be advised by the Tariff Commission if increased imports under eliminations or deep reductions in duty would threaten to cause serious injury to the rate of growth of industries with an established rate of growth, and in this way the President is in a position, if he wishes to do so, to protect the best interests of the United States by adjusting imports so that they do not seriously impair the rate of growth of these important growth industries.

Now, Mr. Chairman, I have at this point used up the time allotted me. I would be pleased to proceed further or to respond to questions. I am grateful for the attention of the committee.

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

We have not held a hearing on the Bush amendments. It it your understanding that the Bush amendments restore the legislation back to where it is now?

Mr. STEWART. The Bush amendments would restore the safeguards, the peril point and the escape clause to where they are today, and refine the criteria in those two remedies so that they are more clear and specific.

They would, in addition, restore more meaningfully the weapons that the President has to counteract discriminations against U.S. exports. They would also, Mr. Chairman, bring some balance into the negotiating procedures set out in the bill for the Common Market.

For example, the bill would give the President the authority to eliminate duties entirely on categories where the United States and the Common Market accounted for 80 percent of world exports.

But there is nothing in the criteria of the bill to insure that the United States itself is participating in any substantial degree in that 80 percent.

Since the purpose of the 80 percent test is to identify products where we are strong competitively, there should be an amendment, as Senator Bush proposes, that the United States account for at least 25 percent of the 80 percent world trade figures.

The CHAIRMAN. Thank you very much; any questions?

Senator CARLSON. Mr. Chairman, just one question.

Is it not true, that notwithstanding the great growth of the European Economic Community, that the United States will be the largest and most attractive market for countries that produce goods for export?

Mr. STEWART. There is no question about it. Our market is at least twice as large in terms of dollar value, and Senator Carlson, it is an important fact that our domestic market for manufactured goods is measured by $300 billion a year.

Our export market for manufactured goods is presently about $15 billion a year. It only requires a 5 percent increase in our domestic market to provide the increased economic activity that we would receive if we double our exports.

No one seriously has proposed that we can double our exports. Therefore, it would be foolhardy for the Congress, I believe, to enact a bill which focuses exclusive attention on our export market without regard to the consequences on our domestic market.

Senator CARLSON. Is it not true, also, that in dealing with the countries of the European economic community that our problem in the past has been import levies on any particular commodity they did not want to get into those countries, and secondly, quotas and we have had some real problems and is there any reason to believe we will not be faced with that in the future, particularly with agricultural problems?

Mr. STEWART. You are completely correct.

As a matter of fact, the adoption by the Common Market of a common agricultural policy providing for adjustable import levies on agricultural products has been described by Committee 2 of GATT, as a device which is fully as restrictive as absolute quotas.

Now, the Common Market has adopted this as a total system for agriculture. We cannot hope through reducing duties on industrial products to change the entire orientation of that policy.

Senator Bush in one of his amendments would first make section 252 of the bill more meaningful by eliminating the qualifications that give

the President discretion not to act to cure this kind of discrimination.

Secondly, in an amendment of principles set forth in section 226 of the bill as it would be amended by his amendments, Senator Bush provides for the United States to negotiate for an adjustment of that total system of the common agricultural policy by the Common Market in the context of trade agreement negotiations instead of attempting to whittle away concession for concession by asking for reductions in individual duties.

Senator Bush's amendments are a more realistic approach to that farm problem than anything presently contained in the bill.

Senator CARLSON. That is all, Mr. Chairman.

The CHAIRMAN. Senator Butler?

Senator BUTLER. Mr. Stewart, under section 224 of the bill, as I read it, it is possible for the President to make a concession with respect to any article without a full hearing and report from the Tariff Commission?

Mr. STEWART. That is correct, Senator Butler.

Senator BUTLER. Do you believe that is a good thing?

Mr. STEWART. No, and I was pleased to note that Senator Bush's amendments included a specific amendment which would correct that situation.

I do believe that it may have been an oversight possibly in draftsmanship, but it should be corrected as you indicated.

Senator BUTLER. Well, I queried the Secretary of Commerce in connection with that, and I received a letter from him dated August 1, 1962, in which he said—I asked him whether he would be willing to strike out the word "or" in line 14 and substitute the word "and" so that it would be impossible for the President to make a concession without the Tariff Commission first having heard the parties involved who would be affected by the concession, and the Secretary writes me that the administration would not be willing to accept that amendmen, and that the bill as drafted is what they want.

Mr. STEWART. Well, the only conclusion I can reach is consideration of that response is that the administration must indeed intend that the President be free to respond to a request for a concession from the Common Market or other countries without waiting for the peril point findings.

Senator BUTLER. It seems to me that is correct, and I think it is fortified by the latter part of section 224 where it says that, starting on line 16:

> And only after the President had received a summary of the hearings at which an opportunity to be heard with respect to such article has been afforded under section 223.

If you will refer to section 223 you will see that the person who makes those findings is the executive branch of the Government, and the Tariff Commission which represents the Congress or the legislative branch, is pushed out of the picture.

Isn't that true?

Mr. STEWART. That is true.

Senator BUTLER. So it looks like there is a deliberate attempt on the part of the administration to make a concession which may completely ruin an American industry without giving the Tariff Commission any opportunity to even act on it.

Mr. STEWART. Senator Butler, in reading the testimony of administration witnesses, I have concluded that it may not be so much a deliberate intent as a lack of understanding on their part of the technical significance of the words in this bill.

I would like to hand up to the committee a print of H.R. 11970 in which the Bush amendments have been inserted, and numbered, so that you can see exactly how they would operate, and I call your attention, Senator Butler, to amendment No. 7 on page 3 of this print of the bill with the Bush amendments inserted, to show you how Senator Bush and Senator Bennett and other Senators would deal with that matter.

It is to the same effect as you have indicated but I think it may be a little tighter.

The CHAIRMAN. Do you desire this inserted in the record?

Mr. STEWART. I would appreciate it, Mr. Chairman, and in order that the information may be complete I also would respectfully request that Senator Bush's memorandum explaining these amendments by number be printed in the record following the bill.

The CHAIRMAN. Without objection.

(The material referred to follows:)

H. R. 11970 AS AMENDED BY THE BUSH ET AL. AMENDMENTS

[87th Cong., 2d sess.]

H.R. 11970. An Act to promote the general welfare, foreign policy, and security of the United States through international trade agreements and through adjustment assistance to domestic industry, agriculture, and labor, and for other purposes

(Omit the part in black brackets and insert the part printed in italic)

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—SHORT TITLE AND PURPOSES

SEC. 101. SHORT TITLE.

This Act may be cited as the "Trade Expansion Act of 1962".

SEC. 102. STATEMENT OF PURPOSES.

The purposes of this Act are, through trade agreements affording mutual benefits—

(1) to stimulate the economic growth of the United States and maintain and enlarge foreign markets for the products of United States agriculture, industry, mining, and commerce;

(2) to strengthen economic relations with foreign countries through the development of open and nondiscriminatory trading in the free world;

(3) to assist in the progress of countries in the earlier stages of economic development; and

(4) to prevent Communist economic penetration.

TITLE II—TRADE AGREEMENTS

Chapter 1—General authority

SEC. 201. BASIC AUTHORITY FOR TRADE AGREEMENTS.

(a) Whenever the President determines that any existing duties or other import restrictions of any foreign country or the United States are unduly burdening and restricting the foreign trade of the United States and that [any of the] *the first purpose together with any of the other* purposes stated in section 102 will be promoted thereby, the President may—

(1) after June 30, 1962, and before July 1, 1967, enter into trade agreements with foreign countries or instrumentalities thereof; and

(2) proclaim such modification or continuance of any existing duty or other import restriction, such continuance of existing duty-free or excise treatment, or such additional import restrictions, as he determines to be required or appropriate to carry out any such trade agreement.

(b) Except as otherwise provided in this title, no proclamation pursuant to subsection (a) shall be made—

(1) decreasing any rate of duty to a rate below 50 percent of the rate existing on July 1, 1962; or

(2) increasing any rate of duty to (or imposing) a rate more than 50 percent above the rate existing on July 1, 1934.

[SEC. 202. LOW-RATE ARTICLES.

[Section 201(b)(1) shall not apply in the case of any article for which the rate of duty existing on July 1, 1962, is not more than 5 percent ad valorem (or ad valorem equivalent). In the case of an article subject to more than one rate of duty, the preceding sentence shall be applied by taking into account the aggregate of such rates.]

Chapter 2—Special provisions concerning European Economic Community

SEC. 211. IN GENERAL.

(a) In the case of any trade agreement with the European Economic Community, section 201(b)(1) shall not apply to articles in any category if, before entering into such trade agreement, the President determines with respect to such category that the United States and all countries of the European Economic Community together accounted for 80 percent or more of the aggregated world export value of all the articles in such category *and that the United States accounted for 25 percent or more of such value.*

(b) For purposes of subsection (a)—

(1) As soon as practicable after the date of the enactment of this Act, the President shall—

(A) after taking into account the availability of trade statistics, select a system of comprehensive classification of articles by category, and

(B) make public his selection of such system.

(2) As soon as practicable after the President has selected a system pursuant to paragraph (1), the Tariff Commission shall—

(A) determine the articles falling within each category of such system, and

(B) make public its determinations *and modifications thereof.*

The determination of the Tariff Commission as to the articles included in any category may be modified only by the Tariff Commission. [Such modification by the Tariff Commission may be made only for the purpose of correction, and may be made only before the date on which the first list of articles specifying this section is furnished by the President to the Tariff Commission pursuant to section 221.] *Such modification by the Tariff Commission shall be made (i) for the purpose of correction (in which event it must be made before the date on which the first list of articles specifying this section is furnished by the President to the Tariff Commission pursuant to section 221), or (ii) for the purpose of excluding articles on which the Commission finds in its investigation under section 221(b) that a reduction in duties below the limit specified in section 201(b)(1) would cause or threaten serious injury to the domestic industry, sector of agriculture, or workers producing like or directly competitive articles.*

(c) For the purpose of making a determination under subsection (a) with respect to any category—

(1) The determination of the countries of the European Economic Community shall be made as of the date of the request under subsection (d).

(2) The President shall determine "aggregated world export value" with respect to any category of articles—

(A) on the basis of a period which he determines to be representative for such category, which period shall be included in the most recent 5-year period before the date of the request under subsection (d) for which statistics are available and shall contain at least 2 one-year periods.

(B) on the basis of the dollar value of exports as shown by trade statistics [in use] *made public* by the Department of Commerce, and

(C) by excluding exports—

(i) from any country of the European Economic Community to another such country, [and]

(ii) to or from any country or area which, at any time during the representative period, was denied trade agreement benefits under section 231 or under section 5 of the Trade Agreements Extension Act of 1951[.], *and*

(*iii*) *for which payment is not made nor undertaken to be made in the currency of the exporting nation on a commercial basis.*

(d) Before the President makes a determination under subsection (a) with respect to any category, the Tariff Commission shall (upon request of the President) make findings as to—

(1) the representative period for such category,

(2) the aggregated world export value of the articles falling within such category, and

(3) the percentage of the aggregated world export value of such articles accounted for by the United States and the countries of the European Economic Community,

and shall advise the President of such findings, *and make them public.*

(e) The exception to section 201(b)(1) provided by subsection (a) shall not apply to any article referred to in Agricultural Handbook No. 143, United States Department of Agriculture, as issued in September 1959, *or to any article as to which the Tariff Commission finds in its investigation under section 221(b) that a reduction in duties below the limit specified in section 201(b)(1) would cause or threaten serious injury to the domestic industry, sector of agriculture, or workers producing like or directly competitive articles.*

SEC. 212. AGRICULTURAL COMMODITIES.

In the case of any trade agreement with the European Economic Community, section 201(b)(1) shall not apply to any article referred to in Agricultural Handbook No. 143, United States Department of Agriculture, as issued in September 1959, if before entering into such agreement the President determines that such agreement will tend to assure the maintenance or expansion of United States exports of the like article.

SEC. 213. TROPICAL AGRICULTURAL AND FORESTRY COMMODITIES.

(a) Section 2101(b)(1) shall not apply to any article if, before entering into the trade agreement covering such article, the President determines that—

(1) such article is a tropical agricultural or forestry commodity;

(2) the like article is not produced in significant quantities in the United States; [and]

(*3*) *such article is not directly competitive with an article produced in significant quantities in the United States; and*

[3](*4*) the European Economic Community has made a commitment with respect to duties or other import restrictions which is likely to assure access for such article to the markets of the European Economic Community which—

(A) is comparable to the access which such article will have to the markets of the United States, and

(B) will be afforded substantially without differential treatment as among free world countries of origin.

(b) For purposes of subsection (a), a "tropical agricultural or forestry commodity" is an agricultural or forestry commodity with respect to which the President determines that more than one-half of the world production is in the area of the world between 20 degrees north latitude and 20 degrees south latitude.

(c) Before the President makes a determination under subsection (a) with respect to any article, the Tariff Commission shall (upon request of the President) make findings as to—

(1) whether or not such article is an agricultural or forestry commodity more than one-half of the world production of which is in the area of the world between 20 degrees north latitude and 20 degrees south latitude, [and]

(2) Whether or not the like article is produced in significant quantities in the United States, *and*

(*3*) *Whether or not such article is directly competitive with an article produced in significant quantity in the United States,* and shall advise the President of such findings.

Chapter 3—Requirements concerning negotiations

SEC. 221. TARIFF COMMISSION ADVICE.

(a) In connection with any proposed trade agreement under this title, the President shall from time to time publish and furnish the Tariff Commission with lists of articles which may be considered for modification or continuance of United States duties or other import restrictions, or continuance of United States duty-free or excise treatment. In the case of any article with respect to which consideration may be given to reducing the rate of duty below the 50 percent limitation contained in section 201(b)(1), the list shall specify the section or sections of this title pursuant to which such consideration may be given.

[(b) Within 6 months after receipt of such a list, the Tariff Commission shall advise the President with respect to each article of its judgment as to the probable economic effect of modifications of duties or other import restrictions on industries producing like or directly competitive articles. In the course of preparing such advice, the Tariff Commission shall, after reasonable notice, hold public hearings.]

(b)(1) Upon receipt of such list, the Commission shall make and investigation and report to the President its findings with respect to each such article as to—

(A) the limit to which such modification or continuance may be extended without causing or threatening serious injury to the domestic industry, sector of agriculture, or workers producing like or directly competitive articles; and

(B) if increases in duties or additional import restrictions are required to avoid serious injury to the domestic industry, sector or agriculture, or workers 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 6 months after the receipt of such a list by the Commission.

(2) If in the course of any such investigation the Commission shall determine that a modification of duties or other import restrictions, or the continuance of existing customs or excise treatment, applicable to any imported article would likely result in (A) a significant decline in the share of the domestic market supplied by domestic products in relation to a representative base period (taking into account a decline in order bookings of the domestic industries producing articles requiring a long leadtime in production), and (B) either—

(i) a significant decline in the net earnings of the domestic industry producing such products, or

(ii) a decline in employment, a loss of wages due to shortened work periods, or a decline in wage rates in such domestic industry,

the Commission shall make a finding that such modification of duties and other import restrictions, or continuance of existing customs or excise treatment, cannot be made without causing or threatening serious injury to the domestic industry producing like or directly competitive articles.

(3) In the course of any investigation pursuant to this section the Commission shall hold hearings and give reasonable public notice thereof, and shall afford reasonable opportunity for parties interested to be present, to produce evidence, and to be heard at such hearings.

SEC. 222. ADVICE FROM DEPARTMENTS.

Before any trade agreement is entered into under this title, the President shall seek information and advice with respect to such agreement from the Departments of Agriculture, Commerce, Defense, Interior, Labor, State, and Treasury, and from such other sources as he may deem appropriate.

SEC. 223. PUBLIC HEARINGS.

In connection with any proposed trade agreement under this title, the President shall afford an opportunity for any intersted person to present his views concerning any article on a list published pursuant to section 221, any article which should be so listed, any concession which should be sought by the United States, or any other matter relevant to such proposed trade agreement. For this purpose, the President shall designate an agency or an interagency committee which shall, after reasonable notice, hold public hearings, shall prescribe regulations governing the conduct of such hearings, and shall furnish the President with a summary of such hearings.

SEC. 224. PREREQUISITE FOR OFFERS.

The President may make an offer for, *or grant a concession consisting of*, the modification or continuance of any duty or other import restriction, or continuance of duty-free or excise treatment, with respect to any article only after he has received advice concerning such article from Tariff Commission under section 221(b), or after the expiration of the relevant 6-month period provided for in that section, whichever first occurs, and only after the President has received a summary of the hearings at which an opportunity to be heard with respect to such article has been afforded under section 223.

SEC. 225. RESERVATION OF ARTICLES FROM NEGOTIATIONS.

(a) While there is in effect with respect to any article any action taken under—

(1) section 232 [or 351,]

(2) section 2(b) of the Act entitled "An Act to extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended", approved July 1, 1954 (19 U.S.C., sec. 1352a), or

(3) section 7 of the Trade Agreements Extension Act of 1951 (19 U.S.C., sec. 1364), the President shall reserve such article from negotiations under this title for the reduction of any duty or other import restriction or the elimination of any duty.

(b) [During the 4-year period which begins on the date of the enactment of this Act, the President shall reserve] *The President shall also reserve* an article (other than an article which, on the date of the enactment of this Act, was described in subsection (a)(3) from negotiation under this title for the reduction of any duty or other import restriction or the elimination of any duty where—

(1) pursuant to section 7 of the Trade Agreements Extension Act of 1951 (or pursuant to a comparable Executive Order), the Tariff Commission found by a majority of the Commissioners voting that such article was being imported in such increased quantities as to cause or threaten serious injury to an industry,

(2) such article is included in a list furnished to the Tariff Commission pursuant to section 221 (and has not been included in a prior list so furnished), and

(3) upon request on behalf of the industry, made not later than 60 days after the date of the publication of such list, the Tariff Commission finds and advises the President that economic conditions in such industry have not substantially improved since the date of the report of the finding referred to in paragraph (1).

(c) In addition to the articles described by subsection (a) and (b), the President shall also so reserve any other article which he determines to be appropriate, taking into consideration the *findings* of the Tariff Commission under section 221(b), any advice furnished to him under section 222, and the summary furnished to him under section 223.

SEC. 226. ESSENTIAL CONDITIONS FOR GRANTING CONCESSIONS.

(a) The President shall not proclaim any modification of existing duties or other important restrictions, or a continuance of existing customs or excise treatment of any article covered by a trade agreement entered into under this Act, unless he finds as a fact that the countries of the European Economic Community which are parties to such agreement and would by the terms of such agreement receive the benefits of such modifications or continuance have, except as otherwise permitted by the terms of such agreement, committed themselves to admit like articles exported from the United States on terms and conditions no less favorable than those which would be applicable to their exports of such articles when imported into the United States if the President were to proclaim the modification or continuance provided for in such foreign trade agreement.

(b) In the course of negotiating a trade agreement, the President shall not make an offer, or grant in whole or in part a request, for the modification or continuance of duty-free or excise treatment with respect to any article, unless the country or instrumentality to which such offer is made, or which requests the modification or continuance, is the principal supplier of such articles in world export trade (not including the exports of the United States) as shown by the value of the exports of such article by such country or instrumentality in relation to the total world export value of such article (excluding the value of United States exports) during the most recent two-year period preceding the negotiations for which data is available.

(c) The President shall not proclaim any modification of existing duties or other import restrictions, or a continuance of existing customs or excise treatment of any article covered by a trade agreement, unless he finds as a fact that the foreign countries which are parties to such agreement and would by the terms of such agreement receive the benefit of such modification or continuance have committed themselves to admit like articles exported from countries other than the United States and other than those countries referred to in section 231 free from quantitative and other nontariff restrictions and subject to duties and other charges no greater than those which would be applicable to such articles when imported into the United States if the President were to proclaim the modification or continuance provided for in such trade agreement.

SEC. [227.] TRANSMISSION OF AGREEMENTS TO CONGRESS.

The President shall transmit promptly to each House of Congress a copy of each trade agreement entered into under [this title, together with a statement, in the light of the advice of the Tariff Commission under section 221(b) and of other relevant considerations, of his reasons for entering into the agreement.] *this title, together with a statement accurately identifying any article with respect to which the limits or minimum requirements found and reported by the Tariff Commission under sections 221(b) and 408(c) are not complied with, and stating his reasons for the action taken with respect to each such article.*

Chapter 4—National security

SEC. 231. PRODUCTS OF COMMUNIST COUNTRIES OR AREAS.

The President shall, as soon as practicable, suspend, withdraw, or prevent the application of the reduction, elimination, or continuance of any existing duty or other import restriction, or the continuance of any existing duty-free or excise treatment, proclaimed in carrying out any trade agreement under this title or under section 350 of the Tariff Act of 1930, to products, whether imported directly or indirectly, of any country or area dominated or controlled by Communism.

SEC. 232. SAFEGUARDING NATIONAL SECURITY.

(a) No action shall be taken pursuant to section 201 (a) or pursuant to section 350 of the Tariff Act of 1930 to decrease or eliminate the duty or other import restriction on any article if the President determines that such reduction or elimination would threaten to impair the national security.

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

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

and shall take into consideration the impact of foreign competition on the economic welfare of individual domestic industries; and any substantial unemployment, decrease in revenues of government, loss of skills or investment, or other serious effects resulting from the displacement of any domestic products by excessive imports shall be considered, without excluding other factors, in determining whether such weakening of our internal economy may impair the national security.

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

Chapter 5—Administrative provisions

SEC. 241. SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS

(a) The President shall appoint, by and with the advice and consent of the Senate, a Special Representative for Trade Negotiations, who shall be the chief representative of the United States for each negotiation under this title and for such other negotiations as in the President's judgment require that the Special Representative be the chief representative of the United States. The Special Representative for Trade Negotiations shall hold office at the pleasure of the President, shall be entitled to receive the same compensation and allowances as a chief of mission, shall have the rank of ambassador extraordinary and plenipotentiary, and shall be an ex-officio member of the organization established pursuant to section 242(a).

(b) The Special Representative for Trade Negotiations shall, in the performance of his functions under subsection (a), seek information and advice with respect to each negotiation from representatives of industry, agriculture, and labor, and from such agencies of the United States as he deems appropriate.

SEC. 242. INTERAGENCY TRADE ORGANIZATION.

(a) The President shall establish an interagency organization to assist him in carrying out the functions vested in him by this title [and chapter 4 of title III]. Such organization shall have as its chairman [a Cabinet officer selected by the President] *the Secretary of Commerce*, and shall be composed of the heads of such departments and of such other officers as the President shall designate. It shall meet periodically at such times and with respect to such matters as the President or the chairman of the organization shall direct. The organization may invite the participation in its activities of any agency not represented in the organization when matters of interest to such agency are under consideration.

(b) In assisting the President, the organization shall—

(1) make recommendations to the President on basic policy issues arising in the administration of the trade agreements program.

(2) make recommendations to the President as to what action, if any, he should take on reports with respect to tariff adjustment submitted to him by the Tariff Commission under section 301(e).

(3) advise the President of the results of hearings concerning [unjustifiable] foreign import restrictions held pursuant to section 242(c), and recommend appropriate action with respect thereto, and

(4) perform such other functions with respect to the trade agreements program as the President may from time to time designate.

(c) The organization shall, to the maximum extent practicable, draw upon the resources of the agencies represented in the organization, as well as such other agencies as it may determine, including the Tariff Commission. In addition, the President may establish by regulation such procedures and committees as he may determine to be necessary to enable the organization to provide for the conduct of hearings pursuant to section 252(c), and for the carrying out of other functions assigned to the organization pursuant to this section.

SEC. 243. CONGRESSIONAL DELEGATES TO NEGOTIATIONS.

Before each negotiation under this title, the President shall, upon the recommendation of the Speaker of the House of Representatives, select two members (not of the same political party) of the Committee on Ways and Means, and shall, upon the recommendation of the Speaker of the House of Representatives, select two members (not of the same political party) of the Committee on Finance, who shall be accredite as members of the United States delegation to such negotiation.

SEC. 244. PARTICIPATION BY INDUSTRY, AGRICULTURE, AND LABOR IN NEGOTIATIONS.

It is hereby declared to be the sense of the Congress that the President, during the course of negotiating any trade agreement, should seek information and advice with respect to each distinct and homogenous grouping of articles which is the subject of negotiations from the representatives of the domestic industry, agricultural sector, and labor producing the like or directly competitive articles.

Chapter 6—General provisions

SEC. 251. MOST FAVORED NATION PRINCIPLE.

Except as otherwise provided in this title, any duty or other import restriction or duty-free treatment proclaimed in carrying out any trade agreement under this title or section 350 of the Tariff Act of 1930 shall apply to products of all foreign countries, whether imported directly or indirectly.

SEC. 252. FOREIGN IMPORT RESTRICTIONS.

(a) Whether [unjustifiable] foreign import restrictions impair the value of tariff commitments made to the United States, oppress the commerce of the United States, or prevent the expansion of trade on a mutually advantageous basis, the President shall—

(1) take all appropriate and feasible steps within his power to eliminate such restrictions, and

(2) refrain from negotiating the reduction or elimination of any United States import restriction under section 201(a) in order to obtain the reduction or elimination of any such restrictions.

(b) Whenever a foreign country or instrumentality the products of which receive benefits of trade agreement concessions made by the United States—

(1) maintains nontariff trade restrictions, including [unlimited] variable import fees, which substantially burden United States commerce in a manner inconsistent with provisions of trade agreements, or

(2) engages in discriminatory or other acts (including tolerance of international cartels) or policies [unjustifiably] restricting United States commerce,

the President shall, [to the extent that such action is consistent with the purposes of section 102—]

(A) suspend, withdraw, or prevent the application of benefits of trade agreements concessions to products of such country or instrumentality, or

(B) refrain from proclaiming benefits of trade agreement concessions to carry out a trade agreement with such country or instrumentality.

(c) The President shall provide an opportunity for the presentation of views concerning [unjustifiable] foreign import restrictions maintained against United States commerce. Upon request by any interested person, the President shall, through the organization established pursuant to section 242(a), provide for appropriate public hearings with respect to such restrictions after reasonable notice and provide for the issuance of regulations concerning the conduct of such hearings.

SEC. 253. STAGING REQUIREMENTS.

(a) Except as otherwise provided in this section and in section 254, the aggregate reduction in the rate of duty on any artcle which is in effect on any day pursuant to a trade agreement under this title shall not exceed the aggregate reduction which would have been in effect on such day if—

(1) one-fifth of the total reduction under such agreement for such article had taken effect on the date of the first proclamation pursuant to section 201(a) to carry out such trade agreement, and

(2) the remaining four-fifths of such total reduction had taken effect in four equal installments at 1-year intervals after the date referred to in paragraph (1).

(b) Subsection (a) shall not apply to any article with respect to which the President has made a determination under section 213(a).

(c) In the case of an article the rate of duty on which has been or is to be reduced pursuant to a prior trade agreement, no reduction shall take effect pursuant to a trade agreement entered into under section 201(a) before the expiration of 1 year after the taking effect of the final reduction pursuant to such prior agreement.

(d) If any part of a reduction takes effect, then any time thereafter during which such part of the reduction is not in effect by reason of legislation of the United States or action thereunder shall be excluded in determining—

(1) the 1-year intervals referred to in subsection (a)(2), and

(2) the expiration of the 1 year referred to in subsection (c).

SEC. 254. ROUNDING AUTHORITY

If the President determines that such action will simplify the computation of the amount of duty imposed with respect to an article, he may exceed the limitation provided by section 201(b)(1) or 253 by not more than whichever of the following is lesser:

(1) the difference between the limitation and the next lower whole number, or

(2) one-half of 1 percent ad valorem or an amount the ad valorem equivalent of which is one-half of 1 percent.

SEC. 255. TERMINATION.

(a) Every trade agreement entered into under this title shall be subject to termination or withdrawal, upon due notice, at the end of a period specified in the agreement. Such period shall be not more than 3 years from the date on which the agreement becomes effective. If the agreement is not terminated or withdrawn from at the end of the period so specified, it shall be subject to termination or withdrawal thereafter upon not more than 6 months' notice.

(b) The President may at any time terminate, in whole or in part, any proclamation made under this title.

(c) The President shall, at the end of the period specified in any trade agreement, terminate, by appropriate modifications of the proclamation which made effective, any concessions granted by the United States to the European Economic Community under the authority of section 211, if he determines, under the criteria of that section, with reference to the most recent two-year period for which data is available, either (1) that the United States exports did not account for at least 25 percent of the aggregated world export value of the articles in the category covered by the concession or (2) that the United States and the European Economic Community together did not account for 80 percent or more of such value during such period.

(d) Whenever any foreign country, party to a trade agreement entered into under this Act, suspends, withdraws, or otherwise abrogates a commitment referred to in subsection (a) or (c) of section 226, in violation of the provisions of trade agreements, the President shall forthwith notify such country of the intention of the United States to terminate the concession or concessions granted by the United States in reliance on such commitment. If the foreign country after such notification fails promptly to restore the commitment into full force and effect, the President shall forthwith terminate such concession or concessions by appropriate modifications of the proclamation which made it or them effective.

SEC. 256. DEFINITIONS.

For the purposes of this title—

(1) The term "European Economic Community" means the instrumentality known by such name or any successor thereto.

(2) The countries of the European Economic Community as of any date shall be those countries which on such date are agreed to achieve a common external tariff through the European Economic Community.

(3) The term "agreement with the European Economic Community" means an agreement to which the United States and all countries of the European Economic Community (determined as of the date such agreement is entered into) are parties. For purposes of the preceding sentence, each country for which the European Economic Community signs an agreement shall be treated as a party to such agreement.

(4) The term "existing on July 1, 1962", as applied to a rate of duty, refers to the lowest nonpreferential rate of duty (however established, and even though temporarily suspended by Act of Congress or otherwise) existing on such date or (if lower) the lowest nonpreferential rate to which the United States is committed on such date and which may be proclaimed under section 350 of the Tariff Act of 1930.

(5) The term "existing on July 1, 1934", as applied to a rate of duty, refers to the rate of duty (however established, and even though temporarily suspended by Act of Congress or otherwise) existing on such date.

(6) The term "existing" without the specification of any date, when used with respect to any matter relating to entering into, or any proclamation to carry out, a trade agreement, means existing on the day on which such trade agreement is entered into.

(7) The term "ad valorem equivalent" means the ad valorem equivalent of a specific rate or, in the case of a combination of rates including a specific rate, the sum of the ad valorem equivalent of the specific rate and of the ad valorem rate. The ad valorem equivalent shall be determined by the President on the basis of the value of imports of the article concerned during a period determined by him to be representative. In determining the value of imports, the President shall utilize, to the maximum extent practicable, the standards of valuation contained in section 402 or 402a of the Tariff Act of 1930 (19 U.S.C., sec. 1401a or 1402) applicable to the article concerned during such representative period.

SEC. 257. RELATION TO OTHER LAWS.

(a) The first sentence of subsection (b) of section 350 of the Tariff Act of 1930 is amended by striking out "this section" each place it appears and inserting in lieu thereof "this section or the Trade Expansion Act of 1962". The second sentence of such subsection (b) is amended by striking out "this Act" and inserting in lieu thereof "this Act or the Trade Expansion Act of 1962". The third sentence of such subsection (b) is amended by striking out "1955," in paragraph (2) and inserting in lieu thereof "1955, and before July 1, 1962," and by adding at the end thereof the following new paragraph:

"(3) In order to carry out a foreign trade agreement entered into after June 30, 1962, and before July 1, 1967, below the lowest rate permissible by applying title II of the Trade Expansion Act of 1962 to the rate of duty (however established, and even though temporarily suspended by Act of Congress or otherwise) existing on July 1, 1962, with respect to such product."

(b) Subsections (a)(5) and (e) of section 350 of the Tariff Act of 1930 are repealed.

(c) For purposes only of entering into trade agreements pursuant to the notices of intention to negotiate published in the Federal Register of May 28, 1960, and the Federal Register of November 23, 1960, the period during which the President is authorized to enter into foreign trade agreements under section 350 of the Tariff Act of 1930 is hereby extended from the close of June 30, 1962, until the close of December 31, 1962.

(d) The second and third sentences of section 2(a) of the Act entitled "An Act to amend the Tariff Act of 1930", approved June 12, 1934, as amended (19 U.S.C., sec. 1352(a)), are each amended by striking out "this Act" and inserting in lieu thereof "this Act or the Trade Expansion Act of 1962".

(e)(1) Sections 5 [6, 7,] and 8(a) of the Trade Agreements Extension Act of 1951 are repealed.

(2) Action taken by the President under section 5 of such Act and in effect on the date of the enactment of this Act shall be considered as having been taken by the President under section 231.

[(3) Any investigation by the Tariff Commission under section 7 of such Act which is in progress on the date of the enactment of this Act shall be continued under section 301 as if the application by the interested party were a petition under such section for tariff adjustment under section 351. For purposes of section 301(f), such petition shall be treated as having been filed on the date of the enactment of this Act.]

(f) Section 2 of the Act entitled "An Act to extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended", approved July 1, 1954, is repealed. Any action (including any investigation begun) under such section 2 before the date of the enactment of this Act shall be considered as having been taken or begun under section 232.

TITLE III—TARIFF ADJUSTMENT AND OTHER ADJUSTMENT ASSISTANCE

Chapter 1—Eligibility for assistance

SEC. 301. TARIFF COMMISSION INVESTIGATIONS AND REPORTS.

(a)(1) [Petitions for tariff adjustment under section 351 or for determinations of eligibility to apply for adjustment assistance under chapter 2 or 3 may be filed with the Tariff Commission by firms, groups of workers, or industries.]

Petitions by domestic industries for import adjustment shall be filed with the Tariff Commission under section 7 of the Trade Agreements Extension Act of 1951, as amended (19 U.S.C., sec. 1364); and petitions by firms or groups of workers for determinations of eligibility to apply for adjustment assistance may be filed with the Tariff Commission under subsection (c) of this section. In the case of a firm, such petition may be filed by the firm or its representative. In the case of a group of workers, such petition may be filed by the workers or by their certified or recognized union or other duly authorized representative. In the case of an industry, such petition may be filed by a trade association, firm, certified or recognized union, or other representative.

(2) Whenever a petition is filed under this subsection, the Tariff Commission shall transmit a copy thereof to the Secretary of Commerce.

(b)(1) Upon the request of the President, upon resolution of either the Committee on Finance of the Senate or the Committee on Ways and Means of the House of Representatives, upon its own motion, or upon the filing of a petition under subsection (a)(1), the Tariff Commission shall promptly make an investigation to determine whether, as **[**a result of concessions granted under trade agreements, an article is being imported into the United States in such increased quantities as to cause, or threaten to cause, serious**]** *a result, in whole or in part, of the duty or other customs treatment reflecting concessions granted under trade agreements, an article is being imported into the United States in such increased quantities, either actual or relative, as to cause, or threaten to cause, serious* injury to the domestic industry producing an article which is like or directly competitive with the imported article.

(2) In making its determination under paragraph (1), **[**the Tariff Commission shall take into account all economic factors which it considers relevant, including idling of productive facilities, inability to operate at a profit, and unemployment or underemployment.**]** *the Tariff Commission shall be governed by section 7 of the Trade Agreements Extension Act of 1951, as amended (19 U.S.C., sec. 1364).*

(3) No investigation for the purpose of paragraph (1) shall be made, upon petition filed under subsection (a)(1), with respect to the same subject matter as a previous investigation under paragraph (1), unless one year has elapsed since the Tariff Commission made its report to the President of the results of such previous investigation.

(c)(1) In the case of a petition by a firm for a determination of eligibility to apply for adjustment assistance under chapter 2, the Tariff Commission shall, **[**in addition to making an industry determination under subsection (b), determine whether, as a result of concessions granted under**]** *determine whether, as a result, in whole or in part, of the duty or other customs treatment reflecting concessions granted under* trade agreements, an article like or directly competitive with an article produced by the firm is being imported into the United States in such increased quantities **[**as to cause,**]**, *either actual or relative, as to cause* or threaten to cause, serious injury to such firm. **[**In making its determination under this paragraph, the Tariff Commission shall take into account all economic factors which it considers relevant, including idling of productive facilities of the firm, inability of the firm to operate at a profit, and unemployment or underemployment in the firm.**]**

(2) In the case of a petition by a group of workers for a determination of eligibility to apply for adjustment assistance under chapter 3, the Tariff Commission shall **[**, in addition to making an industry determination under subsection (b), determine whether, as a result of concessions granted under**]** *determine whether, as a result, in whole or in part, of the duty or other customs treatment reflecting concessions granted under* trade agreements, an article like or directly competitive with an article produced by such workers' firm, or an appropriate subdivision thereof, is being imported into the United States **[**in such increased quantities as to cause, or threaten to cause,**]** *in such increased quantities, either actual or relative, as to cause, or threaten to cause,* unemployment or underemployment of a significant number or proportion of the workers of such firm or subdivision.

(3) The Tariff Commission may provide that, during a period beginning not earlier than 30 days after the publication of notice of hearings with respect to an industry and ending not later than the date of the report of the Tariff Commission with respect thereto under subsection (f)(2), no petition may be filed under subsection (a)(1) by a firm or group of workers in such industry with respect to the same imported article, and the same domestic article.

(d) In the course of any investigation under this section, the Tariff Commission shall, after reasonable notice, hold public hearings and shall afford interested

parties opportunity to be present, to produce evidence, and to be heard at such hearings.

(e) Should the Tariff Commission find with respect to any article, as the result of its investigation, the serious injury or threat thereof described in subsection (b), it shall find the amount of the increase in, or imposition of, any duty or other import restriction on such article which is necessary to prevent or remedy such injury and shall include such finding in its report to the President.

(f) Subsection (b) of section 7 of the Trade Agreements Extension Act of 1951, as amended (19 U.S.C., sec. 1364(b)), is amended by adding at the end thereof the following new sentence: "The Commission shall find that increased imports have caused or threaten serious injury to the domestic industry producing like or directly competitive products when the evidence received during its investigation and hearings establishes that there has occurred (1) a significant decline in the share of the domestic market supplied by domestic products in comparison with the share so supplied during a representative base period (taking into account a decline in order bookings of domestic industries producing articles requiring a long lead time in production) and (2) either (i) a significant decline in the net earnings of the domestic industry producing such products, or (ii) a decline in employment, a loss of wages due to shortened work periods, or a decline in wage rates in such domestic industry."

[g](1) The Tariff Commission shall report to the President the results of each investigation under this section and include in each report any dissenting or separate views. The Tariff Commission shall furnish to the President a transcript of the hearings and any briefs which may have been submitted in connection with each investigation.

(2) The report of the Tariff Commission of its determination under subsection (b) shall be made at the earliest practicable time, but not later than 120 days after the date on which the petition is filed (or the date on which the request or resolution is received or the motion is adopted, as the case may be), unless the President extends such time for an additional period, which shall not exceed 30 days. Upon making such report to the President, the Tariff Commission shall promptly make public such report, and shall cause a summary thereof to be published in the Federal Register.

(3) The report of the Tariff Commission of its determination under subsection (c)(1) or (c)(2) with respect to any firm or group of workers shall be made at the earliest practicable time, but not later than 60 days after the date on which the petition is filed.

SEC. 302. PRESIDENTIAL ACTION AFTER TARIFF COMMISSION DETERMINATION.

[(a) After receiving a report from the Tariff Commission containing an affirmative finding under section 301(b) with respect to any industry, the President may—

[(1) provide tariff adjustment for such industry pursuant to section 351,

[(2) provide, with respect to such industry, that its firms may request the Secretary of Commerce for certifications of eligibility to apply for adjustment assistance under chapter 2,

[(3) provide, with respect to such industry, that its workers may request the Secretary of Labor for certifications of eligibility to apply for adjustment assistance under chapter 3, or

[(4) take any combination of such actions.]

(a) After receiving a report from the Tariff Commission containing an affirmative finding under section 301(b) with respect to any industry, the President shall take action or report as specified in section 7(c) of the Trade Agreements Extension Act of 1951, as amended (19 U.S.C. sec. 1364(c)).

(b) No proclamation pursuant to subsection (a) shall be made—

(1) increasing any rate of duty to a rate more than 50 percent above the rate existing on July 1, 1934, or

(2) in the case of an article not subject to duty, imposing a duty in excess of 50 percent ad valorem.

For purposes of paragraph (1), the term "existing on July 1, 1934" has the meaning assigned to such term by paragraph (5) of section 256.

[(b)(1) The Secretary of Commerce shall certify, as eligible to apply for adjustment assistance under chapter 2, any firm in an industry with respect to which the President has acted under subsection (a)(2), upon a showing by such firm to the satisfaction of the Secretary of Commerce that the increased imports (which the Tariff Commission has determined to result from concessions granted

under trade agreements) have caused serious injury or threat thereof to such firm.

[(2) The Secretary of Labor shall certify, as eligible to apply for adjustment assistance under chapter 3, any group of workers in an industry with respect to which the President has acted under subsection (a) (3), upon a showing by such group of workers to the satisfaction of the Secretary of Labor that the increased imports (which the Tariff Commission has determined to result from concessions granted under trade agreements) have caused or threatened to cause unemployment or underemployment of a significant number or proportion of workers of such workers' firm or subdivision thereof.]

(c) Paragraph (2)(B) of subsection (c) of section 7 of the Trade Agreements Extension Act of 1951, as amended (19 U.S.C., sec. 1364 (c)(2)(B)), is amended by striking out the word "two-thirds" and inserting in lieu thereof the word "majority".

[(c)]*(d)* After receiving a report from the Tariff Commission containing an affirmative finding under section 301(c) with respect to any firm or group of workers, the President may certify that such firm or group of workers is eligible to apply for adjustment assistance.

[(d)]*(e)* Any certification under subsection [(b) or (c)]*(d)* that a group of workers is eligible to apply for adjustment assistance shall specify the date on which the unemployment or underemployment began or threatens to begin.

[(e)]*(f)* When the President determines, with respect to any certification of the eligibility of a group of workers, that separations from the firm or subdivision thereof are no longer attributable to the conditions specified in section 301(c) [(2) or in subsection (b)(2) of this section], he shall terminate the effect of such certification. Such termination shall apply only with respect to separations occurring after the termination date specified by the President.

Chapter 2—Assistance to firms

SEC. 311. CERTIFICATION OF ADJUSTMENT PROPOSALS.

(a) A firm certified under section 302 as eligible to apply for adjustment assistance may, at any time within two years after the date of such certification, file an application with the Secretary of Commerce for adjustment assistance under this chapter. [Within a reasonable time after filing its application, the firm shall present a proposal for its economic adjustment.]

[(b) Adjustment assistance under this chapter consists of technical assistance, financial assistance, and tax assistance, which may be furnished singly or in combination. Except a provided in subsection (c), no adjustment assistance shall be provided to a firm under this chapter until its adjustment proposal shall have been certified by the Secretary of Commerce—

[(1) to be reasonably calculated materially to contribute to the economic adjustment of the firm,

[(2) to give adequate consideration to the interests of the workers of such firm adversely affected by actions taken in carrying out trade agreements, and

[(3) to demonstrate that the firm will make all reasonable efforts to use its own resources for economic development.

[(c) In order to assist a firm which has applied for adjustment assistance under this chapter in preparing a sound adjustment proposal, the Secretary of Commerce may furnish technical assistance to such firm prior to certification of its adjustment proposal.

[(d) Any certification made pursuant to this section shall remain in force only for such period as the Secretary of Commerce may prescribe.

[SEC. 312. USE OF EXISTING AGENCIES.

[(a) The Secretary of Commerce shall refer each certified adjustment proposal to such agency or agencies as he determines to be appropriate to furnish the technical and financial assistance necessary to carry out such proposal.

[(b) Upon receipt of a certified adjustment proposal, each agency concerned shall promptly—

[(1) examine the aspects of the proposal relevant to its functions, and

[(2) notify the Secretary of Commerce of its determination as to the technical and financial assistance it is prepared to furnish to carry out the proposal.

[(c) Whenever and to the extent that any agency to which an adjustment proposal has been referred notifies the Secretary of Commerce of its determination not to furnish technical or financial assistance, and if the Secretary of Commerce determines that such assistance is necessary to carry out the adjustment proposal, he may furnish adjustment assistance under sections 313 and 314 to the firm concerned.

[(d) There are hereby authorized to be appropriated to the Secretary of Commerce such sums as may be necessary from time to time to carry out his functions under this chapter in connection with furnishing adjustment assistance to firms, which sums are authorized to be appropriated to remain available until expended.

[SEC. 313. TECHNICAL ASSISTANCE.

[(a) Upon compliance with section 312(c), the Secretary of Commerce may provide to a firm, on such terms and conditions as he determines to be appropriate, such technical assistance as in his judgment will materially contribute to the economic adjustment of the firm.

[(b) To the maximum extent practicable, the Secretary of Commerce shall furnish technical assistance under this section and section 311(c) through existing agencies, and otherwise through private individuals, firms, or institutions.

[(c) The Secretary of Commerce shall require a firm receiving technical assistance under this section or section 311(c) to share the cost thereof to the extent he determines to be appropriate.

[SEC. 314. FINANCIAL ASSISTANCE.

[(a) Upon compliance with section 312(c), the Secretary of Commerce may provide to a firm, on such terms and conditions as he determines to be appropriate, such financial assistance in the form of guarantees of loans, agreements for deferred participations in loans, or loans, as in his judgment will materially contribute to the economic adjustment of the firm. The assumption of an outstanding indebtedness of the firm, with or without recourse, shall be considered to be the making of a loan for purposes of this section.

[(b) Guarantees, agreements for deferred participations, or loans shall be made under this section only for the purpose of making funds available to the firm—

[(1) for acquisition, construction, installation, modernization, development, conversion, or expansion of land, plant, buildings, equipment, facilities, or machinery, or

[(2) in cases determined by the Secretary of Commerce to be exceptional, to supply working capital.

[(c) To the maximum extent practicable, the Secretary of Commerce shall furnish financial assistance under this section through agencies furnishing financial assistance under other law.

[SEC. 315. CONDITIONS FOR FINANCIAL ASSISTANCE.

[(a) No loan shall be guaranteed and no agreement for deferred participation in a loan shall be made by the Secretary of Commerce in an amount which exceeds 90 percent of that portion of the loan made for purposes specified in section 314(b).

[(b)(1) Any loan made or deferred participation taken up by the Secretary of Commerce shall bear interest at a rate not less than the greater of—

[(A) 4 percent per annum, or

[(B) a rate determined by the Secretary of the Treasury for the year in which the loan is made or the agreement for such deferred participation is entered into.

[(2) The Secretary of the Treasury shall determine annually the rate referred to in paragraph (1)(B), taking into consideration the current average market yields on outstanding interest-bearing marketable public debt obligations of the United States of maturities comparable to those of the loans outstanding under section 314.

[(c) Guarantees or agreements for deferred participation shall be made by the Secretary of Commerce only with respect to loans bearing interest at a rate which he determines to be reasonable. In no event shall the guaranteed portion of any loan, or the portion covered by an agreement for deferred participation, bear interest at a rate more than 1 percent per annum above the rate prescribed by subsection (b) (determined when the guarantee is made or the agreement is entered into), unless the Secretary of Commerce shall determine that special circumstances justify a higher rate, in which case such portion of the loan shall bear interest at a rate not more than 2 percent per annum above such prescribed rate.

[(d) The Secretary of Commerce shall make no loan or guarantee having a maturity in excess of 25 years, including renewals and extensions, and shall make no agreement for deferred participation in a loan which has a maturity

in excess of 25 years, including renewals and extensions. Such limitation on maturities shall not, however, apply to—

[(1) securities or obligations received by the Secretary of Commerce as claimant in bankruptcy or equitable reorganization, or as creditor in other proceedings attendant upon insolvency of the obligor, or

[(2) an extension or renewal for an additional period not exceeding 10 years, if the Secretary of Commerce determines that such extension or renewal is reasonably necessary for the orderly liquidation of the loan.

[(e) No financial assistance shall be provided under section 314 unless the Secretary of Commerce determines that such assistance is not otherwise available to the firm, from sources other than the United States, on reasonable terms, and that there is reasonable assurance of repayment by the borrower.

[(f) The Secretary of Commerce shall maintain operating reserves with respect to anticipated claims under guarantees and under agreements for deferred participation made under section 314. Such reserves shall be considered to constitute obligations for purposes of section 1311 of the Supplemental Appropriation Act, 1955 (31 U.S.C., sec. 200).

SEC. 316. ADMINISTRATION OF FINANCIAL ASSISTANCE.

[(a) In making and administering guarantees, agreements for deferred participation, and loans under section 314, the Secretary of Commerce may—

[(1) require security for any such guarantee, agreement, or loan, and enforce, waive, or subordinate such security;

[(2) assign or sell at public or private sale, or otherwise dispose of, upon such terms and conditions and for such consideration as he shall determine to be reasonable, any evidence of debt, contract, claim, personal property, or security assigned to or held by him in connection with such guarantees, agreements, or loans, and collect, compromise, and obtain deficiency judgments with respect to all obligations assigned to or held by him in connection with such guarantees, agreements, or loans until such time as such obligations may be referred to the Attorney General for suit or collection;

[(3) renovate, improve, modernize, complete, insure, rent, sell, or otherwise deal with, upon such terms and conditions and for such consideration as he shall determine to be reasonable, any real or personal property conveyed to or otherwise acquired by him in connection with such guarantees, agreements, or loans;

[(4) acquire, hold, transfer, release, or convey any real or personal property or any interest therein whenever deemed necessary or appropriate, and execute all legal documents for such purposes; and

[(5) exercise all such other powers and take all such other acts as may be necessary or incidental to the carrying out of functions pursuant to section 314.

[(b) Any mortgage acquired as security under subsection (a) shall be recorded under applicable State law.

[SEC. 317. TAX ASSISTANCE.

[(a) If—

[(1) to carry out an adjustment proposal of a firm certified pursuant to section 311, such firm applies for tax assistance under this section within 24 months after the close of a taxable year and alleges in such application that it has sustained a net operating loss for such taxable year.

[(2) the Secretary of Commerce determines that any such alleged loss for such taxable year arose predominantly out of the carrying on of a trade or business which was seriously injured, during such year, by the increased imports which the Tariff Commission has determined to result from concessions granted under trade agreements, and

[(3) the Secretary of Commerce determines that tax assistance under this section will materially contribute to the economic adjustment of the firm,

then the Secretary of Commerce shall certify such determinations with respect to such firm for such taxable year. No determination or certification under this subsection shall constitute a determination of the existence or amount of any net operating loss for purposes of section 172 of the Internal Revenue Code of 1954.

[(b) Subsection (b) of section 172 of the Internal Revenue Code of 1954 (relating to net operating loss carrybacks and carryovers) is amended to read as follows:

["(b) NET OPERATING LOSS CARRYBACKS AND CARRYOVERS.—

["(1) YEARS TO WHICH LOSS MAY BE CARRIED.—A net operating loss for any taxable year ending after December 31, 1957, shall be—

["(A) except as provided in subparagraph (B), a net operating loss carryback to each of the 3 taxable years preceding the taxable year of such loss,

["(B) in the case of a taxpayer with respect to a taxable year ending on or after December 31, 1962, for which a certification has been issued under section 317 of the Trade Expansion Act of 1962, a net operating loss carryback to each of the 5 taxable years preceding the taxable year of such loss, and

["(C) a net operating loss carryover to each of the 5 taxable years following the taxable year of such loss.

["(2) AMOUNT OF CARRYBACKS AND CARRYOVERS.—Except as provided in subsection (i), the entire amount of the net operating loss for any taxable year (hereinafter in this section referred to as the 'loss year') shall be carried to the earliest of the taxable years to which (by reason of paragraph (1)) such loss may be carried. The portion of such loss which shall be carried to each of the other taxable years shall be the excess, if any, of the amount of such loss over the sum of the taxable income for each of the prior taxable years to which such loss may be carried. For purposes of the preceding sentence, the taxable income for any such prior taxable year shall be computed—

["(A) with the modifications specified in subsection (d) other than paragraphs (1), (4), and (6) thereof; and

["(B) by determining the amount of the net operating loss deduction without regard to the net operating loss for the loss year or for any taxable year thereafter,

and the taxable income so computed shall not be considered to be less than zero.

["(3) SPECIAL RULES.—

["(A) Paragraph (1)(B) shall apply only if—

["(i) there has been filed, at such time and in such manner as may be prescribed by the Secretary or his delegate, a notice of filing of the application under section 317 of the Trade Expansion Act of 1962 for tax assistance, and, after its issuance, a copy of the certification under such section, and

["(ii) the taxpayer consents in writing to the assessment, within such period as may be agreed upon with the Secretary or his delegate, of any deficiency for any year to the extent attributable to the disallowance of a deduction previously allowed with respect to such net operating loss, even though at the time of filing such consent the assessment of such deficiency would otherwise be prevented by the operation of any law or rule of law.

["(B) In the case of—

["(i) a partnership and its partners, or

["(ii) an electing small business corporation under subchapter S and its shareholders,

paragraph (1)(B) shall apply as determined under regulations prescribed by the Secretary or his delegate. Such paragraph shall apply to a net operating loss of a partner or such a shareholder only if it arose predominantly from losses in respect of which certifications under section 317 of the Trade Expansion Act of 1962 were filed under this section."

[(c) Subsection (h) of section 6501 of the Internal Revenue Code of 1954 (relating to limitations on assessment and collection in the case of net operating loss carrybacks) is amended by inserting before the period: ", or within 18 months after the date on which the taxpayer files in accordance with section 172(b)(3) a copy of the certification (with respect to such taxable year) issued under section 317 of the Trade Expansion Act of 1962, whichever is later".

[(d) Section 6511(d)(2)(A) of the Internal Revenue Code of 1954 (relating to special period of limitation on credit or refund with respect to net operating loss carrybacks) is amended to read as follows:

["(A) PERIOD OF LIMITATION.—If the claim for credit or refund relates to an overpayment attributable to a net operating loss carryback, in lieu of the 3-year period of limitation prescribed in subsection (a), the period shall be that period which ends with the expiration of the 15th day of the 40th month (or the 39th month, in the case of a corporation) following the end of the taxable year of the net operating loss which results in such carryback or the period prescribed in

subsection (c) in respect of such taxable year, whichever expires later; except that—

[“(i) with respect to an overpayment attributable to a net operating loss carryback to any year on account of a certification issued to the taxpayer under section 317 of the Trade Expansion Act of 1962, the period shall not expire before the expiration of the sixth month following the month in which such certification is issued to the taxpayer, and

[“(ii) with respect to an overpayment attributable to the creation of, or an increase in, a net operating loss carryback as a result of the elimination of excessive profits by a renegotiation (as defined in section 1481(a)(1)(A)) the period shall not expire before September 1, 1959, or the expiration of the twelfth month following the month in which the agreement or order for the elimination of such excessive profits becomes final, whichever is the later.

In the case of such a claim, the amount of the credit or refund may exceed the portion of the tax paid within the period provided in subsection (b)(2) or (c), whichever is applicable, to the extent of the amount of the overpayment attributable to such carryback.”

[SEC. 318. PROTECTIVE PROVISIONS.

[(a) Each recipient of adjustment assistance under section 313, 314, or 317 shall keep records which fully disclose the amount and disposition by such recipient of the proceeds if any, of such adjustment assistance, and which will facilitate an effective audit. The recipient shall also keep such other records as the Secretary of Commerce may prescribe.

[(b) The Secretary of Commerce and the Comptroller General of the United States shall have access for the purpose of audit and examination to any books, documents, papers, and records of the recipient pertaining to adjustment assistance under sections 313, 314, and 317.

[(c) No adjustment assistance shall be extended under section 313, 314, or 317 to any firm unless the owners, partners, or officers certify to the Secretary of Commerce—

[(1) the names of any attorneys, agents, and other persons engaged by or on behalf of the firm for the purpose of expediting applications for such adjustment assistance, and

[(2) the fees paid or to be paid to any such person.

[(d) No financial assistance shall be provided to any firm under section 314 unless the owners, partners, or officers shall execute an agreement binding them and the firm for a period of 2 years after such financial assistance is provided, to refrain from employing, tendering any office or employment to, or retaining for professional services any person who, on the date such assistance or any part thereof was provided, or within one year prior thereto, shall have served as an officer, attorney, agent, or employee occupying a position or engaging in activities which the Secretary of Commerce shall have determined involve discretion with respect to the provision of such financial assistance.

[SEC. 319. PENALTIES.

Whoever makes a false statement of a material fact knowing it to be false, or knowingly fails to disclose a material fact, or whoever willfully overvalues any security, for the purpose of influencing in any way the action of the Secretary of Commerce under this chapter, or for the purpose of obtaining money, property, or anything of value under this chapter, shall be fined not more than $5,000 or imprisoned for not more than two years, or both.

[SEC. 320. SUITS.

In providing technical and financial assistance under sections 313 and 314, the Secretary of Commerce may sue and be sued in any court of record of a State having general jurisdiction or in any United States district court, and jurisdiction is conferred upon such district court to determine such controversies without regard to the amount in controversy; but no attachment, injunction, garnishment, or other similar process, mesne or final, shall be issued against him or his property. Nothing in this section shall be construed to except the activities pursuant to sections 313 and 314 from the application of section 507(b) and 2679 of title 28 of the United States Code, and of section 367 of the Revised Statutes (5 U.S.C., sec. 316).]

(b) Promptly upon receipt of such application the Secretary of Commerce shall designate the community in which each affected plant of the affected firm is located as a "redevelopment area" under the Area Redevelopment Act (Public

Law 87–27), for the purpose of making available to such firm the benefits of such Act, and notwithstanding any provision of such Act to the contrary, the Secretary is authorized and shall accord on a priority basis to the affected firm and its affected workers such benefits provided in such Act as the Secretary shall determine to be appropriate for the sound economic redevelopment of the affected establishment and workers.

Chapter 3—Assistance to workers

[SEC. 321. AUTHORITY.

[The Secretary of Labor shall determine whether applicants are entitled to receive assistance under this chapter and shall pay or provide such assistance to applicants who are so entitled.

Subchapter A—Trade Readjustment Allowances

[SEC. 322. QUALIFYING REQUIREMENTS.

[(a) Payment of a trade readjustment allowance shall be made to an adversely affected worker who applies for such allowance for any week of unemployment which begins after the 30th day after the date of the enactment of this Act and after the date determined under section 302(d), subject to the requirements of subsections (b) and (c).

[(b) Total or partial separation shall have occurred—

[(1) after the date of the enactment of this Act, and after the date determined under section 302(d), and

[(2) before the expiration of the 2-year period beginning on the day on which the most recent determination under section 302(d) was made, and before the termination date (if any) specified under section 302(e).

[(c) Such worker shall have had—

[(1) in the 156 weeks immediately preceding such total or partial separation, at least 78 weeks of employment at wages of $15 or more a week, and

[(2) in the 52 weeks immediately preceding such total or partial separation, at least 26 weeks of employment at wages of $15 or more a week in a firm or firms with respect to which a determination of unemployment or underemployment under section 302 has been made, or

if data with respect to weeks of employment are not available, equivalent amounts of employment computed under regulations prescribed by the Secretary of Labor.

[SEC. 323. WEEKLY AMOUNTS.

[(a) Subject to the other provisions of this section, the trade readjustment allowance payable to an adversely affected worker for a week of unemployment shall be an amount equal to 65 percent of his average weekly wage or to 65 percent of the average weekly manufacturing wage, whichever is less, reduced by 50 percent of the amount of his remuneration for services performed during such week.

[(b) Any adversely affected worker who is entitled to trade readjustment allowances and who is undergoing training approved by the Secretary of Labor, including on-the-job training, shall receive for each week in which he is undergoing any such training, a trade readjustment allowance in an amount (computed for such week) equal to the amount computed under subsection (a) or (if greater) the amount of any weekly allowance for such training to which he would be entitled under any other Federal law for the training of workers, if he applied for such allowance. Such trade readjustment allowance shall be paid in lieu of any training allowance to which the worker would be entitled under such other Federal law.

[(c)(1) The amount payable to an adversely affected worker under subsection (a) for any week shall be reduced by any amount of unemployment insurance to which he is entitled with respect to such week (or would be entitled but for this chapter or any action taken by such worker under this chapter), whether or not he has filed a claim for such insurance.

[(2) The amount payable to an adversely affected worker under subsection (b) for any week shall be reduced by any amount of unemployment insurance which he has received or is seeking with respect to such week; but, if the appropriate State or Federal agency finally determines that the worker was not entitled to unemployment insurance with respect to such week, the reduction shall not apply with respect to such week.

[(d) If unemployment insurance, or a training allowance under the Manpower Development and Training Act of 1962 or the Area Redevelopment Act, is payable to an adversely affected worker for any week of unemployment with respect to which he would be entitled (determined without regard to subsection (c) or (e) or to any disqualification under section 327) to a trade readjustment allowance if he applied for such allowance, each such week shall be deducted from the total number of weeks of trade readjustment allowance otherwise payable to him under section 324(a) when he applies for a trade readjustment allowance and is determined to be entitled to such allowance. If the unemployment insurance or the training allowance payable to such worker for any week of unemployment is less than the amount of the trade readjustment allowance to which he would be entitled if he applied for such allowance, he shall receive, when he applies for a trade readjustment allowance and is determined to be entitled to such allowance, a trade readjustment allowance for such week equal to such difference.

[(e) Whenever, with respect to any week of unemployment, the total amount payable to an adversely affected worker as remuneration for services performed during such week, as unemployment insurance, as a training allowance referred to in subsection (d), and as a trade readjustment allowance would exceed 75 percent of his average weekly wage, his trade readjustment allowance for such week shall be reduced by the amount of such excess.

[(f) The amount of any weekly payment to be made under this section which is not a whole dollar amount shall be rounded upward to the next higher whole dollar amount.

[(g) If unemployment insurance is paid under a State law to an adversely affected worker for a week during which he is undergoing training approved by the Secretary of Labor, the State agency making such payment shall be reimbursed from funds appropriated pursuant to section 337, to the extent that such payment does not exceed the trade readjustment allowance which such worker would have received if he had applied for such allowance and had not received the State payment. The amount of such reimbursement shall be determined by the Secretary of Labor on the basis of reports furnished to him by the State agency and such amount shall then be placed in the Unemployment Trust Fund to the credit of the State's account.

[SEC. 324. TIME LIMITATIONS ON TRADE READJUSTMENT ALLOWANCES.

[(a) Payment of trade readjustment allowances shall not be made to an adversely affected worker for more than 52 weeks, except that, in accordance with regulations prescribed by the Secretary of Labor—

[(1) such payments may be made for not more than 26 additional weeks to an adversely affected worker to assist him to complete training approved by the Secretary of Labor, or

[(2) such payments shall be made for not more than 13 additional weeks to an adversely affected worker who had reached his 60th birthday on or before the date of total or partial separation.

[(b) Except for a payment made for an additional week specified in subsection (a), a trade readjustment allowance shall not be paid for a week of unemployment beginning more than 2 years after the beginning of the appropriate week. A trade readjustment allowance shall not be paid for any additional week specified in subsection (a) if such week begins more than 3 years after the beginning of the appropriate week. The appropriate week for a totally separated worker is the week of his most recent total separation. The appropriate week for a partially separated worker is the week in respect of which he first receives a trade readjustment allowance following his most recent partial separation.

[SEC. 325. APPLICATION OF STATE LAWS.

[Except where inconsistent with the provision of this chapter and subject to such regulations as the Secretary of Labor may prescribe, the availability and disqualification provisions of the State law—

[(1) under which an adversely affected worker is entitled to unemployment insurance (whether or not he has filed a claim for such insurance), or

[(2) if he is not so entitled to unemployment insurance, of the State in which he was totally or partially separated,

shall apply to any such worker who files a claim for trade readjustment allowances. The State law so determined with respect to a separation of a worker shall remain applicable, for purposes of the preceding sentence, with respect

to such separation until such worker becomes entitled to unemployment insurance under another State law (whether or not he has filed a claim for such insurance).

[Subchapter B—Training

[SEC. 326. IN GENERAL.

[(a) To assure that the readjustment of adversely affected workers shall occur as quickly and effectively as possible, with minimum reliance upon trade readjustment allowances under this chapter, every effort shall be made to prepare each such worker for full employment in accordance with his capabilities and prospective employment opportunities. To this end, and subject to this chapter, adversely affected workers shall be afforded, where appropriate, the testing, counseling, training, and placement services provided for under any Federal law. Such workers may also be afforded supplemental assistance necessary to defray transportation and subsistence expenses for separate maintenance when such training is provided in facilities which are not within commuting distance of their regular place of residence. The Secretary of Labor in defraying such subsistence expenses shall not afford any individual an allowance exceeding $5 a day; nor shall the Secretary authorize any transportation expense exceeding the rate of 10 cents per mile.

[(b) To the extent practicable, before adversely affected workers are referred to training, the Secretary of Labor shall consult with such workers' firm and their certified or recognized union or other duly authorized representative and develop a worker retraining plan which provides for training such workers to meet the manpower needs of such firm, in order to preserve or restore the employment relationship between the workers and the firm.

[SEC. 327. DISQUALIFICATION FOR REFUSAL OF TRAINING, ETC.

[Any adversely affected worker who, without good cause, refuses to accept or continue, or fails to make satisfactory progress in, suitable training to which he has been referred by the Secretary of Labor shall not thereafter be entitled to trade readjustment allowances until he enters or resumes training to which he has been so referred.

[Subchapter C—Relocation allowances

[SEC. 328. RELOCATION ALLOWANCES AFFORDED.

[Any adversely affected worker who is the head of a family as defined in regulations prescribed by the Secretary of Labor and who has been totally separated may file an application for a relocation allowance, subject to the terms and conditions of this subchapter.

[SEC. 329. QUALIFYING REQUIREMENTS.

[(a) A relocation allowance may be granted only to assist an adversely affected worker in relocating with the United States and only if the Secretary of Labor determines that such worker cannot reasonably be expected to secure suitable employment in the commuting area in which he resides and that such worker—

[(1) has obtained suitable employment affording a reasonable expectation of long-term duration in the area in which he wishes to relocate, or

[(2) has obtained a bona fide offer of such employment.

[(b) A relocation allowance shall not be granted to such worker unless—

[(1) for the week in which the application for such allowance is filed, he is entitled (determined without regard to section 323 (c) and (e)) to a trade readjustment allowance or would be so entitled (determined without regard to whether he filed application therefor) but for the fact that he has obtained the employment referred to in subsection (a)(1), and

[(2) such relocation occurs within a reasonable period after the filing of such application or (in the case of a worker who has been referred to training by the Secretary of Labor) within a reasonable period after the conclusion of such training.

[SEC. 330. RELOCATION ALLOWANCE DEFINED.

[For purposes of this subchapter, the term "relocation allowance" means—

[(1) the reasonable and necessary expenses, as specified in regulations prescribed by the Secretary of Labor, incurred in transporting a worker and his family and their household effects, and

[(2) a lump sum equivalent to two and one-half times the average weekly manufacturing wage.

⟦*Subchapter D—General provisions*

⟦SEC. 331. AGREEMENTS WITH STATES.

⟦(a) The Secretary of Labor is authorized on behalf of the United States to enter into an agreement with any State, or with any State agency. Under such an agreement, the State agency (1) as agent of the United States, will receive applications for, and will provide, assistance on the basis provided in this chapter, (2) where appropriate, will afford adversely affected workers who apply for assistance under this chapter testing, counseling, referral to training, and placement services, and (3) will otherwise cooperate with the Secretary of Labor and with other State and Federal agencies in providing assistance under this chapter.

⟦(b) Each agreement under this subchapter shall provide the terms and conditions upon which the agreement may be amended, suspended, or terminated.

⟦(c) Each agreement under this subchapter shall provide that unemployment insurance otherwise payable to any adversely affected worker will not be denied or reduced for any week by reason of any right to allowances under this chapter.

⟦SEC. 332. PAYMENTS TO STATES.

⟦(a) The Secretary of Labor shall from time to time certify to the Secretary of the Treasury for payment to each State which has entered into an agreement under section 331 the sums necessary to enable such State as agent of the United States to make payments of allowances provided for by this chapter. The Secretary of the Treasury, prior to audit or settlement by the General Accounting Office, shall make payment to the State in accordance with such certification, from the funds for carrying out the purposes of this chapter.

⟦(b) All money paid a State under this section shall be used solely for the purposes for which it is paid; and any money so paid which it not used for such purposes shall be returned, at the time specified in the agreement under this subchapter, to the Treasury and credited to current applicable appropriations, funds, or accounts from which payments to States under this section may be made.

⟦(c) Any agreement under this subchapter may require any officer or employee of the State certifying payments or disbursing funds under the agreement, or otherwise participating in the performance of the agreement, to give a surety bond to the United States in such amount as the Secretary of Labor may deem necessary, and may provide for the payment of the cost of such bond from funds for carrying out the purposes of this chapter.

⟦SEC. 333. LIABILITIES OF CERTIFYING AND DISBURSING OFFICERS.

⟦(a) No person designated by the Secretary of Labor, or designated pursuant to an agreement under this subchapter, as a certifying officer, shall, in the absence of gross negligence or intent to defraud the United States, be liable with respect to the payment of any allowance certified by him under this chapter.

⟦(b) No disbursing officer shall, in the absence of gross negligence or intent to defraud the United States, be liable with respect to any payment by him under this chapter if it was based upon a voucher signed by a certifying officer designated as provided in subsection (a).

⟦SEC. 334. RECOVERY OF OVERPAYMENTS.

⟦(a) If a State agency or the Secretary of Labor, or a court of competent jurisdiction finds that any person—

(1) has made, or has caused to be made by another, a false statement or representation of a material fact knowing it to be false, or has knowingly failed or caused another to fail to disclose a material fact; and

⟦(2) as a result of such action has received any payment of allowances under this chapter to which he was not entitled,

such person shall be liable to repay such amount to the State agency or the Secretary of Labor, as the case may be, or either may recover such amount by deductions from any allowance payable to such person under this chapter. Any such finding by a State agency or the Secretary of Labor may be made only after an opportunity for a fair hearing.

⟦(b) Any amount repaid to a State agency under this section shall be deposited into the fund from which payment was made. Any amount repaid to the Secretary of Labor under this section shall be returned to the Treasury and credited to the current applicable appropriation, fund, or account from which payment was made.

[SEC. 335. PENALTIES.

[Whoever makes a false statement of a material fact knowing it to be false, or knowingly fails to disclose a material fact, for the purpose of obtaining or increasing for himself or for any other person any payment or assistance authorized to be furnished under this chapter or pursuant to an agreement under section 331 shall be fined not more than $1,000 or imprisoned for not more than one year, or both.

[SEC. 336. REVIEW.

[Except as may be provided in regulations prescribed by the Secretary of Labor to carry out his functions under this chapter, determinations under this chapter as to the entitlement of individuals for adjustment assistance shall be final and conclusive for all purposes and not subject to review by any court or any other officer. To the maximum extent practicable and consistent with the purposes of this chapter, such regulations shall provide that such determinations by a State agency will be subject to review in the same manner and to the same extent as determinations under the State law.

[SEC. 337. AUTHORIZATION OF APPROPRIATIONS.

[There are hereby authorized to be appropriated to the Secretary of Labor such sums as may be necessary from time to time to carry out his functions under this chapter in connection with furnishing adjustment assistance to workers, which sums are authorized to be appropriated to remain available until expended.

[SEC. 338. DEFINITIONS.

[For purposes of this chapter—

[(1) The term "adversely affected employment" means employment in a firm or appropriate subdivision of a firm, if workers of such firm or subdivision are eligible to apply for adjustment assistance under this chapter.

[(2) The term "adversely affected worker" means an individual who, because of lack of work in an adversely affected employment—

[(A) has been totally or partially separated from such employment, or

[(B) has been totally separated from employment with the firm in a subdivision of which such adversely affected employment exists.

[(3) The term "average weekly manufacturing wage" means the national gross average weekly earnings of production workers in manufacturing industries for the latest calendar year (as officially published annually by the Bureau of Labor Statistics of the Department of Labor) most recently published before the period for which the assistance under this chapter is furnished.

[(4) The term "average weekly wage" means one-thirteenth of the total wages paid to an individual in the high quarter. For purposes of this computation, the high quarter shall be that quarter in which the individual's total wages were highest among the first four of the last five completed calendar quarters immediately before the quarter in which occurs the week with respect to which the computation is made. Such week shall be the week in which total separation occurred, or, in cases where partial separation is claimed, an appropriate week, as defined in regulations prescribed by the Secretary of Labor.

[(5) The term "average weekly hours" means the average hours worked by the individual (excluding overtime) in the employment from which he has been or claims to have been separated in the fifty-two weeks (excluding weeks during which the individual was sick or on vacation) preceding the week specified in the last sentence of paragraph (4).

[(6) The term "partial separation" means, with respect to an individual who has not been totally separated, that he has had his hours of work reduced to 80 percent or less of his average weekly hours in adversely affected employment and his wages reduced to 75 percent or less of his average weekly wage in such adversely affected employment.

[(7) The term "remuneration" means wages and net earnings derived from services performed as a self-employed individual.

[(8) The term "State" includes the District of Columbia and the Commonwealth of Puerto Rico; and the term "United States" when used in the geographical sense includes such Commonwealth.

[(9) The term "State agency" means the agency of the State which administers the State law.

[(10) The term "State law" means the unemployment insurance law of the State approved by the Secretary of Labor under section 3304 of the Internal Revenue Code of 1954.

[(11) The term "total separation" means the layoff or severance of an individual from employment with a firm in which, or in a subdivision of which, adversely affected employment exists.

[(12) The term "unemployment insurance" means the unemployment insurance payable to an individual under any State law or Federal unemployment insurance law, including title XV of the Social Security Act, the Railroad Unemployment Insurance Act, and the Temporary Extended Unemployment Compenaston Act of 1961.

[(13) The term "week" means a week as defined in the applicable State law.

[(14) The term "week of unemployment" means with respect to an individual any week for which his remuneration for services performed during such week is les than 75 percent of his average weekly wage and in which, because of lack of work—

[(A) if he has been totally separated, he worked less than the full-time week (excluding overtime) in his current occupation, or

[(B) if he has been partially separated, he worked 80 percent or less of his average weekly hours.

[*Chapter 4—Tariff adjustment*

[SEC. 351. AUTHORITY.

[(a)(1) After receiving an affirmative finding of the Tariff Commission under section 301(b) with respect to an industry, the President may proclaim such increase in, or imposition of, any duty or other import restriction on the article causing or threatening to cause serious injury to such industry as he determines to be necessary to prevent or remedy serious injury to such industry.

[(2) If the President does not, within 60 days after the date on which he receives such affirmative finding, proclaim the increase in, or imposition of, any duty or other import restriction on such article found and reported by the Tariff Commission pursuant to section 301(e)—

[(A) he shall immediately submit a report to the House of Representatives and to the Senate stating why he has not proclaimed such increase or imposition, and

[(B) such increase or imposition shall take effect (as provided in paragraph (3)) upon the adoption by both Houses of the Congress (within the 60-day period following the date on which the report referred to in subparagraph (A) is submitted to the House of Representatives and the Senate), by the yeas and nays by the affirmative vote of a majority of the authorized membership of each House, of a concurrent resolution stating in effect that the Senate and House of Representatives approve the increase in, or imposition of, any duty or other import restriction on the article found and reported by the Tariff Commission. For purposes of subparagraph (B), in the computation of the 60-day period there shall be excluded the days on which either House is not in session because of adjournment of more than 3 days to a day certain or an adjournment of the Congress sine die. The reports referred to in subparagraph (A) shall be delivered to both Houses of the Congress on the same day and shall be delivered to the Clerk of the House of Representatives if the House of Representatives is not in session and to the Secretary of the Senate if the Senate is not in session.

[(3) In any case in which the contingency set forth in paragraph (2)(B) occurs, the President shall (within 15 days after the adoption of such resolution) proclaim the increase in, or imposition of, any duty or other import restriction on the article which was found and reported by the Tariff Commission pursuant to section 301(e).

[(4) The President may, within 60 days after the date on which he receives an affirmative finding of the Tariff Commission under section 301(b) with respect to an industry, request additional information from the Tariff Commission. The Tariff Commission shall, as soon as practicable but in no event more than 120 days after the date on which it receives the President's request, furnish additional information with respect to such industry in a supplemental report. For purposes of paragraph (2), the date on which the President receives such supplemental report shall be treated as the date on which the President received the affirmative finding of the Tariff Commission with respect to such industry.

[(b) No proclamation pursuant to subsection (a) shall be made—

[(1) increasing any rate of duty to a rate more than 50 percent above the rate existing on July 1, 1934, or

[(2) in the case of an article not subject to duty, imposing a duty in excess of 50 percent ad valorem.

For purposes of paragraph (1), the term "existing on July 1, 1934" has the meaning assigned to such term by paragraph (5) of section 256.

[(c) (1) Any increase in, or imposition of, any duty or other import restriction proclaimed pursuant to this section or section 7 of the Trade Agreements Extension Act of 1951—

[(A) may be reduced or terminated by the President when he determines, after taking into account the advice received from the Tariff Commission under subsection (d)(2) and after seeking advice of the Secretary of Commerce and the Secretary of Labor, that such reduction or termination is in the national interest, and

[(B) unless extended under paragraph (2), shall terminate not later than the close of the date which is 4 years after the effective date of the initial proclamation or the date of the enactment of this Act, whichever date is the later.

[(2) Any increase in, or imposition of, any duty or other import restriction proclaimed pursuant to this section or pursuant to section 7 of the Trade Agreements Extension Act of 1951 may be extended in whole or in part by the President for such periods (not in excess of 4 years at any one time) as he may designate if he determines, after taking into account the advice received from the Tariff Commission under subsection (d)(3) and after seeking advice of the Secretary of Commerce and the Secretary of Labor, that such extension is in the national interest.

[(d) (1) So long as any increase in, or imposition of, any duty or other import restriction pursuant to this section or pursuant to section 7 of the Trade Agreements Extension Act of 1951 remains in effect the Tariff Commission shall keep under review developments with respect to the industry concerned, and shall make periodic reports to the President concerning such developments.

[(2) Upon request of the President, the Tariff Commission shall advise the President of its judgment as to the probable economic effect on the industry concerned of the reduction or termination of the increase in, or imposition of, any duty or other import restriction pursuant to this section or section 7 of the Trade Agreements Extension Act of 1951.

[(3) Upon petition on behalf of the industry concerned, filed with the Tariff Commission not earlier than the date which is 9 months, and not later than the date which is 6 months, before the date any increase or imposition referred to in paragraph (1) or (2) of subsection (c) is to terminate by reason of the expiration of the 4-year period prescribed in paragraph (1) or an extension thereof under paragraph (2), the Tariff Commission shall advise the President of its judgment as to the probable economic effect on such industry of such termination.

[(4) In advising the President under this subsection as to the probable economic effect on the industry concerned, the Tariff Commission shall take into account all economic factors which it considers relevant, including idling of productive facilities, inability to operate at a profit, and unemployment or underemployment.

[(5) Advice by the Tariff Commission under this subsection shall be given on the basis of an investigation during the course of which the Tariff Commission shall hold a hearing at which interested persons shall be given a reasonable opportunity to be present, to produce evidence, and to be heard.

[(e) The President, as soon as practicable, shall take such action as he determines to be necessary to bring trade agreements entered into under section 350 of the Tariff Act of 1930 into conformity with the provisions of this section. No trade agreement shall be entered into under section 201(a) unless such agreement permits action in conformity with the provisions of this section.

[*Chapter 5—Advisory Board*

[SEC. 361. ADJUSTMENT ASSISTANCE ADVISORY BOARD.

[(a) There is hereby created the Adjustment Assistance Advisory Board, which shall consist of the Secretary of Commerce, as Chairman, and the Secretaries of the Treasury, Agriculture, Labor, Interior, and Health, Education, and Welfare, the Administrator of the Small Business Administration, and such other officers as the President deems appropriate. Each member of the Board may designate an officer of his agency to act for him as a member of the Board. The Chairman may from time to time invite the participation of officers of other agencies of the executive branch.

[(b) At the request of the President, the Board shall advise him and the agencies furnishing adjustment assistance pursuant to chapters 2 and 3 on the development of coordinated programs for such assistance, giving full consideration to ways of preserving and restoring the employment relationship of firms and workers where possible, consistent with sound economic adjustment.

[(c) The Chairman may appoint for any industry an industry committee composed of members representing employers, workers, and the public, for the purpose of advising the Board. Members of any such committee shall while attending meetings, be entitled to receive compensation and reimbursement as provided in section 401(3). The provisions of section 1003 of the National Defense Education Act of 1958 (20 U.S.C. 582) shall apply to members of such committee.]

Sec. 321. Certification of Adjustment Proposals.

(a) A group of workers certified under section 302 as eligible to apply for adjustment assistance may, at any time within two years after the date of such certification, file an application with the Secretary of Labor for adjustment assistance under this chapter.

(b) Promptly upon receipt of such application the Secretary of Labor shall make available on a priority basis to unemployed or underemployed workers in such group the benefits provided in the Manpower Development and Training Act of 1962.

TITLE IV—GENERAL PROVISIONS

SEC. 401. AUTHORITIES.

The head of any agency performing functions under this Act may—

(1) authorize the head of any other agency to perform any of such functions;

(2) prescribe such rules and regulations as may be necessary to perform such functions; and

(3) to the extent necessary to perform such functions, procure the temporary (not in excess of one year) or intermittent services of experts or consultants or organizations thereof, including stenographic reporting services, by contract or appointment, and in such cases such services shall be without regard to the civil service and classification laws, and, except in the case of stenographic reporting services by organizations, without regard to section 3709 of the Revised Statutes (41 U.S.C. 5). Any individual so employed may be compensated at a rate not in excess of $75 per diem, and, while such individual is away from his home or regular place of business, he may be allowed transportation and not to exceed $16 per diem in lieu of subsistence and other expenses.

SEC. 402. REPORTS.

(a) The President shall submit to the Congress an annual report on the trade agreements program and on tariff adjustment and other adjustment assistance under this Act. Such report shall include information regarding new negotiations, changes made in duties and other import restrictions of the United States, reciprocal concessions obtained, changes in trade agreements in order to effectutae more fully the purposes of the trade agreements program (including the incorporation therein of escape clauses), 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 purposes of this Act, and other information relating to the trade agreements program and to the agreements entered into thereunder.

(b) The Tariff Commission shall submit to the Congress, at least once a year, a factual report on the operation of the trade agreements program.

SEC. 403. TARIFF COMMISSION.

(a) In order to expedite the performance of its functions under this Act, the Tariff Commission may conduct preliminary investigations, determine the scope and manner of its proceedings, and consolidate proceedings before it.

(b) In performing its functions under this Act, the Tariff Commission may exercise any authority granted to it under any other Act.

(c) The Tariff Commission shall at all times keep informed concerning the operation and effect of provisions relating to duties or other import restrictions of the United States contained in trade agreements entered into under the trade agreements program.

SEC. 404. SEPARABILITY.

If any provision of this Act or the application of any provision to any circumstances or persons shall be held invalid, the validity of the remainder of this Act, and of the application of such provision to other circumstances or persons, shall not be affected thereby.

SEC. 405. DEFINITIONS.

For purposes of this Act—

(1) The term "agency" includes any agency, department, board, wholly or partly owned corporation, instrumentality, commission, or established of the United States.

(2) The term "duty or other import restriction" includes (A) the rate and form of an import duty, and (B) a limitation, prohibition, charge, and exaction other than duty, imposed on importation or imposed for the regulation of imports.

(3) The term "firm" includes an individual proprietorship, partnership, joint venture, association, corporation (including a development corporation), business trust, cooperative, trustees in bankruptcy, and receivers under decree of any court. A firm, together with any predecessor, successor, or affiliated firm controlled or substantially beneficially owned by substantially the same persons, may be considered a single firm where necessary to prevent unjustifiable benefits.

(4) An imported article is "directly competitive with" a domestic article at an earlier or later stage of processing, and a domestic article is "directly competitive with" an imported article at an earlier or later stage of processing, if the importation of the imported article has an economic effort on producers of the domestic article comparable to the effect of importation of articles in the same stage of processing as the domestic article. For purposes of this paragraph, the unprocessed article is at an earlier stage of processing.

(5) A product of a country is an article which is the growth, produce, or manufacture of such country.

(6) The term "modification", as applied to any duty or other import restriction, includes the elimination of any duty.

Sec. 406. Findings of Fact Required for Presidential Determinations.

Any determinations of the President under sections 201(a), 211(a), 211(b), 211(c), 212, 213(a), 213(b), 232(a), 232(b), 254, 256(7), or 302(a) shall be based upon findings of fact by the President that the conditions or principles specified in each such section exist or are applicable as shown by the record of the investigation made incidental to such determination.

Sec. 407. Publication of Reports.

The reports and other documents described in sections 213(c), 242(b)(3), and 301(g) shall be made public by the President or at his direction as soon as practicable after the purposes for which they are specified in this Act have been accomplished.

Sec. 408. Fostering Increased Employment in Growth Industries.

(a) Taking note of the persistent high levels of unemployment existing in the United States and the necessity for encouraging and protecting the growth of new domestic industries and domestic industries whose operations have been characterized by sustained growth in employment, plant investment, and production as a means of reducing unemployment and providing jobs for the Nation's growing labor force, the Congress declares it to be the policy of the United States that no reduction in any rate of duty, or binding of any existing customs or excise treatment, or other concession proclaimed under section 350 of the Tariff Act of 1930, as amended (19 U.S.C., sec. 1351), or under section 201 of this Act, shall be permitted to continue in effect when the product on which the 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 into the United States in such increased quantities, as to cause or threaten serious impairment of the rate of growth of such industries producing the like or directly competitive products. No action shall be taken pursuant to section 201 of this Act to decrease the duty on any imported article or to bind any existing customs treatment, if such action would cause or threaten serious impairment of the rate of growth of such domestic industries producing the like or directly competitive products.

(b) The President, as soon as practicable, shall take such action as may be necessary to bring trade agreements heretofore entered into under section 350

of the Tariff Act of 1930, as amended (19 U.S.C., sec. 1351), into conformity with the policy established in subsection (a) of this section.

(c) In any investigation conducted pursuant to section 221(b) of this Act, the Tariff Commission shall, in addition to the findings required by such section, report to the President its findings with respect to the limit to which modification of duties and other import restrictions, or continuance of existing customs and excise treatment, may be made with reference to imported articles in order to carry out the purpose of this Act without causing or threatening serious impairment of the rate of growth of such domestic industries, described in subsection (a) of this section, which produce the like or directly competitive articles.

(d)(1) 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 changing the period at the end of the paragraph to a comma and adding the following: "or to cause or threaten serious impairment of the rate of growth of a new domestic industry or a domestic industry whose operations have been characterized by sustained growth in employment, plant investment, and production, which produces the like or directly competitive products.".

(2) The first sentence of the third paragraph of subsection (a) of such section is amended (A) by inserting after "directly competitive products," the following: "or to cause or threaten serious impairment of the rate of growth of a new domestic industry or a domestic industry whose operations have been characterized by a sustained growth in employment, plant investment, and production, which produces the like or directly competitive products,"; and (B) by striking out the period at the end of such sentence and inserting in lieu thereof the following: "or impairment.".

(3) The first sentence of paragraph (1) of subsection (c) of such section is amended by inserting after the words "serious injury to" the following: "or serious impairment of the rate of growth of".

MEMORANDUM IN EXPLANATION OF PROPOSED AMENDMENTS TO H.R. 11970

As a group these amendments are designed to accomplish the following:

1. Basic negotiating principles: To insure that the broad new authority delegated to the President will actually be used so as to conform to principles which now, as in the past, have been desired by Congress but have not always been achieved in actual practice.

(*a*) True reciprocity, in which U.S. exports will be assured equivalent customs treatment to that accorded foreign imports by the United States (amendments 11a; 16 a, b, c, d, e, 17b).

(*b*) Actual value received, in which U.S. concessions on each article will be negotiated with the principal supplier of that article in the world export trade. This will reform a practice in which concessions have often been granted in the past to countries which are not in the strongest competitive position in world trade on the articles covered by the concessions, with the result that the strongest competitors get the prime benefit of the concessions, under our most-favored-nation rule, without making a reciprocal concession to the United States for this increased access to U.S. markets. (Amendment 11b.)

(*c*) Equal treatment of Japan and all other countries parties to the trade agreement by beneficiaries of our concessions, by requiring recipients of U.S. concessions on particular goods to admit such goods from Asia, Latin America, and Africa with liberality equivalent to that accorded by the United States. This will prevent European countries, for example, from continuing to exclude low-cost goods from Asia by quotas, licenses, and other restrictive measures, with consequent diversion of Europe's reasonable share of such goods into the U.S. market. This is a reform badly needed, if the effect of concessions granted to Europe, when extended to Asiatic countries under our most-favored-nation rule, is not to channel Asia's goods exclusively into the U.S. market. (Amendments 11c, 17b.)

(*d*) Maintaining the integrity of concessions to the Common Market, in which eliminations and reductions of duty on particular categories of goods, based upon the condition that the United States and the European Economic Community countries supply 80 percent of world export value of such goods, will be withdrawn at the end of the 3-year term of United States-European Economic Community trade agreements if the trade of other countries,

which receive the benefit of such concessions under the most-favored-nation rule, has increased to such an extent that the United States and the European Economic Community no longer account for 80 percent of world export value of such goods. (Amendment 17a.)

2. Constitutional principles: To insure that the delegation to the President of unprecedented power over customs duties contained in the bill is subject to the minimum constitutional requirements of (1) a clear statement of principles to guide the President in the use of such power; (2) the necessity for findings of fact by the President that in each case in which he proposes to use the delegated power the circumstances actually meet the principles specified by the Congress; and (3) the publication of reports setting forth the facts pertinent to each use of delegated power, and the President's findings of fact based thereon:

(*a*) Clarification or completion of the statement of principles which are to guide the President's use of the trade agreement power, in which—

(1) the expansion of U.S. exports is made an essential purpose which must be met in each and every use of the power (amendments 1; 2; 3a; 11a; 16 b, c, d).

(2) the necessity for U.S. commercial exports to be a significant factor in world trade in categories subjected to elimination of duty in U.S.-EEC trade agreement negotiations is made clear (amendments 3a and b).

(3) the use of the delegated powers so as to avoid causing serious injury to domestic industries, agriculture, and workers is required (amendments 3c, 4, 5b, and f, 6, 7, 9, 10, 12, 18, 20, 22, 28a, 33, 34).

(4) the minimum acceptable basis for an exchange of concessions with foreign countries is specified by the Congress (amendments 11 a, b, c, 16a, b, c, d).

(*b*) Making more definite the obligation of the President to base his use of the delegated power upon findings of fact that the purposes and principles specified by Congress have been satisfied. (Amendments 1; 3c; 4; 6; 7; 10; 11a, c; 12; 35.)

(*c*) Making more definite the requirement for public hearings at which interested parties shall have the right to be heard on matters which the Congress makes prerequisite for the Executive in using the trade agreement powers. (Amendments 6, 22.)

(*d*) Requiring reports of investigations and findings of matters pertinent to the exercise of the trade agreements authority to be made public. (Amendments 3b. d, h; 12; 22; 36.)

3. Safeguard principles: To restore to the bill the traditional principle of a selective reduction of tariffs which will avoid causing or threatening serious injury to domestic industries, agriculture, and workers. (This principle has been at the heart of trade agreement policy from the beginning, and Congress has developed and emphasized it in the three extensions in the 1950's.)

(*a*) Replace the Tariff Commission's prenegotiation "advice" to the President of "economic effects" of proposed eliminations or reductions of duty, with the present peril point procedure under which the Commission finds the extent to which duties can be reduced without causing or threatening serious injury. (Amendments 3c; 4; 6.)

(*b*) Replace the bill's post-trade agreement procedure of a Tariff Commission inquiry to determine whether solely as a result of a concession imports of an article have idled plants, made firms unable to operate at a profit, and thrown workers out of jobs throughout the entire industry, with the present escape clause procedure under which the Commission finds whether imports due in part to past concessions are causing or threatening serious injury to the segment of the industry directly engaged in the production of the like or competitive articles. (Amendments 18; 20; 21; 22; 23 a and b; 24; 25 a and b; 28a.)

(*c*) Improve administration of the peril point and escape clause procedures by specifying criteria of injury which shall require an affirmative finding by the Tariff Commission; and liberalize the restrictive provision of the present law and the bill for congressional approval of Tariff Commission findings rejected by the President. (Amendments 6, 12; 26; 28b.)

(*d*) Prevent impairment of growth industries, with their employment-creating potential, by excessive imports by enlarging the criteria of the peril point and escape clause procedures to provide the President with findings of these possibilities. (Amendment 37.)

4. Administrative reform: To keep the execution of the trade agreements program in the hands of persons knowledgeable in domestic commerce in order to reform the State Department's orientation of the program as a nonreciprocal adjunct to our foreign aid giveaway programs. (Amendments 1, 13b, 15.)

5. Conform adjustment assistance for firms and workers to the remedies in present law so as to avoid creating Federal standards of unemployment assistance, inequities as between classes of unemployed workers and distressed firms, and the use of worker/firm adjustment assistance as an alternative to tariff adjustment for industries and workers seriously injured by imports. (Amendments 23a; 25a; 28b; 30; 32; 33; 34.)

AMENDMENT-BY-AMENDMENT DESCRIPTION

1. Since four separate purposes are specified in section 102 of the bill, only the first of which is directed to expansion of our exports, the presence of the words "any of" in section 201 would permit the Executive to reduce or eliminate U.S. duties without specific regard to seeking an expansion of U.S. exports. This amendment would prevent such a use of the powers in the bill. An expansion of U.S. exports would have to be included as one of the purposes guiding the President in entering into any trade agreement which granted duty changes to other countries.

2. The power in section 202 to transfer products to the free list on the sole test that their existing duty protection is 5 percent or less, was asked because administration spokesmen believed the rates to "have little or no economic significance" so that they could be eliminated "as a matter of convenience of administration." (Hearings, Ways and Means Committee, p. 32.) The Ways and Means Committee disagreed, stating in its report:

"*It is not your committee's intention, in recommending the grant of this authority, to minimize the significance of rates of duty at this level.*" [Emphasis added.] (H. Rept. 1818, p. 16.)

Since the premise for this power was rejected, the section itself should have been stricken from the bill by the committee. (Such articles would, of course, remain subject to the other duty reduction or elimination provisions of the bill.)

3(*a*). Under the 80-percent test specified in section 211 of the bill, U.S. duties could be eliminated even though the United States accounted for only a negligible part of the 80 percent. The theory of section 211 is that on certain products the United States and the European Economic Community are each foremost suppliers so that duty elimination as between these two entities would not principally benefit Japan or other countries. But if the United States is not a significant factor in world trade on a particular group of articles falling in the 80-percent category, it may be because we are noncompetitive vis-a-vis European Economic Community. Therefore, an elimination of duties on such a category would not benefit our exports. In the debate in the House on H.R. 11970, Chairman Mills of the Ways and Means Committee was asked about a requirement that 25 percent of the 80 percent be accounted for by the United States. He admitted an argument could be made for it, and said this matter could be studied by the Senate. (Congressional Record, June 28, 1962, p. 11148.) The Ways and Means report stated that the committee expected the categories under the 80-percent test to be "to a very large extent * * * those in which the United States exports more than it imports." (H. Rept. 1818, 87th Cong., p. 15.)

The amendment suggested here—the requirement that the United States supply at least 25 percent of the 80 percent world export value—is not as exacting as the committee statement, yet it would provide certainty, which the bill does not, that categories negotiated under the 80-percent test be those in which U.S. exports are of some significance.

3(*b*). The bill properly provides for the Tariff Commission to make public its determinations of articles falling within the categories specified by the President for use in EEC negotiations. The bill also permits the Commission to modify such determinations (and these proposals would permit further modification to delete articles competitive with products of industries which would be seriously injured by elimination of duties). Obviously the modifications should be made as public as the initial determinations. That is the purpose of this amendment.

3(*c*). The purpose of section 211(b) is to limit the effect of eliminations of duty in U.S.–EEC negotiations to those specific articles determined by the Tariff Commission to be included in the categories selected by the President. In line

with other amendments proposed, which would restore the basic principle of avoiding serious injury to domestic industry, this amendment would require the Commission to modify its initial determination of articles included in EEC negotiating categories so as to remove specific articles on which it finds that elimination of duties would cause or threaten serious injury to domestic industry, agriculture, or workers producing the like or competitive articles.

3(*d*). The public interest in trade agreement preparations and in the findings requisite to use of trade agreement authority is quite evident from the many provisions for public hearings, notice, and the like. The 80-percent statistical determination provided for in section 211 of key importance to the power of the President to eliminate duties in negotiations with the EEC. Therefore, it is consistent with the spirit of the bill to make readily available to the public basic facts upon which these determinations depend. The public cannot know what trade statistics the Department of Commerce has "in use" so as to form its own judgment of exposure of products to the authority of section 211. It could do so if the Department were required to make such statistics public. (Of course, it now publishes U.S. export statistics, but not the more limited foreign statistics.) This amendment is directed to this end.

3 (*e*), (*f*), and (*g*). These amendments would require the elimination from export value for purposes of the 80-percent test of articles donated, "sold" for counterpart funds, or purchased for dollars with foreign aid funds. Since these exports have no independent commercial significance, they should not be included in data used to determine the commercially important categories in which the U.S.-EEC trade is so significant that mutual tariff elimination would be expected to contribute to the exports of the affected industries of these two entities. These amendments respond to these realities.

3(*h*). The Tariff Commission's finding as to the essential facts for a determination of the categories meeting the 80-percent test, and, hence, subject to duty elimination, is of obvious interest to the business community, as well as agriculture and labor. These facts are not policy, and their publication would not inhibit the President's freedom of action in subsequent negotiations. Hence, this amendment would require them to be made public by the Commission when it sends them to the President.

4. This amendment would remove absolutely from the authority to eliminate duties entirely or to exceed a 50-percent cut in duties in EEC negotiations those articles as to which the Tariff Commission finds that such duty change would cause or threaten serious injury to the domestic industry producing the like or competitive articles. In reductions in duty not exceeding 50 percent, the President would retain the right he now holds of going beyond the "peril point" found by the Commission, by explaining to the Congress why he did so. The power to exceed a 50-percent cut, and to eliminate duties entirely, is unprecedented in U.S. trade agreement history. Under total elimination of duties, the probability of injury to an industry sensitive to import competition would appear to be certain and definite. The Commission's findings that such injury would occur should, therefore, be controlling, and this amendment would make them so by requiring such articles to be removed from the scope of the duty elimination authority.

5 (*a*), (*b*), (*c*), (*d*), (*e*), (*f*). The unstated premise of section 213 of the bill providing for mutual elimination of duties by the United States and the EEC on tropical commodities is that any import restrictions which exist are likely to be unnecessary to safeguard home production since both areas are in the temperate climes. Overlooked, however, is the possibility that species of fiber, lumber, tree nuts, vegetable oil, and the like produced in the tropics are directly competitive with other species produced in temperate climes. It would be consistent with the premise of this section of the bill to exclude from its duty-elimination power any commodities which the Tariff Commission finds are, in fact, directly competitive with articles produced in the United States. These amendments so provide. (Such articles would, of course, remain subject to the general 50-percent reduction in duty provision of the bill.)

6. This amendment deletes the bill's substitute for the peril point procedure, and reinstates the procedure in present law. Since 1951, the Tariff Commission has been required to determine the extent to which the duty on articles proposed for tariff negotiations could be reduced without causing or threatening serious injury to American industries, farmers, and workers. In lieu of this procedure, the bill would simply call for the President to be "advised" by the Tariff Commission of the "economic effect" of reductions or eliminations of duty.

The definition of "industry" under which the Commission now considers the impact of imports on that part of the operations of the firms producing articles

competitive with the imported articles, would be repealed by the bill. The Commission would have to consider the effect of imports on the overall operations of the firms in the industry, regardless of whether they are multiproduct or multiplant producers. Further, instead of determining whether increased imports due in whole or in part to proposed concessions would cause or threaten serious injury, the Commission would be limited to considering whether imports resulting solely from the concessions possible under the bill would cause "idling of productive facilities, inability to operate at a profit, and unemployment or underemployment." (H. Rept. 1818, p. 5.)

These changes called for by the bill would, in combination, effectively prevent the Commission from warning in advance of negotiations against injurious changes in duty. Total disaster attributable solely to a duty change will rarely be foreseen. The peril point procedure was a guardrail to prevent disaster. Amendment 6 will carry that procedure on as an essential safeguard.

Paragraph (2) of amendment 6 would provide the Tariff Commission with a clear-cut set of criteria under which findings of probable import injury would be mandatory. The purpose of specifying these criteria is to remove an area of doubt or debate from the Commission's peril point deliberations, and thus facilitate its administration of the peril point procedure. The criteria will also provide more certainty to the business, agricultural, and labor communities enabling them to evaluate more readily the position of their products vis-a-vis imports, and to prepare for participation in peril point public hearings aided by a clearer understanding of controlling areas of proof.

7. This is a perfecting amendment to close a loophole in the provision of the bill which intends that the President be supplied with the informed findings of the Tariff Commission as to the foreseeable consequences of reductions or eliminations of duty before he agrees to grant concessions to any foreign country. Concessions result not only from U.S. offers, but also from the requests of other countries. By stating the one but not the other, the bill permits the President to agree to concessions so requested before he has the Commission's advice. This amendment would correct that situation.

8. Other amendments propose elimination of the great majority of the adjustment assistance provisions of the bill, including section 351. Deletion of the reference to that section in section 225(a)(1) is therefore appropriate.

9. This amendment would correct an apparent anomally in the bill. The bill gives the President authority for 5 years to reduce and eliminate duties via trade agreement actions. Section 225 specifies that certain items are to be reserved from the negotiations. But subsection (b) would require reservation of articles, where reduced duties are found by the Tariff Commission to be injuring domestic industries, to be so reserved only during the first 4 years of the 5-year period in which the President can act. No reason was given in the House for this 1-year hiatus. If reservation of such articles is a valid principle, and it is, it should apply thoroughout the 5-year period in which the President could negotiate agreements. This amendment would so require.

10. This amendment would strengthen the bill from the constitutional aspect by changing the Tariff Commission's role in prenegotiation activity from one of "advice" to that of "factfinding." The Commission is a factfinding agency with expertise in the tariff and trade area. Constitutionally there must be a procedure where it is established as a matter of fact that particular actions the President proposes to take in using the delegated power meet the policy guidelines specified by Congress in the legislation. Mere "advice" will not do this, but findings of fact will; hence the amendment.

11(*a*), 11(*b*), and 11(*c*). These amendments specify three cardinal principles of trade agreement negotiation which are designed to strengthen the position of the United States in securing value received for the concessions which it grants in such negotiations.

First (11(*a*)), we will not grant more favorable treatment to imports from EEC countries than they are willing to grant our exports (subject, however, to the right of other countries to invoke in proper circumstances provisions of trade agreements pertaining to balance-of-payments difficulties, infant industries, and the escape clause to correct serious injury to a home industry).

Second (11(*b*)), we will negotiate new concessions with the principal supplier of the goods covered by the concession. Under most-favored-nation rule, this will tend to insure that the effect on our markets can be most accurately judged in such negotiations and, particularly, that the United States can secure payment by reciprocal concessions from the chief beneficiary of our concessions.

Third (11(c)), we will not open up our market more widely to all countries, under our most-favored-nation rule, by granting a particular concession to a country desiring the same unless that country admits the goods in question with equal freedom from all other countries which would receive the benefit of our concessions. This will make it unnecessary for the United States to absorb an excessive portion of Asiatic goods resulting from the more favorable tariff treatment granted by the United States where Europe refuses to admit such low-cost goods on equal terms.

11(*d*). Clerical change.

12. Under present law the President must report his reasons to Congress whenever he reduces a tariff below the "peril point" found by the Tariff Commission (i.e., below the level to which duties can be reduced without causing or threatening serious injury to the domestic industry, agriculture, or workers). The bill eliminates both peril-point findings and the related duty for informing Congress when the peril point is exceeded. Amendment 6 restores the peril-point procedure, and this amendment 12 reinstates the President's duty to report to Congress whenever he exceeds the limit on duty changes which the Commission finds under the policies set forth in the legislation.

13 (*a*) and (*b*). The bill provides for an interagency committee similar to the Trade Policy Committee created by Executive Order 10741. The Secretary of Commerce is chairman of that committee. The President advised the Ways and Means Committee that he intends to retain the Secretary of Commerce as chairman (H. Rept. 1818, p. 19). Yet the bill would permit some other Cabinet officer to be named as chairman. In keeping with the statement of Chairman Mills during debate in the House that "It is not the intention of your committee * * * that the State Department run this show" (Congressional Record June 28, 1962, p. 11150), amendment 13b specifies that the Secretary of Commerce is to be the chairman of the interagency trade organization. Since amendment 34 strikes chapter 4 of title III from the bill, the reference to that chapter in the description of the functions of the interagency trade organization is deleted by amendment 13a.

14. This amendment, in harmony with amendments 16a through 16e, makes it clear that the entire procedure for giving business, agriculture, and labor organizations the right to be heard on restrictions placed by other countries on U.S. exports which violate trade agreement commitments of such nations shall not be qualified by administrative discretion. Hence, this amendment requires the interagency trade organization to advise the President of the results of such a hearing without regard to whether the restrictive practices which violate our trade agreement rights are, in the opinion of the organization, "justifiable" or not.

15. In 1958 the Ways and Means Committee amended the trade agreements law to specify that during the course of negotiating a trade agreement the President "should seek information and advice with respect to such agreement from representatives of industry, agriculture, and labor." The committee's report emphasized that "competent, representative, and diversified opinion" should thus be provided "in all major negotiations" stressing that the "advice of such informed persons representative of industry, agriculture, and labor" should be of "great benefit in assuring the adoption of sound positions by the United States." (H. Rept. 1761, 85th Cong., p. 6.)

State Department press release 642 of November 15, 1960, announced that there would be 12 "public advisers" at Geneva and "a substantial number of private citizens" available at Washington as consultants "on questions arising in the course of the Geneva negotiations." Apparently with the change in administrations in early 1961 this program was not fully executed. White House press release of March 9, 1962, sets forth a statement by 8 of the 12 so-called public advisers to the U.S. delegation to the Geneva Tariff Conference. It consisted primarily of an endorsement of the administration's trade bill. The membership included representatives of only three industries; coal, lumber, and aluminum. They were obviously not competent to provide information and advice on the chemicals, machinery, electrical goods, glassware, autos, scientific instruments, clocks, metal manufacturers, wines, books, sundries, etc., on which the United States granted concessions.

This amendment makes it clear that information and advice pertaining to their products is to be sought during the course of negotiations from representatives of each particular sector of industry, agriculture, or labor whose products are placed into negotiations. This conforms to the original intent of the 1958 provision, and to commonsense. If the Congress means what it says, that the

President should seek advice from industry during the course of negotiating a trade agreement so as to arrive at sound positions, it is obviously necessary that the advice be sought from industry sources with specific knowledge of the products being negotiated. The amendment is directed to this end.

16 (*a*), (*b*), (*c*), (*d*), and (*e*). Present law has two provisions which require and give the President the means for action to counteract discrimination by foreign countries of U.S. exports; namely, sections 338 and 350(a)(5) of the Tariff Act of 1930, as amended. Both have been a dead letter in the law as they have rarely, if ever, been invoked. H.R. 11970 repeals one of them, section 350(a)(5).

Discriminations and nontariff restrictions against U.S. exports are widely practiced. The printed hearings report of the Ways and Means Committee contains a tabulation and listing of those imposed by the Common Market countries, prepared by the executive department, occupying 117 pages. A narrative description of such restrictions practiced in these and other foreign countries against U.S. exports occupies 66 additional pages of the printed hearings. The Ways and Means Committee adopted an amendment to the bill which requires the President to act to secure the elimination of such restrictions without granting new tariff concessions in doing so. He is directed (as in present law) to withdraw the benefit of past concessions from offending countries. The interagency trade organization is required to hear persons with complaints about such restrictions.

To a great extent this provision, section 252, parallels existing law. Unfortunately, the executive department, which has rarely acted to counter discriminations against our trade, was unwilling to "accept" the amendment without qualifying words which would leave the matter of action entirely to the discretion of the interagency trade organization, or the President. These amendments, 16(*a*) through 16(*e*), are directed to striking out these qualifying words and phrases so that the section sets forth clearly and unmistakably the intention that we not tolerate nullification of our trade agreement rights by beneficiaries of our concessions.

17(*a*). This amendment is keyed to the exceptional nature of the authority to eliminate duties in negotiation with the EEC under section 211 of the bill. This power exists only if the United States and the EEC account for 80 percent of world trade in the categories under consideration. If that factual prerequisite does not exist, the power does not. So, too, if the factual basis of the authority ceases to exist after the power is used to grant concessions to the EEC, the concessions should be terminated at the first terminal point specified in the agreement. The amendment so provides.

17(*b*). Under proposed amendments 11(*a*) and 11(*e*), the United States would grant particular concessions only if the recipient made a commitment to admit (1) U.S. exports, and (2) exports from other countries (such as Japan and India) on terms no less liberal than the United States was agreeing to admit such goods under the concession and the most-favored-nation rule. Since the commitment is a prerequisite to the grant of a U.S. concession, the violation of the commitment should be the occasion for withdrawing the concession. The amendment provides for this.

18. One of the basic purposes of the proposed group of amendments is to restore the traditional safeguards which Congress has enacted into law during the three extensions of the trade agreements program during the 1950's. In harmony with this purpose, amendment 18 deletes the references in H.R. 11970 which would repeal the present escape clause procedure, and the statement of policy which complements it.

19. This amendment deletes a provision of the bill which would have converted pending escape clause actions into investigations under the new and weaker criteria of the bill. Since these proposed amendments reinstate the existing escape clause, the "carryover" provision of the bill is unnecessary. Hence, it is deleted by this amendment.

20. This amendment provides that domestic industries shall apply for tariff adjustment under the existing escape clause procedure (sec. 7 of the Trade Agreements Extension Act of 1951, as amended), while firms and workers are permitted, as under the bill, to apply for special adjustment assistance under the procedures set out in title III of the bill (which would be considerably revised by other proposed amendments, discussed hereafter).

21. The bill seriously weakens the escape clause by requiring the increased imports of an article which cause injury to result solely from the concession granted on that article. This will result from the omission from the bill of the

words "in part" now in the law. This action is inconsistent with the Ways and Means Committee's statement in 1958 that the Tariff Commission "is warranted in considering that, when increased imports of a product on which a concession has been granted cause serious injury, there is sufficient evidence that the level of the existing duty reflecting the concession contributes, in part at least, to such increased imports." Those views were valid in 1958 and are valid today. This amendment restores the words "in part" in harmony with the existing law.

The present law recognizes that an increase of imports relative to domestic production of an article may seriously injure an industry. This was added to the law by the Senate Finance Committee in 1955. In a recession if production drops, imports may remain at a constant and high level and thus injure the domestic industry. The bill eliminates the relative increase of imports as an actionable factor. This amendment would restore that feature of present law to the bill.

22. This amendment strikes the new criteria of injury set forth in the bill and directs the Tariff Commission in lieu thereof to proceed under the provisions of the escape clause criteria of present law. Present law focuses the Commission's investigation on the particular segment of the industry, and the particular part of the operation of the firms in the industry, directly involved in producing the articles in question. Under the language of the bill, and the committee's remarks on the subject in its report (H. Rept. 1818, p. 23), the Commission must consider the effect of imports of a particular article on the "overall operations" of the establishments in the industry.

It is unlikely that imports of one article could have the effect which the bill sets out as the test for relief, of bringing the multiproduct, multiestablishment firms of an industry producing the article to the condition where there is idling of productive facilities, inability to operate at a profit, and unemployment or underemployment of workers throughout the entire industry, viewed in its broadest sense. The committee's report, by requiring this combination of events, which collectively are the hallmark of bankruptcy and economic disaster (far beyond "serious injury"), to be the principal test (H. Rept. 1818, p. 38), foreordains that findings of "injury" will be few and far between.

23 (*a*) (*b*); and 25 (*a*), (*b*). The bill would require the Tariff Commission in the course of an investigation of serious injury to an industry to determine whether serious injury is being caused to individual firms or groups of workers. These amendments separate these latter procedures so that the Commission will make a determination of injury to firms or groups of workers only when they have petitioned the Commission to do so, and not as part of an industry case.

These amendments have the effect of providing that in investigations of import injury to firms and groups of workers, increased imports which result in part from trade agreement concessions, and which are either actually or relatively an increase, permit an affirmative finding by the Tariff Commission. These changes are consistent with amendment 21 pertaining to investigations of injury to domestic industries, which in turn are in accord with present law.

24. The bill specifies that the severe criteria of injury which it proposes for industry escape clause use shall also be used in determining import injury to firms. This amendment deletes these new factors, so that the words "serious injury" which remain would be construed in the light of the factors contained in the present escape clause law, reinstated to this bill by amendments 18, 20, and 22.

26 and 6 (par. (2)). There is widespread dissatisfaction with the quality of administration which the escape clause has received. The law itself is sound in concept, but reform in administration is needed at both the Presidential and Tariff Commission level. The former is addressed by amendment 28, discussed later. The latter can be accomplished by specifying in the law with particularity the indicia of injury which when present in a case require a finding of serious injury. Amendment 26 specifies the combination of events which identify serious import injury.

Since the peril point and escape clause are based on the prospective and retrospective determination of the same ultimate fact, serious injury from imports, the amendment described above to the escape clause is also appropriate for the peril point procedure. Amendment 6 (par. (2)) accomplishes this, as previously explained in the discussion of that amendment.

27. Clerical change.

28(*a*) and 28(*b*). Amendment 28a requires the President in an industry case to proceed under the existing escape clause law and eliminates adjustment as-

sistance to individual firms and groups of workers as alternatives to action to regulate imports in cases in which the Tariff Commission finds a domestic industry to have been seriously injured by increased imports. These amendments give the President the choice of approving the Commission's recommendations for import adjustment by withdrawing tariff concessions or imposing quotas, or, of taking no action and explaining to Congress so that it may place the Tariff Commission's recommendations into effect on its own responsibility if it chooses to do so.

Under present law Congress may put in force a Tariff Commission recommendation for withdrawal of tariff concessions or imposition of import quotas by a two-thirds vote of each House within 60 days of a Presidential turndown. The procedure specified gives the resolution introduced privileged status so that it may be brought to the floor of each House for a vote if the cognizant committees fail to act promptly. The bill would change the procedure by (1) requiring the approval of a constitutional majority of each House, and (2) discarding the privileged status of the resolution. Amendment 28b would change the vote to a majority of the yeas and nays (less than a constitutional majority) and retain the privileged status of the resolution so committee in action could not frustrate letting the Members of each House work their will on the recommended import adjustment. This strengthens congressional oversight of Presidential action and is consistent with the constitutional responsibility of the Congress under article I, section 8.

29 (*a*) and (*b*): 31. Clerical changes.

30 and 32. These amendments are needed to make these sections consistent with the earlier amendments of the adjustment assistance provisions of the bill which emphasize that the remedy for individual firms and groups of workers is separate and distinct from, and not connected with or dependent upon, determinations of injury to industries.

33. This amendment eliminates the requirement for an adjustment proposal by a firm certified for adjustment assistance, provides for priority assistance under the existing Area Redevelopment Act, and eliminates the special loans and tax relief offered by the bill. It is the purpose of this amendment to make the benefits of the Area Redevelopment Act available to a firm injured by imports under circumstances where the industry of which the firm is a part had not been affected to the extent required for a finding of injury under the escape clause. Such a firm might be located in an area not otherwise eligible for the benefits provided in the Area Redevelopment Act. This amendment would allow the Secretary of Commerce, upon a finding of injury to the firm by the Tariff Commission and certification of the case to the Secretary by the President, to treat the location of the firm's affected plant or plants as a redevelopment area for the purpose of making that firm eligible for assistance under that act.

34. This amendment eliminates the special Federal standards of unemployment compensation (both as to duration and amount) offered by the bill to workers displaced by imports. It provides a simple procedure by which groups of workers certified by the President after a Tariff Commission finding of import injury to the group, may apply to the Secretary of Labor for priority consideration of the benefits offered by the existing Manpower Development and Training Act.

35. This amendment strengthens the bill from a constitutional point of view by requiring the key determinations of the President putting into use the delegated authority to be based on findings of fact that the conditions specified by the Congress for such use have been met. It is not unreasonable to require the President's findings to rest upon evidence contained in the record of the investigation which precedes his actions. The amendment so provides.

36. This amendment completes the requirements for publication of reports and findings specified by the bill as prerequisites for Presidential action. The requirement for publication traditionally improves the quality of the record and the findings, and in itself strengthens the possibility that the delegated power will be used within the limits intended by Congress.

37. The United States has a high level of "structural unemployment" and a lagging rate of growth. If the unprecedented duty eliminations and reductions authorized by the bill are used in such a manner as to stimulate excessive imports of manufactured articles when the effect is to harm the rate of growth of those U.S. industries with an above-average rate of growth or growth potential, the economy could be harmed out of all proportion to the volume of imports itself. Accordingly, this amendment adds concepts to the peril point and escape clause remedies which will (1) inform the President whenever tariff reductions would impair or have impaired the rate of growth of innovating, employment-

creating industries, and (2) empower him to reserve the products of those industries from negotiations if impairment would occur and to withdraw past concessions if impairment has already occurred.

Senator CURTIS. Mr. Chairman.

The CHAIRMAN. Senator Curtis.

Senator BUTLER. May I say this, Mr. Stewart? I appreciate your coming here. I think your testimony was very valuable, certainly to me as a member of this committee, and I want to congratulate you on your preparation and the manner in which you have presented it here.

Mr. STEWART. Thank you, Senator.

Senator CURTIS. Mr. Stewart, if the Bush amendments were adopted, and the remainder of the bill remained as it is now written, would the President have authority to eliminate tariffs entirely such as the present bill proposes?

Mr. STEWART. He would have three of the four grants of power now in the bill to eliminate duties entirely, but his action would follow a more careful screening of the probable effects, and in one important case the Bush amendments would remove from the categories on which the President was acting those particular articles within the category which would result in serious injury to industry, agriculture, mining, fisheries, or labor, if the duty were lowered more than 50 percent.

The effect of the Bush amendments is that the peril point procedure which leaves the President free to go beyond the peril point would apply on any reduction of duty up to 50 percent. But when the President proposes to go all the way with the finality of putting an article on the free list, if the Commission found that would cause injury that item would be removed from the President's authority to eliminate duties.

The category of "power" that would be removed entirely is section 202 of the bill which would allow the President to eliminate any duty which is 5 percent ad valorem or less. The only justification that has been advanced for this authority by the administration is administrative convenience.

I submit to you that administrative convenience is not a legitimate or rational basis for the Congress to empower the President to eliminate duties.

If that were a valid principle, he should be allowed to eliminate all duties, because it would be obviously less trouble to the Government if it had not the job of collecting duties.

Senator CURTIS. Then is this a fair statement? The bill as it comes to us, would permit the President to remove entirely the duties where they are under 5 percent.

Mr. STEWART. Correct.

Senator CURTIS. The Bush amendments would say, first, they restore the peril point proceedings and if the Tariff Commission would say that injury would be done or be threatened, the President could not remove the tariff completely, he could only go to 50 percent?

Mr. STEWART. That is the effect of it, Senator Curtis.

Senator CURTIS. But if the Bush amendments were adopted, and an industry failed to get a majority of the Tariff Commission to sustain their request for peril point protection, the President then would have power to wipe out tariffs entirely.

Mr. STEWART. That is correct.

Senator CURTIS. In that category.

Mr. STEWART. But recognizing that in the best of administrations mistakes can happen, the Bush amendments reinstate the escape clause, define with particularity the particular class of cases in which the Commission must find injury.

Senator CURTIS. I think they are a decided improvement.

Mr. STEWART. And they give the Congress the authority to put the Commission's recommendations into effect if the President chooses not to do so, by a simple majority vote of each House on a privileged resolution.

So that Congress retains the right to correct mistakes that the President for one reason or another will not correct, after it has become evident that the Tariff Commission made a mistake in not setting a peril point.

Senator CURTIS. Now, these items that have less than 5 percent ad valorem duties, the list has been inserted but in general in what categories would they fall?

Mr. STEWART. Well, those items include, first of all—they include categories of poultry, they include some meat products, they include a good many minerals, and they include almost the majority of fishery products.

The industry that would be hurt the worst by section 202 would be the fishery industries of the United States, and these people that work in those industries, the last frontier, you might say of rugged individuals who pit their talents and energy against nature without Government subsidy, would lose the only vestige of Government recognition that they have today if section 202 is enacted into law.

Senator CURTIS. Now, again assuming the Bush amendments were adopted and the remainder of the bill was accepted as it came to us, would the President have authority to reduce duties beyond 50 percent other than the category that we just talked about of which less than 5——

Mr. STEWART. Yes, Senator Curtis he would have three founts of power in which to eliminate duties: on industrial articles on the 80-percent test; on all agricultural commodities listed in Handbook 143 of the Department of Agriculture, which includes, for example, meat products, specifically listed; and section 213 of the bill—section 212 of the bill—that contains that authority illustrates the complete lack of balance even in the sections which would benefit the administration's program.

The only test that the President has to meet to eliminate duties on meat products, for example, is a finding on his part that it would end to maintain our exports of meat products.

Now, today our exports of meat products are only little more than one-third of our imports.

In other words, the foreigners now in our market or in foreign trade with our meatpacking industries have a 3-to-1 advantage on volume of trade. How unrealistic it is to empower him to eliminate our duties under those circumstances simply by looking at exports.

The President's advisers are requiring him to use this great power with blinders on. He is the man who will be politically responsible if he injures our domestic economy.

Is it fair to him for the Congress to put such a far-reaching law in his hands and to withhold meaningful information, and to focus his attention on only one-half and the least important half of the picture?

I say it is not.

Senator CURTIS. I agree with you.

Now, the Bush amendments would give to the President the power to go beyond 50 percent if the Tariff Commission didn't object, is that correct?

Mr. STEWART. On industrial articles, agricultural commodities and on something called tropical agricultural and forestry commodities.

Senator CURTIS. What authority is there to give to the President to go beyond 50 percent under any circumstances or to wipe out all tariffs under any circumstances?

Is there any impelling situation that——

Mr. STEWART. There are two aspects that must be considered in answering that question.

First, if we have valid peril point and escape clause procedures it is theoretically immaterial how far the President reduces the duty because his powers would be exercised on items that would not harm the American economy, but from the point of view of foreign trade relations, once we reduce our duties we have no bargaining power left with which to cope with future foreign emergencies. It is like setting up your business and spending all your working capital the first week or the first year: what are you going to use the following years?

Senator CURTIS. That is an argument to not giving him that power even if the Tariff Commission doesn't object?

Mr. STEWART. That is the issue. As a matter of prudence Congress ought not to give him the power to go all the way if the Congress feels that in the future under its constitutional responsibilities it would want the United States to have some bargaining power left.

Now, the necessity for the hurry, I do not understand. We have an impressive trade surplus with the Common Market. There is no evidence as yet, and the Common Market internal duties have been reduced 50 percent and the common wall applies against us, 50 percent higher, there is no evidence as yet this has harmed our exports.

Now, if the United Kingdom does not come into the Common Market, the 80 percent test, for example, is meaningless. How wise is it for the Congress to enact a bill this year with a provision like the 80 percent test when it has no way of knowing whether that is the particular tool that will be needed a year from now?

Senator CURTIS. Would you say that there might be some wisdom on the part of Congress in delaying any departure, at least from the present program until we know what England is going to do and to what extent she carries the Commonwealth?

Mr. STEWART. It would be, Senator. Section 253 of this bill provides that no new reduction in duty under the authority in the bill could take effect until 1 year after the Dillon round of negotiations becomes fully effective.

The Dillon round was proclaimed to become effective over 2 years beginning July 1, 1962. The Dillon round cuts will not become fully effective until June 30, 1964. Under this bill no new reduction in duty could take effect until a year after that, 1965.

Now, why in the name of commonsense wouldn't it be possible for the Congress to defer this legislation until next year? If you pass a law next year the administration will still have 2 years in which to prepare and use that authority which under the terms of the legislation before you, is the earliest that it could take effect. It is irrational to proceed, it seems to me, in view of the Common Market developments when by the words of the administration spokesmen themselves some of the provisions of the bill will be meaningless without the United Kingdom in the Common Market.

Senator CURTIS. I don't like to take so much time, but you are giving some very valuable testimony here.

What is the practical effect of the delegation of power to the President to raise tariffs? I want your answer to be not only with the legalistics involved but the diplomatic aspects and getting along with nations.

In the first place, when can we raise tariffs and what would be the situation if we reduced the tariff, the most-favored-nation clause took effect and it would have more or less worldwide application, then what, by Executive order, happens to the tariff?

Mr. STEWART. I will answer you very briefly, Senator Curtis.

First, let us take notice of the fact that our trading partners have not hesitated to act against us when in accordance with our domestic law we adjust duties.

When the President adjusted our duties on carpets and glass which affected the interest of Belgium we were subject to retaliation not only by Belgium but by the entire Common Market.

Mr. George Ball, in a speech which he delivered in Bonn, Germany, in April of 1962 stated that the United States has passively accepted, I am paraphrasing Mr. Ball, passively accepted many actions by other countries, withdrawing concessions they have granted to us and we have never retaliated.

Let us look at our laws.

The President has the power to raise duties first of all under the escape clause. In 15 years he has exercised this power 15 times, that is once a year.

Secondly, the President has the power to raise duties under the national security provision of the Trade Agreements Act which this committee in its wisdom fashioned and amended hoping that it would be operative.

In 25 cases the President has raised duties or has taken action in this case by quotas in only one case in the 7-year history of that remedy.

Senator CURTIS. What one was it?

Mr. STEWART. That was in the case of petroleum.

Now, there have been on the statute books two very effective measures for the President to use in counteracting discrimination against our commerce and those measures have only been used once in the 30-year history of those provisions.

The first, and this is a very effective provision, is section 338 of the Tariff Act of 1930. It provides very simply that if the President determines that any country is discriminating against our commerce he may increase our duties on the products of that country by 50 percent and warn them. He says in effect, see here, you are discriminating against us, I am going to raise the duty 50 percent on

your products but if you eliminate your discrimination I will remove that 50 percent duty.

That is—that has never been used.

That same statute says that if the country that we act against does not respond then the President may impose an embargo on the products of that country.

Now, section 338 is a potent weapon in the hands of an Executive and a State Department determined to see that commitments benefiting us are honored by our trade agreement partners.

They have not had the disposition to date to use that authority except in one instance. That was not section 338.

Another provision of our law, and it would be repealed curiously by H.R. 11970, is section 350(a)(5) of the Tariff Act of 1930, as amended. That is a part of the trade agreements legislation.

And it is a model of clarity, simplicity, and directness. Because it is so short, I would like simply to read it. It says, first, that concessions granted under the trade agreements program will accrue to all other countries.

But then it has a proviso which states:

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

Now, that has been in our law since 1934 and it has been invoked once to my knowledge in the case of Australia.

In addition to these legal measures, our trade agreements contain a provision, article XXIII of GATT, for example, which provides that if any country takes an action which nullifies the benefit of any treatment that we are entitled to on our commerce to that country, we, the United States, can withdraw the concessions that we have granted to that country. We must first tell them we are bothered, we must lay it before the contracting parties, but we have the ultimate right to retaliate in GATT.

We have never exercised that power.

This committee has a responsibility, I believe, of legislative oversight over the Trade Agreements Act and its operation.

You designated the Tariff Commission in 1930 to keep informed of discriminatory acts under section 338 and to advise the President so the President didn't have to rely on his own awareness of what was going on.

There was an expert body that would tell him and report to him. It would be most interesting if this committee would inquire into whether or not the Tariff Commission has ever discharged that responsibility.

I say, it is of no use to set aside the laws that you enacted in other years and to adopt new laws. There must be a determination, I respectfully submit, on your part to see to it that the laws which are enacted operate.

You passed some very direct and clear measures to arm the President to counteract discrimination and they have never been used, and in considering this legislation you should at least be aware of the fact that you did that, and that your injunction in that case was not honored by the Executive.

Senator CURTIS. Well now, if the Congress passes the bill somewhat in substance as it came to us, including these powers to wipe out tariffs beyond 50 percent, to remove an effective peril point, and effective escape clause and these other provisions in existing law, what American industries, if any, will benefit thereby?

Mr. STEWART. Well, let me cite to you the words of the President himself. In his message to Congress sending up the trade legislation and in the speech which he made before the National Committee on Trade Policy in Washington shortly before House action he said that the industries that would benefit from this bill are those industries that pay high wages, that are highly efficient, the mass production industries.

The study which I have included in my testimony as exhibit 6 shows that in the period from 1954 to 1960 when presumably we would have had some chance to see this great contribution come from those industries, they have contributed only about 90,000 jobs while the industries sensitive to import competition have lost 300,000 workers.

This is not a very impressive performance.

Senator CURTIS. Yes; well, I am familiar with his generalization there but what I am getting at is there are probably some industries which believe that the trade agreement program will help their business.

Among those that so contend are there any of them that require these extraordinary powers and this abandonment of safeguards in order to get what they want and claim they need?

Mr. STEWART. I can't really answer that question, Senator Curtis. In my own judgment, I don't want to be in a position of speaking for other industries, they are entitled to speak for themselves, I see no industry that over the long run would benefit from the enactment of this bill in its present form. I think the total economy, including the export industries will benefit if the Bush amendments are adopted.

Senator CURTIS. It is also true that there will be injury sustained that will be real and measurable but not quite enough to invoke peril point or escape-clause protection; isn't that right?

Mr. STEWART. That is correct.

There are instances in which individual firms close to a seaport are injured by imports where the industry as a whole is not, because of the inland transportation.

Senator CURTIS. Now, the industry as a whole might be injured but in a lesser degree?

Mr. STEWART. That is correct.

Senator CURTIS. Than the Tariff Commission would find.

What are the provisions in the Bush amendments in regard to this putting both management and labor on relief by reason of this act?

Mr. STEWART. The Bush amendments, as I understand them and have studied them very closely, do not eliminate the adjustments section of the bill entirely, title III.

They do amend title III so that the only thing available to an industry that is injured is the escape clause procedure for an adjustment of duties. But in the case of individual——

Senator CURTIS. In other words, they eliminate the loans to industry.

Mr. STEWART. They eliminate so-called adjustment assistance as an alternative to assisting an injured industry but the Bush amendments

leave in the bill a procedure where individual firms and groups of workers who are injured by imports where their industry as a whole is not injured, may be assisted on a priority basis to secure the benefits provided in present law, the Area Redevelopment Act and the Manpower Development and Training Act passed by this Congress.

Senator CURTIS. Now, the provisions in the Area Redevelopment Act and the Manpower Training Act are to a degree federalized unemployment compensation systems, aren't they?

Mr. STEWART. I wouldn't say that, Senator Curtis.

As I read those laws and understand them, workers are not entitled to a higher amount of payment than would be available under the State unemployment compensation laws.

Senator CURTIS. What is the source of money?

Mr. STEWART. Well, it is true——

Senator CURTIS. Take, for instance, the area redevelopment. How is unemployment compensation paid from that any different than unemployment compensation paid under a State system?

Mr. STEWART. I have a memorandum on the subject which I would be glad to submit for the record, Senator Curtis.

Senator CURTIS. I would ask unanimous consent to insert it.

The CHAIRMAN. Without objection.

(The memorandum referred to follows:)

RATIONALE FOR THE LIMITATION OF ADJUSTMENT ASSISTANCE IN THE TRADE BILL TO THE BENEFITS PROVIDED BY THE MANPOWER DEVELOPMENT AND TRAINING ACT OF 1962

BACKGROUND

The amendments to the trade bill being introduced by Senator Bush in his own behalf and that of other Senators would change title III of H.R. 11970 so that adjustment assistance to firms and groups of workers would be limited to the benefits provided in the Area Redevelopment Act and the Manpower Development and Training Act of 1962.

Under the Area Redevelopment Act, in addition to assisting firms through the extension of loans and technical assistance, underemployed or unemployed workers of such firms could receive occupational training or retraining, and retraining allowances.

The weekly retraining payments provided by the Area Redevelopment Act may not exceed 16 weeks, and the amount of such payment is equal to the average weekly unemployment compensation payment in the State. The retraining payment is not made if the retrainee is receiving unemployment compensation while taking retraining. It is possible, therefore, that an unemployed person could, after receiving unemployment compensation for the full period of time allowed by the State, commence occupational training or retraining at the expiration of that period, and thus receive an additional 16 weeks of payments in the approximate amount of the unemployment compensation payable in that State.

Under the Manpower Development and Training Act, unemployed persons may be given occupational training and during such training receive payments for a period not exceeding 52 weeks. The amount of the payment cannot exceed the average weekly unemployment compensation payable in the State. Persons receiving occupational training may also be paid transportation and subsistence expenses when the training is provided away from home. The training provided by the act includes on-the-job training. Training allowances are not payable while the trainee is receiving unemployment compensation. Conceivably, a trainee could receive unemployment compensation for the full period permitted by the law of the State, commence retraining immediately upon the expiration of that period, and thus receive payments equal to the unemployment compensation payment for an additional 52 weeks.

RATIONALE

1. The purpose section of the Manpower Development and Training Act states that the Congress finds that the skills of many persons have been rendered obsolete by dislocations in the economy arising from automation, foreign competition, relocation of industry, etc. Thus, Congress specifically had in mind in enacting that act the situation of workers who were made unemployed by imports. Since this was part of the specific congressional purpose, it is anomalous, to say the least, for Congress to provide a completely independent set of retraining benefits in H.R. 11970, the trade bill.

2. Actually, the benefits provided under the Manpower Development Act would appear under some circumstances to be more generous, so far as duration is concerned, than those permissible under title III of the trade bill. (The full period of unemployment compensation plus 52 weeks, versus a total of 76 weeks in the trade bill.)

3. The principal difference between the benefits provided in the Area Redevelopment Act and the Manpower Development and Training Act, on the one hand, and title III of the trade bill, on the other, is the Federal level of compensation payments provided in the latter. This would be equal to 65 percent of the worker's average weekly wage, or of the average weekly manufacturing wage in the Nation, whichever is less, compared with the average unemployment compensation payment permissible in the State under the Area Redevelopment Act and Manpower Development and Training Act. Thus, the weekly payments under the trade bill would be greater than the weekly payments under the other acts.

4. Because of the multiproduct, multiplant character of many industrial firms, it would not be uncommon for workers in the same community to be unemployed and eligible for training as a result of imports, on the one hand, and the other economic developments, on the other. Both sets of workers could be undergoing retraining in the same retraining facility. For one set to receive higher retraining benefits than the other when they both had been employed by the same company, lived in the same community, and were accepting retraining under the same program, would be inequitable and impossible to explain satisfactorily to the workers.

5. It is no answer to say that there is a Federal responsibility for unemployment caused by imports which justifies the higher payment. As the legislative history of the Manpower Development and Training Act makes clear, Federal responsibility for retraining the unemployed was accepted in the Employment Act of 1946. The Manpower Development and Training Act was recognized by the Congress explicitly as action by the Federal Government to meet its responsibilities under the Employment Act of 1946. Hence, the schedule of payments and benefits in the Manpower Development and Training Act are as Federal in nature as those proposed to be set up by the trade bill.

6. Where this Congress has knowingly enacted a program of retraining benefits specifically to meet the needs of workers underemployed or unemployed as a result of foreign competition, it is baffling, contradictory, and inconsistent for the very same Congress to enact new legislation in the very same year. Particularly, it would be incongruous for title III to be enacted before the machinery created in the Manpower Development and Training Act, to say nothing of the Area Redevelopment Act, was given an opportunity to operate. The Congress has no experience upon which to judge the success or failure of the Manpower Development and Training Act in meeting the problems of persons unemployed as a result of import competition.

Senator CURTIS. But in brief, our State system is paid entirely by a tax levied by the State.

Mr. STEWART. That is correct.

Senator CURTIS. Whereas in most of the States it is from the employer only.

Mr. STEWART. That is correct.

Senator CURTIS. In the area redevelopment does the Federal Government supply any of the funds?

Mr. STEWART. Yes, it does, Senator Curtis, and I see your point. To the extent that in those laws the Federal Government reimburses

the State for payments that are made when the State acts as the agent of the Federal Government in carrying out the benefit of those acts, it is, you might say, a Federal type of benefit.

However, I rest my position on the fact that the Congress enacted the Area Redevelopment Act.

Senator CURTIS. I understand; I am not quarreling with you, but I want to get the record clear.

I am not sure that I understand your answer yet.

Mr. STEWART. In the sense that the State after paying them is reimbursed by the Federal Treasury, they do come from the Federal Treasury.

Senator CURTIS. They come entirely——

Mr. STEWART. But the amount paid to the worker cannot exceed the amount paid the worker under the State unemployment program.

Senator CURTIS. He is paid according to State standards.

Mr. STEWART. Correct.

Senator CURTIS. But ultimately with Federal money.

Mr. STEWART. There is some Federal reimbursement; yes, sir.

Senator BUTLER. The State is the agent of the Federal Government.

Mr. STEWART. That is correct.

Senator CURTIS. Some of it. How much? Do they pay all of it, half of it?

Mr. STEWART. I don't know, Senator Curtis.

Senator CURTIS. Are the two programs, the Manpower Retraining Act and the Area Redevelopment Area Act, quite similar?

Mr. STEWART. The Manpower Development and Training Act provides for a longer period of benefits to workers that are in a training stage than are provided under the Area Redevelopment Act.

Senator CURTIS. And longer than is available under the State plan?

Mr. STEWART. In some instances it may be longer, Senator.

Senator CURTIS. And does some of the money come from the Federal Government?

Mr. STEWART. Yes, that is correct.

Senator CURTIS. So what the Bush amendments do is to recognize these two acts as the law of the land and the previous action of Congress?

Mr. STEWART. That is right.

Senator CURTIS. Well, I disagree with both, but I don't mean to criticize, to be critical. You have made a very important and significant contribution to our problem.

Mr. STEWART. Senator Curtis, the important point about the Manpower Development and Training Act is that in the legislative history, indeed, in the purpose section of the law itself, dealing with the unemployment consequences of foreign competition is one of the specific purposes of that act. It would be anomalous, to say the least, for Congress having so lately passed that as a remedy, a retraining remedy for the consequences of import injury, now to take up a fresh piece of legislation as though that were not on the books. If that was sound legislation it deserves a trial. If it was not sound legislation it deserves to be repealed.

Senator CURTIS. I would agree with the latter.

I won't take any more time but I do want to thank you for your contribution here. It seems to me that the proponents of this whole area of trade agreements must either decide that the program has been a success in the past or it hasn't.

If it hasn't been a success it ought to be reappraised. If it has been a success they have failed to show, I believe, a need for this extraordinary abandonment of power.

It is not a delegation of power. If the Congress delegates power and then sets up some guidelines and has the arm of the Congress, the Tariff Commission, have a part in it, that could be described as a delegation of power. But this is just an abandonment of power without restrictions, as I see it.

That is all, Mr. Chairman.

Senator BUTLER. Mr. Chairman, I have noted page 3 of the bill as submitted by Mr. Stewart, embodying the Bush amendments. The point that I made doesn't seem to be covered, Mr. Stewart, and I will talk to Senator Bush about it and see if we can get some language to cover it. Even under the Bush amendments the President can make a concession without hearing from the Tariff Commission.

Mr. STEWART. He may not do so until 6 months have elapsed.

Senator BUTLER. That is right.

Mr. STEWART. Yes, sir. If the Commission does not——

Senator BUTLER. The Tariff Commission could be very busy or for some reason or other not make a report, and in that case the President could go ahead and make the concession without ever hearing from the Tariff Commission at all.

Mr. STEWART. The Commission takes these responsibilities very seriously, Senator Butler, and does regard itself as a legislative adjunct.

Senator BUTLER. I appreciate that, but the burden of work under this particular act may be so great that it would be physically impossible for them to get to the work. I don't know how many applications will be pending at once. It all depends on the number of items the President will certify and it is possible to certify items in priority position and to put one in so that it would be impossible for the Tariff Commission to pass on it.

Mr. STEWART. Considering the President's power of appointment of the Tariff Commissioners I would consider it unlikely that the Tariff Commission would take more than 6 months.

Senator BUTLER. That is the position of the administration as expressed by Secretary Hodges. They have no fear that the Tariff Commission will not respond to its duty.

The CHAIRMAN. Senator Talmadge?

Senator TALMADGE. Mr. Stewart, I want to compliment you on making one of the most articulate, consistent, and effective statements that I have heard before this committee since I have had the pleasure to serve on the Finance Committee.

As I understand your testimony, you feel that the President does need additional power to negotiate with the Common Market but that it must have adequate safeguards, is that a correct appraisal and summary?

Mr. STEWART. Yes, sir.

Senator TALMADGE. I want to ask you about this most-favored-nation concept. As I understand it, whatever trade agreement we make with the Common Market that same agreement would be available to the entire world except for certain Communist countries, is that not correct?

Mr. STEWART. That is correct, Senator Talmadge, and if I may say so, those of us in the nongovernmental world have been extremely concerned by a remark which Secretary, Under Secretary Ball, made in a TV press conference, a broadcast over Radio Free Berlin on July 5, 1962.

He was asked about East-West trade, and I have the transcript of his remarks and he stated, and I am quoting:

> I would hope that arrangements can be found primarily through the reduction of trade barriers on a universal basis that can make it possible for these countries to enjoy a considerable amount of trade with the free Western World.

Now, Under Secretary Ball, in his task force report on foreign economic policy, given to the President before the inauguration, advocates, as I understand the report, that we free ourselves of this curious notion that there should be some restrictions on East-West trade, and as I understand remarks that he has made on the public record he is in favor of Yugoslavia and Poland, for example, at this time having the benefit of our concessions under the most-favored-nation principle.

So that as a qualification to your statement, while the law at present, as I understand it, gives the benefit of our trade concessions to every free world country, the administrations in the past have been able to look at Communist countries as part of the free world and if Mr. Ball's statement over Radio Free Berlin is any indication, he may intend to broaden that concept.

Senator TALMADGE. All right, let's pursue this thing a little and take some examples. Suppose we make an agreement with the Common Market countries of Europe. By that agreement we would also give those same trade advantages, for example, to Japan, would we not?

Mr. STEWART. Yes, sir.

Senator TALMADGE. Would the Common Market makes the same trade advantages available to Japan?

Mr. STEWART. Not necessarily, Senator. A number of countries of Western Europe have withheld the benefit of most-favored-nation treatment to Japan under Article XXX of the General Agreement on Tariffs and Trade.

Senator TALMADGE. Then under those conditions our agreement would be unilateral and not bilateral in nature, would it not?

Mr. STEWART. Unilateral in the sense we would be the only ones living up to most-favored-nation rule.

Senator TALMADGE. All right.

Now, suppose we made the agreement with the Common Market countries and they might not necessarily make the same trade advantages available to Japan. Would Japan make the same trade advantages available to us or the Common Market?

Mr. STEWART. Japan has had probably as restrictive an apparatus of import regulation as any country of the free world. Japan has approached the problem by annually setting a budget, the amount of funds that could be used to pay for imports.

Then within that budget licenses were granted. It has been impossible, for example, to get a large volume of such articles as American cigarettes, American automobiles and the like into Japan because of this policy.

Whereas we have granted concessions on our industrial products to Europe to persuade Europe to open up its markets for Japan, we have been requited by Europe reneging on that commitment and Japan being very restrictive with this procedure that I describe. We give and give and receive very little.

Senator TALMADGE. What advantages, if any, do we get from this most-favored-nation principle?

Mr. STEWART. There are some nations of the world which honor the principle and we do get the benefit of their concessions granted to other countries.

Senator TALMADGE. How many honor it and how many do not honor it?

Mr. STEWART. I have not made a count, Senator, I would not hazard a guess on that.

Senator TALMADGE. Do these amendments which have been proposed by Senator Bush offer effective remedies to insure if we do agree to the most-favored-nation principle that other countries must, of necessity in turn give us the same treatment?

Mr. STEWART. Yes, Senator Talmadge, they do, and before saying anything further on that, let me say that if you would pick up volume 1 of the printed hearing of the Ways and Means Committee on this bill, on the trade bill, you would find a table consisting, as I recall, of about 116 pages, tabulating the restrictions that are imposed on various countries of the world, nontariff restrictions of various sorts against our commerce. There is in addition in that volume a description by words, not a table, of such restrictions which takes about 66 pages, as I recall, to set forth.

Just a glance at those pages and that table would persuade you that the most-favored-nation principle is more honored in the breach than in the observance.

Now, in regard to the Bush amendments, on page 3 of the form of the bill as amended which I have presented here today, which Senator Bush had introduced in the Congressional Record when he introduced the amendments, you will find amendments 11(a), 11(b), and 11(c). The effect of those numbered amendments which would put a new section 226 in the bill is simply this:

"We won't grant any further reductions in duty to Europe unless Europe agrees to give the same treatment they ask of us to the Asiatic countries."

Senator TALMADGE. What is the enforcement agency of this most-favored-nation principle?

Mr. STEWART. Up until the present time it has been section 350 (a)(5) of the Tariff Act of 1930, that is a provision of the present trade agreements law.

As I explained earlier that has only been invoked once in 28 years history of the legislation. The enforcement agency is also the Tariff Commission and the President cooperating under section 338 of the Tariff Act of 1930, which provision, so far as I am able to ascertain, has never been invoked.

Senator TALMADGE. In other words, the President has the power adequate to enforce it but your statement is that heretofore it has not been enforced but rather it has been breached.

Mr. STEWART. Correct.

Senator TALMADGE. What does GATT have to do with this most-favored-nation principle, if anything.

Mr. STEWART. Well, GATT is a multilateral trade agreement in which we and about 41 other countries are members.

These countries together are supposed to count certainly for 85 percent or more of the world trade. It is a cardinal principle of GATT that the most-favored-nation treatment be extended to all the signatories of GATT, and GATT has machinery to enforce that in article XXIII, so that if any country entitled to most-favored-nation benefit of concessions does not receive it, it can set a procedure in motion looking toward retaliation unless the offending country gets in line.

So far as I am aware that procedure has been very seldom, if at all, invoked by the United States.

Senator TALMADGE. You would agree, then, that the most-favored-nation principle ought to be preserved with adequate enforcement standards, is that your view?

Mr. STEWART. That is my testimony.

If our principle is as it should be, the strengthening of economic relations in the free world, if we say that and mean it and we mean it when we say it, we should by all means use our power to make the most-favored-nation principle work on the part of other countries.

Senator TALMADGE. I would certainly agree with that. I can't understand why we would give the benefits of an agreement we might make with one nation or a group of nations to the entire world and then not insist on their giving us the same agreements that we gave them.

I do not see what we would gain on any unilateral basis of that nature unless we insisted that other countries who received the benefits thereof give us the benefits, also.

Mr. STEWART. Senator, this is particularly harmful to the interests of agriculture in your great State and the States of other members of this committee.

If you would pick up a copy of the report of the contracting parties to the General Agreement on Tariffs and Trade, published in Geneva in 1962 entitled "Trade in Agricultural Products", and if you would turn, as I have turned, to page 25 of that report, you would read:

> There has been extensive resort to the use of nontariff devices, whether or not in conformity with the General Agreement, which, in many cases, has impaired or nullified tariff concessions or other benefits which agricultural exporting countries expect to receive from the General Agreement. Hence, the Committee concluded that the balance which countries consider they had a right to receive under the General Agreement has been disturbed. These developments are of such a character and either they have weakened or threatened to weaken the operation of the General Agreement as an instrument for the promotion of mutually advantageous trade.

Senator TALMADGE. I am well aware of that since we have made the agreement with the Common Market, they have raised the tariff on poultry.

Our State produces more poultry than any other State in the Union, and they are having great problems with it at the moment.

But what is the remedy?

Mr. STEWART. Well, sir, on poultry, it is the position of the U.S. Government, as expressed by its official delegate at the 19th session of the contracting parties to GATT, that variable import levies such as are being imposed now on poultry are contrary to the meaning, the intent of GATT. If this is true, and they said it, then we have the right to retaliate under article XXIII of GATT.

Are we retaliating? Are we preparing to use our power to minimize those restrictions?

No. Instead, this administration comes before this committee and wants to give away more concessions to pay the Common Market to give us something that we have paid for once and are now prepared to pay for over and over again.

If you buy a car, and the seller takes it away, and you have to pay for it again, and you tolerate that procedure, there is no limit to the number of times that you will be called upon to pay over and over again for that article, and this is exactly the position of this administration with reference to the Common Market's common agricultural policy.

I say that more benefit for our exports, more benefit for our farm economy would result if we had no trade agreements extension but a simple law directing the President for 2 years to use the authority that he has under section 338, under section 350(a)(5), and under article XXIII of GATT to counteract discrimination against our exports and then to come back to the Congress, come back to this committee and report on the results, and what new legislation is needed.

Why should we, having paid for access to these markets, now tolerate withdrawal of that access and prepare to pay for it over again?

Senator TALMADGE. I understand then that you feel that the remedy is enforcement of existing law.

Mr. STEWART. That is correct.

Senator TALMADGE. That is all, thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Stewart, for making a very interesting and informative statement.

I have just one question I want to ask:

Secretary Hodges testified that he had no intention, and the administration had no intention of asking to be admitted to the Common Market either now or any time in the future.

Would it be your judgment that if the legislation that is now before us is enacted and other legislation probably along the same lines later on, would it then be possible for us to stay out of the Common Market?

Mr. STEWART. In the long term, it is my judgment that it would not be possible for us to stay out of the Common Market.

The CHAIRMAN. That is my belief.

Secretary Hodges said we would not enter the Common Market, but we would have a partnership with the Common Market. I confess I am unable to understand exactly what the "partnership" means.

Now, in regard to GATT, as I understand it, we have made treaties with 40-odd nations, and those treaties continue as long as it is mutually agreeable to both parties.

Mr. STEWART. That is correct.

The CHAIRMAN. But should we cancel the treaty with one of the 40 nations without the consent of that nation, then it is possible for all the treaties to be canceled. GATT has the power then to say to us: "If you cancel one treaty with a certain nation against the wishes of that nation, then they have the power to cancel all the treaties within the GATT agreements."

Mr. STEWART. I would agree with your statement with one amendment, Mr. Chairman, and that is to substitute the word "concession" for "treaty."

If another country abrogates the benefit they extended to us for a particular article which is in tariff treatment called a concession we have the right under GATT to retaliate by withdrawing concessions from them.

That action does not put an end to the trade agreement. We still are parties to an agreement, but we each have exercised the rights which the agreement intends that we have and intends that we exercise in the premises.

The CHAIRMAN. The ultimate purpose of the Common Market, as I understand it, is to have no tariffs between the member nations in the Common Market.

Mr. STEWART. That is correct, complete free trade.

The CHAIRMAN. That will not be done immediately. It would be over a period of time.

Mr. STEWART. That is correct. The timetable has been moved up a little bit, but by 1970 they will have complete free trade, but it is noticeable that even the Treaty of Rome and the regulations for agricultural commodities issued by Common Market ministers have escape clauses, so if the agricultural economy or the industry producing agricultural products, canned goods, frozen foods, and the like, is injured by this free trade policy there can be a withdrawal and the creation of some protection for that particular segment of the economy.

But your question is fundamental, sir. The Common Market treaty itself is our best evidence that the only condition under which complete free trade is possible, is where there is a movement toward ultimate political union, where you have common wage standards, a common immigration policy, common antitrust laws, and other common economic and fiscal policies.

It is not possible under any other conditions.

The vice of this bill is that we are looking at one narrow aspect of our total economic relations with other countries, and we are working on that as though everything else would automatically adjust itself, and it won't.

The CHAIRMAN. Then you think that this bill, if enacted, is perhaps a first step toward the entrance eventually into the Common Market?

Mr. STEWART. In my mind, there is no question about it, and I think there is some, I think there must be some recognition in the minds of some people in the administration that what this bill will accomplish with its peculiar authority, is to supply the quid pro quo which will allow the Common Market to take in the United Kingdom and allow us to compensate the United Kingdom by taking into this country under free trade the agricultural commodities produced by

the Commonwealth countries that cannot get into Europe and that this is a beginning step toward an ultimate Atlantic Union.

Senator BUTLER. Mr. Chairman, will you yield at that point?

The CHAIRMAN. I yield.

Senator BUTLER. Talking of an Atlantic Union, do you feel that this is a step toward ultimate world government?

Mr. STEWART. Mr. Chairman and Senator Butler, I have prepared a memorandum which I would like to insert in the record, and I would like to accompany it and make available to the committee, and if in the committee's wisdom it should be printed in the record, to have you print the task force report headed by Mr. George Ball, submitted to the President prior to inauguration.

If you examine this report you will find, which was prepared in the winter of 1960, that the outline of the necessary legislation to lead to a strengthening of the free world as one happy family is a remarkable blueprint for the bill before you that the motivation for this legislation is not the reasons that have been advanced to you by the administration, the balance-of-payments problem and the Common Market problem, but a definite desire to move in the direction of one world, at least I so read the document. I would like to submit for the record a memorandum entitled "Adjustment Assistance," and a document entitled on the first page, "Part 1, Modernizing our Foreign Economic Policy," which I do believe to be the text of the Ball task force report.

The CHAIRMAN. Without objection.

Senator BUTLER. Mr. Chairman, may I request that that be printed?

The CHAIRMAN. Yes.

(The documents referred to follow:)

ADJUSTMENT ASSISTANCE

Section 257(e): The escape clause of existing law is repealed by this section. Sections 301 and 351 of the bill raise up in its place a new concept in which injury is not to be avoided or corrected by import regulation, but cared for by Federal loans, grants, and extraordinary unemployment and retraining benefits.

This new approach was outlined by Mr. Ball in his preinaugural task force report to the President. His objective was not the growth of the U.S. economy but sustained economic growth within the industrial economy of the West. This design was to be possible only if trade is not hampered by artificial restrictions or protectionist devices. He declared the trade agreements program to be bankrupt and encrusted with restrictive devices through repeated legislative struggles.

"The obsolescence of our trade agreements mechanism rests also in the 'no injury doctrine,' which is embedded in the present legislation," the Ball report said. The escape clause in its present form threatens the stability of our trade agreement commitments by permitting the unilateral reversal of reductions previously made.

The Ball report referred to the recognition "that the transition from a system of individually protected national markets to a system of free trade will necessarily require structural changes in the economies of the member countries." The objective of "bringing about a high level of multilateral trade and the most efficient utilization of free world resources" requires, in the opinion of the task force, "Government mechanisms to cushion trade readjustments within our own economy." Structural changes "resulting from tariff reductions" were declared to be "an inevitable consequence of a major reduction in barriers to the normal flow of trade."

The task force report stated:

"Over the past decade, as Presidential authority to negotiate trade agreements has been extended periodically, the peril point and escape clause provisions have

been increasingly tightened to make them more effective as devices for protecting domestic industry."[1]

The Ball group felt that this national policy was inconsistent with the best interests of the "free world." The report states:

"The task force is of the strong opinion that the 'no serious injury' doctrine should be substantially abandoned. The United States should recognize fully that the liberalization of trade essential to a prosperous free world will require that tariffs be reduced to the point where it will be necessary to accept some temporary and local injury to certain American firms, industries, and communities."

Thus is revealed the genesis of the main outline of the bill now before the Senate Finance Committee. Drastic tariff reductions with foreseen injury to American firms, industries, and communities is the design, and H.R. 11970 faithfully hews to that concept.

Having set the "free world-free trade" design, the task force had little difficulty disposing of the escape clause. Its report stated:

"The present escape clause, which should be completely recast, has two major deficiencies: First, it is triggered not by the impact of imports on an entire multiproduct industry but by the effect on an individual product, even though the industry as a whole may be prosperous. Second, it is based on a static concept since it can result in a tariff increase even though the labor and capital resources of the industry concerned can easily be shifted to the production of other types of goods.

"The task force recommends that the escape clause provision be revised so that it will be operative (i) where there is a finding that an entire industry is adversely affected by increased imports resulting from a tariff cut, and (ii) where there is a finding that an adjustment to the impact of imports cannot readily be made."

Adjustment assistance was to be the rule; tariff relief the exception. The task force reported:

"Under certain circumstances the President might determine that, notwithstanding adjustment assistance, producers and workers in the industry were being displaced from their current activities faster than they could be absorbed in alternative employment. In that event—but only in that event—he would be required to grant relief by increasing tariffs.

"Such relief would, however, be of limited duration. * * *"

It is plain that the adjustment assistance provisions and the substitution of the procedures of sections 301 and 351 for the escape clause are not geared to the requirements of the U.S. economy, or our national needs. Rather, they represent measures to implement a free trade program for the free world in which U.S. firms, industries, and communities will be intentionally sacrificed.

The Ball task force recommendations have never received congressional scrutiny or approval. They should not be allowed to become national policy by default. They should have been presented here as the real basis for the trade bill, and not the balance of payments deficit and the EEC protectionist moves which have been made to serve as the cutting edge of the proponents' arguments before the committee.

Section 257e should be amended to delete reference to the escape clause provisions [§ 6 and 7].

Part 1. Modernizing Our Foreign Economic Policy

I. The Objectives of Foreign Economic Policy

A. In conducting an effective foreign policy in the 1960's the United States must employ all its available resources—political, social, cultural, and economic—to achieve its central objectives. This objective simply stated, it is preserve and develop the security, freedom, and prosperity of the United States within a strong free world.

B. The task force believes that foreign economic policy can be most effectively used to serve our foreign policy objective if it is directed at establishing an open

[1] The "increased effectiveness" referred to is not apparent from the record. Forty-one cases have been referred to the President by the Tariff Commission recommending escape action in the 15-year history of the escape clause. The President has approved escape action only 15 times, an average of once a year. U.S. Tariff Commission, "Investigations Under the 'Escape Clause' of Trade Agreements," July 1962, table 1.

and competitive free world economy in which the forces of economic growth will have full play. Only in such a world can we hope to bring about the most efficient use of our resources and maintain maximum rates of growth and development.

C. The United States should endeavor to lead the free world economy toward:

1. Strengthening, through internal growth and increased trade, the economies of the industrialized countries.

2. Providing the resources and markets required to sustain an adequate level of economic growth for the underdeveloped countries.

3. Supporting an adequate common defense against military and economic aggression on the part of the Communist bloc.

D. This formulation involves three sets of relationships for the United States:

1. With other free world industrialized nations.
2. With less-developed areas.
3. With the Communist bloc.

II. PROBLEMS AND PURPOSES IN OUR ECONOMIC RELATIONS

A. Relations with the industrialized countries

1. The U.S. balance of payments deficit.—(*a*) The most pressing problem in our relations with the other industrialized countries arises from the persistence and magnitude of the U.S. balance of payments deficit. The task force on the Balance of Payments concluded that this deficit has resulted principally from the failure of other major industrialized powers to pursue adequate policies of growth.

(*b*) It is a matter of urgency, therefore, that we persuade the principal members of the free world industrial economy to concert their policies with ours in the interest of domestic economic growth and the expansion of world trade and investment. As part of this effort they must be persuaded to undertake larger contributions to the common defense, to assist in the economic development of the underdeveloped countries, and to develop a freer and more open system of international trade and finance.

2. *Division in Europe.*—Another significant problem in our relations with the other industrialized countries of the free world is the divisive effect of two competing trade blocs in Europe—the European Economic Community (the Common Market) and the European Free Trade Association. Within the context of a common commitment to policies of growth, the United States must lead in countering the divisive forces in these alinements by bringing about a general liberalization of trade.

3. *Liberalizing trade in the total free world industrial economy.*—Central to our relations with the other industrialized nations is the need to eliminate obstructions to the free flow of goods within the total industrial and agricultural economy. At the same time the Western countries must take steps to accommodate expanding exports from lower wage areas such as Japan. This again, will require a cooperative effort if all the industrialized nations are to accept their share of such imports.

B. Relations with the less developed areas

1. *Drive toward nationalism.*—(*a*) The intensive drive toward nationalism in the less developed areas confronts us with a shift in the world balance of power.

(*b*) Most of the less developed countries lack the institutions and skills required to maintain even rudimentary governments or to meet the political, social, and economic aspirations of their people.

(*c*) The urgent task of the industrialized countries is to direct this drive toward nationalism into constructive channels by assisting in providing the less developed countries with the necessary economic and technical resources. The obligation of Western leadership is to guide the less developed countries toward sustained growth. We cannot succeed if we extend aid principally for maintenance of the status quo.

2. *Providing markets for the underdeveloped areas.*—(*a*) Long-range programs for the development of these areas should not be limited to the furnishing of financial and technical assistance. The industrialized countries must also undertake to provide markets for the products of the underdeveloped countries.

(*b*) The commodities which the less developed nations have to trade—primarily agricultural and mineral raw materials—are susceptible to violent price

fluctuations in the world market; these nations are losing more in income as a result of cyclical movements of raw material prices than they receive through economic assistance. Therefore, along with increasing trading opportunities for the underdeveloped nations, arrangements must be developed to stabilize their export income.

3. *The need for coordinated aid effort.*—These objectives cannot be achieved by the United States alone. Our policies must be directed increasingly toward obtaining commitments from the other industrialized nations to join with us in developing programs for the less developed areas.

C. Relations with the Communist bloc

1. *Communist bloc trading capacity and objectives.*—(*a*) The character of our economic relations with the Communist bloc has been seriously altered in recent years. The bloc countries now have the ability to export surpluses, which they are beginning to use in furthering their external commercial and political objectives. Their economies also will require greater imports of raw materials.

(*b*) This trade, regardless of its motivation, has disruptive potentialities by virtue of its monopolistic state character. Communist trading patterns and, in particular, the use of bilateral treaties, barter, and blocked accounts tend to erode the multilateral trading patterns which are the objectives of U.S. trade policy.

(*c*) The task force believes that, in trade relations with the industrialized nations of the world, Communist objectives so far have been predominantly commercial rather than political in character. The reverse is true, however, in Communist bloc trade with underdeveloped areas, where political considerations dominate.

2. *U.S. attitude toward Communist bloc trade.*—(*a*) In the past U.S. policy on trade with the bloc countries has been almost completely negative in character. It has failed to recognize that such trade is attractive and often necessary for many other industrialized countries. As a result of these U.S. policies, the expansion of East-West trade has taken place largely on Communist terms.

(*b*) There are clear signs that the problem of Communist bloc trade is likely to become far more acute in the 1960's than in the 1950's, particularly in the case of certain commodities such as oil. The emergence of bloc surpluses may have a highly disruptive effect on those markets of the free world which are already unstable.

3. *Need for constructive action.*—The development, in collaboration with other free world industrial nations, of common measures for dealing with Communist bloc trade is a task of both complexity and urgency. Efforts should be concentrated on extracting trading advantages with the bloc while safeguarding world commerce from the threat of growing Communist penetration. This task must be accomplished while the West still has the overwhelming economic advantage.

III. THE OBSOLESCENCE OF PRESENT POLICIES, PROGRAMS, AND POWERS

A. Nature and cause of obsolescence

Economic policies and programs which the United States is following today are obsolete. Equally obsolete are the powers granted the President by the Congress for the conduct of foreign economic policy.

This obsolescence results, from the fact that—

1. Present policies in trade, aid, and finance are based principally upon conditions prevalent a decade ago, when there was a dollar shortage and European nations lacked economic strength.

2. Europe was fragmented into individual countries, each with its own tariffs and commercial policies; there was no common market or free trade area to pose a collective threat to U.S. trade in the European area.

3. The United States generally earned rather than expended gold in its international transactions, and confidence in the dollar was high.

4. The primary concern of the United States was with reconstructing Europe and establishing military strength to deter Communist aggression.

5. The less developed areas consisted principally of spheres of influence of European metropoles or independent nations where trade and private investment provided the bulk of economic development resources. U.S. foreign aid to the less developed areas was small and directed principally toward defense objectives rather than toward fostering the viability of independent nations.

6. Commodity price fluctuations were treated as a reason for diversifying the less-developed economies rather than as an intrinsic economic problem.

7. The Communist bloc was economically weak and incapable of mounting large-scale trading forays into the markets of industrialized countries or extending significant assistance to the underdeveloped areas. The United States was concerned principally with the military importance of limiting, if not prohibiting, trade with the Communist bloc.

B. Changed free world relationships

In the last decade, conditions have materially changed but our policies have not been revised to reflect the following changed circumstances of free world relationships:

1. *The United States is no longer economically independent.*—(*a*) Other industrial giants have arisen in the free world, and America is only the strongest of the strong. The disparity in strength is still so great that the United States alone can give effective leadership, and the potential division of Europe into two trading blocs has made it all the more imperative that we serve as a cohesive force.

(*b*) But we neither can nor should expect an unquestioning response to our demands for common policy. We must rely, instead, upon persuasion and negotiation. This, in turn, means that the President must have the power to take action and make concessions that will give him the leverage to bring about the concerting of policies. He does not have these powers under existing legislation.

2. *We are losing the initiative in the drive toward trade liberalization.*—(*a*) Our commercial policy legislation, in particular, is obsolete. It does not provide sufficient authority to permit the United States to expand export markets rapidly to ameliorate its balance-of-payments problem.

(*b*) Today, the United States must conduct trade negotiations not with relatively weak trading countries, but with a strong trading bloc such as the European Economic Community.

(*c*) A measure of the inadequacy of our bargaining tools is that, in the current tariff negotiations in Geneva, the countries of the European Economic Community are offering 20 percent across-the-board tariff reductions. The U.S. negotiators, on the other hand, have no authority to make across-the-board reductions, and the total concessions that they can offer on a selective basis amount to little more than 5 percent when computed on an across-the-board basis.

(*d*) Moreover, the President is unable under the present law to make unilateral concessions to increase trade from the underdeveloped countries even though other industrialized countries may be prepared to join in such a program.

3. *Failure of present program to respond to the problems of the underdeveloped nations.*—Our present aid program fails to satisfy the needs and aspirations of the emerging nations for a number of reasons:

(*a*) There is a tendency to regard it primarily as an instrument against communism rather than for the national development of these countries. All too often we permit ourselves to appear as seeking to purchase their support in the cold war rather than attempting to respond to their national needs.

(*b*) We have underestimated the social revolution fermenting in these areas and the need to assure that the benefits of economic assistance reach the masses rather than the governing oligarchy.

(*c*) Funds for the present program are inadequate and their efficient use is impaired by the requirement of annual authorizations and appropriations. Furthermore, the resources that are available are committed largely to short-term activities, such as defense support, thus leaving only limited funds for long-term economic growth purposes.

(*d*) The present program tends to look to private investment to carry the burden of development assistance. This fails to recognize the strength of nationalism in most underdeveloped areas and the unwillingness of private investment to move rapidly into areas needing such assistance.

(*e*) The program lacks the flexibility needed to meet the variety of development problems confronting the less-developed areas today. For instance, present procedures preclude extending loans at interest rates competitive with those offered by the Soviets.

(*f*) We have not succeeded in convincing most of the other industrialized countries that it is essential for them to make additional assistance available on satisfactory terms to the less-developed areas. We, in turn, have been reluctant to enter into multilateral arrangements for coordinating the various national programs.

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(*g*) The present program has failed to assure that trade and aid policies are effectively coordinated and mutually support each other.

4. *Communist bloc trade now threatens to become new disruptive force in commercial relationships.*—(*a*) We persist in regarding trade with the Communist bloc as immoral and we base our policies on the realistic assumptions that:

(i) The Soviets need Western trade items to build a military potential;

(ii) We can induce, or force, our allies and the less-developed areas to concur in our views.

(*b*) Our policies do not provide for mobilizing free world countries to protect the free-enterprise trading system from Communist intrusions by establishing and enforcing mutually acceptable standards for expanded and advantageous Western trade with the Communist bloc.

IV. THE NEED FOR NEW TOOLS

A. The conditions for common action

1. The solution of the major problems in almost every area requires a commitment to common action on the part of the industrialized countries. In order to create the conditions that are basic to such common action there must be a drastic revision of our foreign economic policies, programs, and powers.

2. A least two steps are essential to the achievement of common action:

(*a*) The development of clearly defined policies that express the consensus of all major industrialized nations of the free world.

(*b*) The negotiation of agreements where necessary to see that this new consensus is translated into common action.

3. To make such measures possible it will be necessary:

(*a*) To modernize and integrate the foreign economic powers delegated by Congress to the President. This is essential in order to give him the leverage to obtain agreement from our friends and allies and to carry out policies and programs effectively.

(*b*) To create a forum in which multilateral negotiations can be conducted looking toward the adoption of common policies.

B. Interrelationship of policies

1. The interrelationship between our policies and those of the other major industrialized nations is seen clearly in our balance of payments situation. Unless we can persuade other major industrialized countries to adopt expansionist policies, we shall be forced to equilibrate our international payments by measures that restrict international trade and finance and retard domestic economic growth. For the United States to pursue growth policies effectively, it must obtain a commitment from the other major industrialized nations to follow such policies.

2. This means that all major industrialized nations must agree not only to pursue domestic policies of growth but also to adopt measures necessary to increase the level of trade with other free world countries.

3. Sustained economic growth within the industrial economy of the West is possible only if trade is not hampered by artificial restrictions or protectionist devices. Any elements that divert trade and retard its expansion will keep alive inefficient production and restrain economic growth.

4. Commitments to growth policies also require measures to control severe cyclical fluctuations in income, production, and prices. These cyclical movements deter growth and invite unilateral actions on the part of individual countries to insulate themselves. Actions of this kind tend to reduce trade and international investment.

5. Prosperity and a high rate of growth in the industrialized countries are, in turn, essential to the economic growth of the less developed countries. Not only are the industrialized countries the major source of capital for development, but they are also the principal markets for the products of the less developed countries.

6. It need hardly be pointed out that there is a relation between growth in the industrialized countries and the ability to resist Communist aggression. If an adequate growth rate can be maintained, the free world should be able to:

(*a*) Finance adequate military defenses;

(*b*) Extend more aid to the less developed countries; and

(*c*) Engage with confidence in advantageous economic relations with the Communist world while at the same time defending itself against disruptive bloc policies.

C. Strengthening the forum for negotiation—the OECD

1. The recently negotiated agreement for an Organization for Economic Development and Cooperation (OECD) provides a mechanism and a forum for accomplishing the coordination of the internal and foreign economic policies of free world industrialized nations. The convention creating the Organization is general and permissive and provides an adequate framework for consultation.

2. It can be made an effective instrument for coordination if the new administration is prepared to submit its policies and programs for discussion on an equal basis with those of other member governments.

3. The problems involved in making the OECD effective are discussed in part 2 of this report.

D. The need for an integrated approach

1. *The need for a coordinated set of tools.*—(*a*) Just as there is a close interrelation between the foreign and domestic economic policies pursued by the major industrialized nations, so there is an interrelation among various aspects of the policy that the United States pursued in its dealings with the less developed countries.

(*b*) Too often, however, we have not recognized that interrelation. We have helped underdeveloped countries increase the production of goods and have then denied a market to those goods. In other instances we have permitted the benefits of economic assistance to be canceled out by drastic cyclical fluctuations in the terms of trade. Finally, the lack of coherence in our own foreign economic policy has often made it difficult for us to persuade our friends and allies to agree with us on common policies.

2. *The haphazard development of policy.*—(*a*) This lack of coherence results in part from the way in which our foreign economic policy has evolved. Today it consists of bits and pieces of policy developed at different times by different people to meet particular situations. It is embodied in a variety of statutes, Executive orders, and administrative decisions.

(*b*) The result is an incoherent body of policy which makes it difficult to have a clear view of the totality of U.S. foreign economic policy or of the strong interrelationship among its various aspects.

(*c*) The lack of total view impedes the ability of those responsible for administering the policy to recognize all of the considerations involved in deciding a specific question.

3. *The need for comprehensive legislation.*—(*a*) Consistency in our foreign economy policy can be achieved best by incorporating all aspects of that policy in a comprehensive foreign economic policy bill. Such a bill might contain several titles concerning such subjects as trade policy, economic aid policy, commodity policy, and organizational provisions.

(*b*) Such a bill would offer a number of advantages:

(I) It would be a means for providing the President with the broad and flexible powers he needs to conduct an effective foreign economic policy.

(II) It would avoid the present practice under which the individual components of foreign economic legislation are handled within narrow, specialized contexts and by congressional committees frequently uninformed as to larger foreign policy considerations.

(III) It would, for the first time, compel a consideration of our foreign economic policy as a whole. The interaction of trade, aid, and other elements of that policy would be evident. In addition, the Congress and the public would be able to assess the adequacy of these policy tools in meeting the objectives of our foreign economic policy.

(IV) It could be made to appear to the people in the underdeveloped countries as an emphatic demonstration that the United States is determined to provide assistance to the emerging nations as a part of our long-range foreign policy.

(V) It would give the President the tools he needs to induce the other industrialized nations to join us in adopting policies of economic expansion and growth in order that, by coordinated action, the industrialized nations may provide both markets and economic assistance to the less developed countries.

(VI) It would provide an opportunity to educate the American people in the relationships among various aspects of policy and furnish a fresh and ambitious proposal behind which the full resources of public opinion could be mobilized.

4. *The desirability of a select committee.*—(*a*) The task force recommends that the President discuss with the congressional leadership the desirability of establishing a joint committee of both Houses, or a select committee in each House, with jurisdiction over the foreign economic policy bill.

(*b*) Such a committee or committees would be made up of selected members of the standing committees now having jurisdiction over the various components of foreign economic policy. The committee or committees should not only hold hearings but also report the legislation.

V. THE POLITICAL FEASIBILITY OF A COMPREHENSIVE BILL IN 1961

A. *Probable argument against submission in 1961*

The submission of a comprehensive bill and the creation of a committee to hold hearings can be expected to invite opposition. It would upset long-established congressional patterns and the proprietary interests of individual committees and Members of the Congress. Objections would undoubtedly be made that it is inadvisable for the Kennedy administration to endanger other programs by submitting such a revolutionary piece of legistlation during the first session of the Congress. In specific terms, the arguments that might be advanced against the omnibus approach are:

1. Trade agreements legislation is not due to expire until 1962, and there is no need to take on a difficult fight prematurely.

2. It is undesirable to attempt trade liberalization or undertake greater foreign-aid commitments at a time of economic recession. Larger foreign aid, or expanded imports resulting from tariff reductions may make a solution of our balance-of-payments problem more difficult.

3. It would be difficult to obtain favorable action on such a program in view of the growing protectionist sentiment arising out of the economic recession and of labor's fear that increased unemployment may result from automation and the growing tendency for industry to invest in sources of production overseas.

4. It would be unwise to seek new tariff-cutting powers this year since, with our present limited powers, we may be able to obtain substantial concessions from the European powers in the course of the present GATT negotiations on the basis of our past generosity and our present balance-of-payments difficulties without the need for reciprocal concessions on our part. This would make our position stronger in seeking trade legislation from Congress in 1962.

B. *Arguments in favor of submitting bill in 1961*

1. *Urgent need for action.*—(*a*) While recognizing the strength of these arguments, the task force believes that the overall position of the United States in the world and the pressing problems confronting us in the foreign economic policy field give a special urgency to the early submission to Congress of a comprehensive and integrated foreign economic program. The free world awaits assurance that the United States will adopt policies and programs related to the realities of the 1960's and assume again the leadership it has defaulted.

(*b*) A decision on whether or not to proceed this year with a comprehensive foreign economic program involves a careful weighing of foreign against domestic political risks. During the postwar period the executive branch has fought an increasingly difficult battle to obtain congressional authority and appropriations to enable the United States to meet its foreign policy obligations. The task force has reached the conclusion that a new approach is more than desirable; it is essential.

2. *Effect on Congress and on foreign and domestic opinion.*—(*a*) The audacity of a fresh approach should appeal to many Americans who have felt and expressed the need for a vigorous foreign policy. At the same time it should disconcert the opposition which is accustomed to contest with the executive branch on terrain of its own choosing.

(*b*) By taking a fresh approach and by bringing together the related elements of foreign economic policy, the comprehensive bill should aid individual Congressmen to justify their support for the measure because of its contribution to the larger national security interests. The possibility of demonstrating that it expresses an overriding national interest should help legislators resist purely local or regional objections to individual provisions of the legislation.

(*c*) The presidential campaign of 1960, by emphasizing the importance of foreign policy and the weakness of the United States in world affairs, created expectations that the Kennedy administration would produce a new program. If the administration is to fulfill these expectations, it should be ready with a pro-

gram to present to Congress this year in one of the most vital areas of foreign policy—our economic relations with the rest of the world.

(*d*) The submission of a comprehensive bill would also demonstrate to the free world our determination to reassert American leadership.

3. *Need for U.S. initiative.*—(*a*) During 1961 decisions will be made on the direction that the free world's economy will take—either with us or without us. But decisions consistent with U.S. political and economic objectives will not and cannot be made in the absence of American initiative. While the United States does not stand dominant today as it did at the end of World War II, nonetheless we alone in the free world are capable of turning the enormous resources of the industrialized nations to the task of economic growth and the conversion of a portion of this growth to the requirements of the less developed countries.

(*b*) If the President can obtain the bargaining power through a comprehensive bill we can, during the course of this year, persuade the Common Market countries to adopt foreign economic policies that will result in a rapid lowering of tariff barriers not only among themselves but toward the free world as a whole. If the continental Europeans move in this direction, then the British and their free trade area associates can be induced to adopt similar policies. The adoption of a comprehensive bill will demonstrate that we intend to pursue expansionist policies in dealing with our balance-of-payments difficulties. This itself could tip the scales of European decision toward a general lowering of economic barriers and lead the European nations to make greater contributions to the cause of economic development.

(*c*) The catalyst for the release of these Atlantic resources must be American. The present foreign economic policies of the United States are clearly inadequate to this mission. Only a major effort on the part of the new administration to secure new policies, the vital new tools, will coalesce the disorganized but potent resources of the industrialized nations for the common tasks that face us all.

4. It is the opinion of the task force that the comprehensive bill could be persuasively explained to the American people, along the following lines:

(*a*) In 1934 the United States embarked on the initiative of the reciprocal trade agreements program, which dispelled the chaos in world trade resulting from the Great Depression and led to the development of an orderly system of international trade.

(*b*) In 1947, faced with the wreckage of World War II, we created the Marshall plan, which led to the restoration of the European countries and created the present strong and prosperous Western World.

(*c*) Today, faced with the dual problem of the Soviet threat and the instability of the underdeveloped world, we need a major new American initiative. By the comprehensive program we would provide the means of coordinating our resources with those of other industrialized countries to solve the most pressing problem of the 1960's—that of raising the standard of living of the underdeveloped nations.

(*d*) By taking this initiative we can promote our own economic growth through the creation of new and expanding markets for our products, and we can increase the unity of the Western World and the cohesion of the less developed areas with the West.

PART 2. AN INTEGRATED FOREIGN POLICY PROGRAM

I. COMMERCIAL POLICY

A. Principles

1. *The bankruptcy of the trade agreements program.*—(*a*) The traditional tool of U.S. commercial policy is the trade agreements program, originally enacted in 1934. Through successive renewals it has served as an effective mechanism enabling the U.S. Government to lead a world movement toward the creation of a free, multilateral trading system.

(*b*) Today, however, the trade agreements program is bankrupt. The program has been slowed almost to a stop by its own doctrinal limitations. In addition, it has become encrusted with restrictive devices in repeated legislative struggles.

(*c*) Even if adequate additional authority for tariff reduction could be obtained through new extension legislation—which is doubtful—the trade agreements program in its present form would not meet the needs of the modern world. As a result, we are in danger of losing the lead in the fight for liberal

trade to powerful European regional trading groups that are not inhibited by the heavy burdens of tradition and doctrine.

2. *New principles of trade negotiation.*—Two new principles must be introduced into the machinery of multilateral trade reduction if we are to have an effective policy:

(*a*) The principle of across-the-board reductions:

(i) The authority provided by the traditional trade agreements program calls for negotiated, reciprocal reductions on a product-by-product basis. The approach of selective reduction leaves the United States with little bargaining power with those countries or trading blocs that have adopted an across-the-board approach to tariff reductions.

(ii) Even if an extension of trade agreements authority were substantially to increase the President's authority to reduce tariffs on a product-by-product basis, the United States would still be at a great disadvantage.

(iii) The technique of across-the-board reductions embodied in the provisions both of the European Economic Community Treaty and the European Free Trade Association Convention calls for the gradual elimination, over a period, of tariffs and other import restrictions on trade among members. This is to be accomplished by means of successive percentage reductions in the average of tariffs applicable within certain commodity groups.

(iv) If U.S. production is not to be at a series disadvantage in the rapidly growing Common Market, the President must be armed with weapons enabling him to bargain effectively for the generalization to the United States of the internal tariff cuts within these markets—or, at least, for the substantial reduction of their external tariff, applicable to nonmembers, to minimize the disadvantage.

(*b*) The principle of accepting and cushioning adjustments to structural changes:

(i) The obsolescence of our trade agreements mechanism rests also in the "no injury" doctrine, which is embedded in the present legislation. This is a dual policy: tariffs will not be reduced below the "peril point" if such reduction would cause serious injury to an American producer; higher tariffs or quotas will be imposed whenever imports cause or threaten serious injury. The peril point provision has become a severe limitation on tariff negotiating power, while the escape clause in its present form threatens the stability of our trade agreement commitments by permitting the unilateral reversal of reductions previously made.

(ii) The underlying philosophy represented by both the European Common Market and the Free Trade Association is of a wholly different order. It recognizes quite explicitly, that at least within the area of the individual trading blocs, conditions should be achieved that would permit completely free movement of goods. It recognizes also that the transition from a system of individual, protected national markets to a system of free trade will necessarily require structural changes in the economies of the member countries. The Common Market Treaty proposes to cushion these structural changes by providing funds to pay the costs of economic dislocation, of retraining and relocating workers, housing, etc.

(iii) Our foreign economic policy objective of bringing about a high level of multilateral trade and the most efficient utilization of free world resources can be achieved only if we are prepared to provide Government mechanisms to cushion trade readjustments within our own economy.

(iv) The task force notes that the Kennedy administration has already recognized the need for assisting the rehabilitation of areas where chronic unemployment has been brought about by structural changes in the economy. The task force strongly recommends that the administrative machinery of the proposed area redevelopment legislation be adapted to provide for cushioning the consequences of structural changes resulting from tariff reduction. Such changes are an inevitable consequence of a major reduction in barriers to the normal flow of trade. In the opinion of the task force, the structural changes would be small in relation to the normal changes that take place in the economy each year as a result of technological change, change in consumer demand, depletion of resources, and other similar factors. The frank acceptance of such changes, however, and the provision of a mechanism to cushion the resulting hardship is indispensable if the United States is to continue to lead the free world in trade liberalization and to realize the economic benefits of this policy.

3. *Consequences of a failure to adopt a modern trade liberalization program.*—(*a*) The countries of the Common Market have already reduced their internal tariffs by 30 percent. The Free Trade Association countries have reduced theirs by 20 percent. In another 5 years these countries, depending on the extent to which they accelerate these reductions, will have cut their internal tariffs by from 70 to 80 percent.

(*b*) The first 10 percent reduction in tariffs made by the two trade groups was generalized for the benefit of the rest of the world, including the United States. Given the fact that the United States does not have adequate bargaining authority for the 1961 negotiations under the General Agreement on Tariffs and Trade, our negotiators can and should request that the second phase of reductions also be generalized without our offering substantial additional concessions. Such a request can be justified by our past record of generosity and by the hard realities of our balance of payments deficit.

(*c*) We cannot expect the two trading blocs to generalize their tariff reductions for our benefit beyond a certain point unless the President has authority to offer substantial reciprocal reduction in our own tariffs. If he is not given such authority, U.S. producers are likely to suffer a formidable competitive disadvantage in the markets of the Six and Seven. In the face of anxiety over the operation of the American cost-price mechanism, such discrimination could seriously reduce U.S. exports.

(*d*) Default in our leadership in trade liberalization is not, however, to be deplored merely because it might result in commercial disadvantage to American producers. It could also be a powerful force contributing to the disintegration of the free world economy into separate trading systems. Such a result could have not only economic but political consequences of a most serious order.

B. Provisions of the comprehensive bill

1. *Tariff-cutting authority.*—(*a*) The new legislation should authorize reduction of American tariffs by an average of 50 percent of those existing in 1961 within commodity groups similar or identical to the commodity groups now being used for tariff negotiations by the European countries. The reduction would be effected in five equal annual stages through 1966.

(*b*) The reduction would be qualified by peril point and escape clause provisions (revised as recommended below) to slow the rate of reduction in cases of severe dislocation within the American economy. In order to offset those cases where it is impossible to reduce the tariff by the full 50 percent within the 5-year period, the new legislation should provide authority to make greater than 50-percent reductions on certain items on which there is now a high level of tariff protection.

(*c*) This tariff-cutting authority is necessary if we are to match the reductions to be made in the internal tariffs of the European Common Market and the Free Trade Association. In that way we could receive the benefits of the generalization of these reductions of a most-favored-nation basis. Since those two trading groups will have reduced their tariffs by 50 percent across the board by 1966, the United States, armed with the authority we propose, would be able to prevent division of the industrial countries of the free world by widespread trade discrimination.

2. *The concept of "no serious injury."*—(*a*) The present trade agreements legislation is subject to the implicit doctrinal limitation that tariffs may not be cut below a point where such reduction results in serious injury to American producers or labor. The doctrine of "no injury" is given operational effect by the twin mechanisms of the peril point and the escape clause.

(*b*) The peril point mechanism serves as a limitation on the tariff-cutting authority of American negotiatiors in trade agreements negotiations. The escape caluse mechanism comes into play after tariffs have been reduced if the Tariff Commission determines that increased imports following a reduction cause serious injury. Over the past decade, as Presidential authority to negotiate trade agreements has been extended periodically, the peril point and escape clause provisions have been increasingly tightened to make them more effective as devices for protecting domestic industry.

(*c*) The operation of the "no serious injury" principle is well illustrated by the peril point restrictions placed on the negotiating authority of the President in connection with the 1961 GATT negotiations now underway in Geneva. These negotiations were designed principally for the purpose of obtaining the generalization of the internal tariff cuts of the European Common Market. As

a result of the recent peril point findings of the Tariff Commission, however, the authority of the American negotiators in Geneva has been so restricted that they will have difficulty in obtaining adequate matching concessions from the Europeans.

(*d*) The task force is of the strong opinion that the "no serious injury" doctrine should be substantially abandoned. The United States should recognize frankly that the liberalization of trade essential to a prosperous free world will require that tariffs be reduced to the point where it will be necessary to accept some temporary and local injury to certain American firms, industries, and communities. Trade adjustment provisions should be included in the comprehensive foreign economic bill to mitigate any possible hardships.

(*e*) The revision of this doctrinal limitation on tariff reductions implies the substantial revision of both the peril point and escape clause provisions of the present law. These provisions must be adapted to the proposed new technique of tariff-cutting involving across-the-board reductions.

(*f*) The proposed system for cutting tariffs across the board contemplates that some tariffs on specific items will be reduced by more or less than the reductions in broad categories. In revising the peril point provision to embody this principle, it will be necessary to develop criteria to guide the adjustment of tariffs on individual items within categories to permit individual tariff adjustments that vary from the average reduction negotiated for the category.

(*g*) The task force recommends that the revised peril point procedure, which will determine the extent of variation in individual tariff adjustments from the negotiated average for the category, should come into effect only after the negotiation is completed and not before negotiations are undertaken as is presently the case.

(*h*) The criteria and standards applicable to peril point findings should also be applicable to the proposed revised escape clause.

(*i*) The present escape clause, which should be completely recast, has two major deficiencies: First, it is triggered not by the impact of imports on an entire multiproduct industry but by the effect on an individual product, even though the industry as a whole may be prosperous. Second, it is based on a static concept since it can result in a tariff increase even though the labor and capital resources of the industry concerned can easily be shifted to the production of other types of goods.

(*j*) The task force recommends that the escape clause provision be revised so that it will be operative (i) where there is a finding that an entire industry is adversely affected by increased imports resulting from a tariff cut, and (ii) where there is a finding that an adjustment to the impact of imports cannot readily be made.

3. *Trade adjustment provisions*.—(*a*) Under the legislation recommended by the task force, the President would be empowered to employ optional mechanisms for dealing with hardships resulting from a tariff cut. Upon a finding of hardship he would not be required to raise duties, as is presently the case. He could, as an alternative, provide measures to ease the adjustments made necessary by the tariff cut. These measures would include assistance to affected industries by providing loans to finance their relocation, accelerated tax write-offs, etc. They would include measures for the retraining of workers, additional unemployment compensation, early retirement benefits, etc. They would be made available without regard to whether or not the affected industries or workers are located in areas of substantial labor surplus.

(*b*) To bring into play such measures of assistance, the task force recommends the following:

(i) An industry claiming that it was being injured by a tariff reduction would be entitled to apply to the Tariff Commission for relief.

(ii) If the Commission found that the industry was being seriously injured by imports under the revised definition of "injury," it would recommend remedial action to the President.

(iii) If the President accepted this recommendation, he would certify to the agency responsible for administering the area redevelopment legislation that the industry in question was eligible for various measures of assistance provided in that legislation.

(*c*) Under certain circumstances the President might determine that, notwithstanding adjustment assistance, producers and workers in the industry were being displaced from their current activities faster than they could be abosorbed in alternative employment. In that event—but only in that event—he would be required to grant relief by increasing tariffs.

(*d*) Such relief would, however, be of limited duration. The President would increase the tariff to the level necessary to eliminate hardship, taking into account the available adjustment assistance, but the increased tariff would not, in any event, exceed the 1930 tariff rate. Furthermore, it would be progressively scaled down over a prescribed period.

4. *Unilateral tariff concessions to less-developed areas.*—(*a*) In order to increase the export opportunities of underdeveloped areas, the task force recommends that provisions be included in the comprehensive foreign economic policy bill authorizing the President to remove or reduce duties, import taxes, and quotas on articles which are produced principally by less-developed countries and which are of particular importance to the export trade of those countries. This action could be taken without requiring reciprocal tariff concessions from the less-developed countries. However, in principle it should be taken only on the following conditions:

(i) The United States would first obtain commitments that the other major industrialized countries would grant parallel concessions.

(ii) The less-developed countries benefited by such concession would commit themselves to take actions to accelerate their own economic growth.

(*b*) The concessions contemplated by this provision might relate not only to sumptutary taxes on tropical products but also to tariffs and other import restrictions on an agreed common list of raw materials, materials in the early stages of processing, and certain light manufactures.

(*c*) The recommended provision would have two purposes:

(i) It would promote an expansion of the export earnings of less-developed countries by facilitating access of their products to the markets of the industrialized nations.

(ii) It would tend to reduce the advantages enjoyed by underdeveloped areas that are members of a preferential trading system. These include not only the former British colonial possessions but also the associated oversea territories of the Common Market countries. At the present time the operation of the Common Market Treaty threatens to extend the preferences accorded the oversea territories of individual member nations by giving them free access to the markets of all Common Market countries. This could result in a severe distortion in trade patterns and serious discrimination against underdeveloped areas having no special ties to a metropole—such as the nations of Latin America. The generalizing of such a preference is in accord with our political objective of promoting maximum access to these countries by all the Western nations. At the same time such a generalization proposal would be timely since the Commission of the Common Market is required by treaty to undertake a review of its commercial policies toward oversea territories of its members by the end of 1962.

5. *Broad Negotiating Authority.*—The present trade agreements legislation requires that the President obtain reciprocal concessions equal in value to the concessions we make in the particular area covered by the negotiations. The present atomistic approach does not give sufficient recognition to the fact that we should seek to obtain commitments and concessions from foreign governments with respect to a number of aspects of their policy. The achievement of our objectives in foreign economic policy will be facilitated if the President has sufficient and diverse powers to negotiate an agreement in which he can either—

(*a*) As the quid pro quo for U.S. trade concessions accept commitments which are not restricted or limited to the trade field; or

(*b*) Offer commitments not strictly limited to trade in return for trade concessions. Therefore, the comprehensive bill should provide the President with a broad set of powers, involving a number of aspects of foreign economic policy, which he can employ in negotiating for reciprocal concessions from our friends and allies.

6. *Other commercial policy questions.*—(*a*) Statement of purposes:

(i) The present preamble to the trade agreements legislation has remained practically unchanged since the legislation was first passed in 1934. It is an inadequate statement of policy under the conditions of 1961.

(ii) As a substitute for the preamble it is recommended that the comprehensive foreign economic policy bill include in its preamble a declaration that foreign trade policy is an instrument of U.S. total foreign policy and should be used as a means of accelerating the economic growth of the United States and the whole free world.

(*b*) National security provision:

(i) Under existing trade agreements legislation the President is empowered to limit imports of an article whenever the Director of the Office of Civil and Defense Mobilization finds that such imports threaten to impair the national security of the United States.

(ii) The task force recommends that this provision be made more flexible. The President's power should not be limited merely to the restriction of imports. On a finding that the national security demands such action, he should be empowered to reduce import duties and expand quotas.

(iii) The President should also be empowered to employ such measures as tax concessions, subsidies, and special contracts when he finds that the national security requires the employment of such measures in order to insure the maintenance of supplies and facilities.

(iv) The criteria of the national security provision should be revised to make them consistent with the prevailing view of modern strategy in the field of military and economic mobilization, replacing the more outdated concept of the "industrial mobilization base" with the principle of "forces in being."

(*c*) Japanese voluntary export restrictions:

(i) Under pressure from U.S. producers and fear of U.S. Government action, the Japanese Government has undertaken informally to restrict exports of Japanese textiles to the United States. This undertaking expires at the end of 1961.

(ii) The task force recommends that the administration indicate at that time that it will not continue the practice of bringing informal pressure on foreign governments to curtail exports to the United States. Such a practice is not consistent with sound policy since it makes it possible for American industry to obtain the benefit of governmental intervention without demonstrating hardship or injury by the use of normal administrative fact-finding procedures.

(iii) In announcing the intention to discontinue this practice, the administration should make it clear that the change involves no prejudgment of the need to offer help to American business, whether through tariffs or adjustment assistance. The purpose of such action is to require industries to make use of established mechanisms for assistance rather than resort to informal and unofficial procedures.

(*d*) Tariff simplification:

(i) The task force recommends that the administration undertake to review the Tariff Commission proposals for a revision of the U.S. tariff classification system. These proposals were completed in November 1960 under legislation that imposed severe restraints on the discretion of the Tariff Commission. Among these restraints was the stipulation that no product should be reclassified so as to alter appreciably the rate of duty applicable to it.

(ii) Because of these restraints, it is believed that, upon review, the proposals may prove unsatisfactory. In that event it is recommended that the administration issue an amended directive to the Commission that does not contain such severe restraints. The new directive should instruct the Commission to propose revisions conforming as closely as possible to the international tariff nomenclature system already agreed upon by most major trading nations.

(*e*) Elimination of provisions: The task force recommends that the following provisions of the Tariff Act of 1930 be eliminated:

(i) The provision relating to cost-of-production criteria in the fixing and raising of duties.

(ii) The provision requiring the use of American selling price in fixing the valuation of certain products.

(iii) The provision directing customs officers to apply the highest rate of duty when alternatives exist.

7. *Policy with respect to primary commodities.*—(*a*) In the past the U.S. Government has in principle opposed commodity agreements and arrangements for the stabilization of the export income of single commodity producing countries. It is the view of the task force that this principle has been too rigidly applied. The Kennedy administration should explicitly recognize the desirability of in-

come stabilization and show hospitality to well-conceived proposals to attain that end. Two techniques for income stabilization are available:

(i) Commodity agreements to stabilize prices.

(ii) Loans to offset fluctuations in income.

(b) The task force emphasizes that commodity agreements are not a panacea and that effective agreements may be possible for only a limited number of widely traded commodities. Certainly the problem of developing and administering agreements will vary in difficulty, depending upon the commodity in question, e.g., its perishability, storability, the number and nature of producers, the geographic areas of production, etc. As a result the task force feels that no categorical statements can be made regarding the general utility of commodity agreement techniques.

(c) Not only are stabilization techniques vital to the economic development of less-developed areas, to which the United States is committed, but we have at least two additional interests in encouraging the employment of such techniques where they can be effective.

(i) The United States is either a principal producer or a principal consumer of every product likely to be the subject of commodity arrangements, and, hence, our participation in such arrangements is very often indispensable to their success;

(ii) The United States has a direct interest in the income stability of many raw materials producing areas since those areas in turn provide important markets for American production.

(d) While the United States should be hospitable to proposals for commodity agreements where such agreements are practicable, it should not encourage efforts to employ commodity agreement techniques that support prices at artificially high levels. This would amount merely to ill-designed economic assistance paid for by the consumers of the commodity in question—ill-designed because it would tend to enrich a handful of individual producers without necessarily benefiting the total economies of the producing countries.

(e) In many instances income stabilization might be better achieved by techniques other than commodity agreements. The task force feels that much greater consideration should be given to the possibilities of using the resources of the International Monetary Fund for short-term loans to cushion income fluctuations resulting from cyclical variations in production conditions or the terms of trade of raw material producing countries.

C. Trade policy toward the Communist bloc

1. *The need for a policy.*—(a) Current U.S. trade policy offers no adequate response to the Communist bloc's worldwide trade and aid activities. The challenge of the Soviet economic offensive is no longer the narrow one of whether or not the United States should expand its commercial relations with Communist countries. It has begun to affect our economic and political relations with both industrialized and underdeveloped countries.

2. *The inadequacy of present policy.*—(a) Since the Export Control Act of 1949, our approach has reflected the negative proposition that commerce with Communist countries is immoral, dangerous, and of doubtful economic benefit. While U.S. trade with the Soviet bloc is of only marginal interest, other Western countries have found such trade advantageous. As a result, our Allies have refused to follow docilely the tariff discriminations and export limitations on Communist trade imposed by U.S. law.

(b) The Battle Act of 1951 sought to compel observance of U.S. trade policy toward the Soviet bloc by requiring the President to withhold economic assistance from countries that export certain types of strategic goods to bloc countries. In each instance of violation of this policy by a country receiving aid, however, the President has found it necessary to exercise his power of forgiveness. Meanwhile, multilateral coordinating machinery for the control of strategic exports, based on the voluntary participation of NATO countries and Japan, has all but broken down. The Soviet Union's demonstrated technological capacity to wage a nuclear war has led most Western countries to reject the proposition that the bloc's military potential can be affected by the type of export controls maintained by the United States.

3. *The nature of Soviet trade.*—(a) The peculiar character of total state trading by the Communist bloc threatens a gradual deterioration in the open and multilateral patterns of international commerce. A crucial long-range problem is how to safeguard our general world trade against the increasingly disruptive commercial activities of total state-trading countries.

(*b*) The complete concentration of all industrial, commercial, and financial activity, both domestic and foreign, in the hands of the Communist state provides more suitable means for economic warfare than are available to a free economy such as ours, notwithstanding the vast superiority of our resources.

(*c*) A desire to maintain profitable economic relations with a preponderantly capitalist world has led the Soviet Union to adapt its commercial behavior to orthodox international requirements. So far, its trade with economically stronger nations has been dictated by commercial rather than political considerations: the need to import commodities in short supply, to acquire advanced foreign technology, to export surpluses, to earn foreign exchange.

4. *The impact of bloc trade—dangers and opportunities.*—(*a*) Nonetheless, ostensibly conventional business activities tend to produce serious dislocations in international markets when conducted by a total state trader. A dramatic example of this is the Soviet disruption of the world aluminum and tin markets in 1958 by organized price-cutting without reference to the rules followed by traditional suppliers. More recently, international oil circles have become alarmed by the sale of large quantities of Soviet oil at substandard prices. Although the probable intention in each case was disposal of surplus commodities or the acquisition of scarce foreign exchange rather than deliberate dumping, the consequences have been no less disruptive than in the case of dumping in its most obnoxious form.

(*b*) The essential difference between this type of sporadic underselling and competitive practices in private commerce derives from the fact that Communist pricing policies have no relation to domestic costs, normal profit margins, or realistic rates of exchange. Moreover, losses incurred by a state trading monopoly are met from the national budget. The resulting propensity to unsettle established trading conditions and price patterns constitutes an intermittent threat to orderly commerce. The rapidly expanding capability of Communist economies, combined with a concentrated deployment of resources designed to exploit competitive pressures in the West, could make this an economic and political threat of dangerous proportions.

(*c*) In bloc relations with economically weaker countries, commerce is usually subordinated to political considerations. Here, increasing dependence on Communist markets, supplies, loans, grants, and technical assistance (as in the case of Egypt, Afghanistan, and Cuba) and subsequent manipulations of such dependence for political ends (as in the case of Yugoslavia, Finland, and Iceland) provide growing opportunities for the achievement of Communist objectives. Some 300 bilateral commercial treaties concluded by the Soviet bloc with free world countries since the end of the war have been particularly conducive to the expansion of economic relations with underprivileged areas. The Soviet Union, Czechoslovakia, and East Germany are showing an increasing willingness to offer currency-saving barters of capital equipment for unstably priced commodities, in a growing pattern of complementarity with underdeveloped economies. In addition, Communist enterprises are providing credits, price terms, and quasi-conscripted technical personnel (under non-commercial conditions) which private, profitmaking companies cannot match.

(*d*) To blunt the dangers and exploit the opportunities inherent in the bloc's expanding economic commitments, we must persuade other free enterprise countries to take constructive and coordinated action. What is needed first of all is some measure of conviction on their part that we are genuinely prepared to recognize the potential economic advantages of expanded East-West trade. Only then will we be in a position to assert positive leadership in the formulation and enforcement of safeguards necessary for the protection of the common interest in stable world trade. These are the factors lying behind our recommendations for a change in policy under the Export Control Act, the Battle Act, and applicable provisions of the Trade Agreements Extension Act, and for a fresh approach in conjunction with our allies to the problem of Soviet bloc trade.

5. *Proposed actions.*—(*a*) Within the framework of the OECD, the United States should seek a common strategy with regard to Soviet bloc trade. This strategy should proceed from the explicit recognition that East-West trade is likely to grow and that under suitable conditions such growth need not be against the interests of the free world.

(*b*) In a positive response to Khrushchev's highsounding trade overtures, the Soviet Union should be invited to trade with free world countries on the basis of a Code of Fair Practices designed to remove the distortions and dis-

ruptions arising from monopolistic state commerce. The code should serve as a model for industrialized and underdeveloped countries in the negotiation of bilateral treaties or multilateral trade arrangements with the bloc. For example, detailed ground rules, coupled with an effective complaints procedure, would seek to regulate disruptive price undercutting and dumping by reference to comparative world price and cost criteria, rather than to the totally unrelated and unascertainable conditions prevalent in the Communist home market; to provide meaningful reciprocity in conditions governing access to Communist markets; to obtain Soviet commitments to purchase specified quota of goods in lieu of an otherwise futile most-favored-nation treatment undertaking; and to end the wholesale pirating of Western patents, know-how; and technology; and, in general, to insure that trade and competition are conducted on the basis of commercial considerations.

Failing East-West agreement, the United States and its industrialized allies would still possess the economic advantage needed to secure observance of the rules, assuming that a uniform and coordinated policy toward bloc trade is established and enforced through consultation within OECD and the GATT.

(*c*) To provide added means for countering the bloc's use of trade for political penetration, the administration should seek an amendment to the national defense provisions of the Trade Agreements Act, authorizing temporary relaxations of U.S. import restrictions whenever such actions would provide alternative opportunities for exports to the country under Communist economic pressure. In urging this amendment, the President should make it clear that the power would normally be used only in concert with other members of the OECD.

(*d*) The administration should seek amendment of the Battle Act to extend its policy aim beyond control of strategic exports. The broader legislative policy should furnish means to safeguard normal trade patterns against politically inspired disruption or manipulation. Toward the same end, the administrator of the Battle Act should be directed to recommend to the President supplemental action, within the scope of his Executive powers, to determine Government procurement policies, to allocate foreign aid, to enlist the organized participation of American business, and otherwise to draw on the plurality of means available in our economy, in order to cope with the politically and economically disruptive activities of Communist state trading.

(*e*) As a step in establishing a constructive policy image, the United States should confine Export Control Act prohibitions to exceptional products likely to contribute to the Soviet military potential in an important, direct, and immediate way.

(*f*) Under the Trade Agreements Act the President should seek discretionary authority to suspend provisions which embargo the import of certain furs from the Soviet bloc and which direct the United States to withhold most-favored-nation treatment from Communist-dominated countries. This discretion should be used as a bargaining chip in future bilateral or multilateral negotiations with the Soviet Union.

(*g*) The problem of trade with Cuba and mainland China should be dealt with as a political, rather than as a trade matter. The scope and timing of trade policy changes should be determined by the political moves to be made in relation to these countries.

Senator BUTLER. Mr. Chairman, may I ask Mr. Stewart another question?

Mr. Stewart, would it surprise you if I told you that at a meeting of the very highest level of the U.S. Government it was suggested that the only way the Common Market could be successful was to have one-world government? Would that surprise you?

Mr. STEWART. As to the fact that it was mentioned, Senator Butler——

Senator BUTLER. This was not mentioned. This was conceded at a very high level conference of the highest officials of the Government of the United States, that the only way that the Common Market would be successful would be through one-world government.

Mr. STEWART. I am clearly dismayed by this information; I can't really say that I am surprised.

Senator BUTLER. Well, I can assure you that it happened because I was present.

The CHAIRMAN. These nations in the Common Market are among the ablest people of the world, except our own Nation, and perhaps the Japanese insofar as manufacturing is concerned. Let us assume that they are successful in being self-containing; that is to say, they will produce within the Common Market those products they need. Having the advantage of no tariff walls among the six nations in the Common Market and being able to manufacture the products needed among themselves, there would be no object in their buying from us.

Isn't there some danger along that line? This is one of the most difficult decisions, in my judgment, that this country has ever had to make. There are two sides to it. We must not look at one side alone.

Mr. STEWART. I have carefully considered the side that you mentioned, and it is my considered judgment that the trade which we now have and will continue to have with the Common Market takes place not because of the level of duties in the Common Market, but because the products in question are peculiarly supplied by the United States, and they complement, not duplicate, the European economy.

There are many industrial raw materials which we supply which they need. At the moment we have surplus capacity and they are producing at the peak of their capacity, so that in an area like machine tools, companies in Europe that are building factories and that are in a hurry for delivery on a short leadtime would prefer to buy from the United States even though they may pay more, because they get prompter delivery.

The capital investment they have tied up in making the factory is not tied up for so long, and our companies have superior servicing and parts followthrough than the countries in Europe.

In certain areas such as in drugs and pharmaceuticals——

The CHAIRMAN. Yes. But what I have in mind is that I look upon this Common Market as a big family. They trade within the family, and for that reason they will become more expert in their manufacturing although I will not say they could excel us, but they could equal us in our efficiency in manufacturing eventually.

Mr. STEWART. Yes; that is true.

The CHAIRMAN. Isn't that a problem we have to look forward to, assuming that England does join in the Common Market?

Mr. STEWART. Senator Byrd, I do not look on it as a problem for this reason: Consider the experience of the United States. We are a common market. We have flourished as a common market behind a tariff wall, and yet that has not prevented the rest of the world from enjoying a large volume of trade with us.

The CHAIRMAN. But you must consider this, that we have been ahead of the rest of the world in our mechanization, in our great capacity for mass production.

Now, this group of nations will certainly improve, all of their facilities and manufacture all the things they need to produce on a mass-production basis, just as we have been doing. I am speaking of the years ahead. Isn't that right?

Mr. STEWART. That is correct, sir.

The CHAIRMAN. In other words, they can make more improvement and become more efficient operating as a big family in the Common Market than they could individually.

Mr. STEWART. Correct. We do not take the position that the President should not have additional authority. We are in favor of the authority set out in the bill, subject to sensible safeguards.

If we were to trade our entire domestic market for some access to the Common Market, it would not be very smart because our market is the largest.

Now, in this, as in all things, it must be possible to have a balanced policy. It is the art of government to take into consideration complex factors and to arrive at a balanced policy. This is what the Bush amendments will do for this bill.

It will leave the President free to go forward and to negotiate reductions in Common Market duties, but under circumstances where the business and agricultural communities will have some confidence in the outcome.

The CHAIRMAN. Now, the Common Market is going to be aided, it would seem to me, a great deal in their efficiency and their productive capacity by the large number of American industries that are now operating abroad.

I had a talk with Mr. Henry Ford who came to see me.

I asked him how much he had spent for this new company he bought in England. He said something over $300 million.

I asked him how many employees he had over there at this time. He said he had 130,000.

Of course, I realize we do not export automobiles anyway. But companies of that nature will have no incentive to export from this country if they go inside the Common Market and get the benefit of the cheaper labor at about one-third of the rate of the U.S. scale of pay. If you will look at the records, which are difficult to obtain, you will see that a great many companies, the number running into the hundreds, have gone over to Europe since the birth of the Common Market idea, which was about 4 years ago I believe. They went over there for the purpose of getting the benefits of the cheaper labor, and the other advantages. Those particular companies would certianly have no incentive to export from here because they would have to pay higher costs, and so forth.

Mr. STEWART. That is correct.

The CHAIRMAN. So you have another element in there.

With such judgment as I have, I am trying to look to the future.

Mr. STEWART. I would like to carry this one step further, Mr. Chairman. If the Bush amendments are not adopted, those companies that have established plants to serve the European market will have little or no incentive to serve the American market from American plants.

Only by a balanced trade policy will we maintain the incentive for American business to make capital investment in this country to supply the needs of this market. We must somehow arrest the flight of capital to Europe, at least so far as providing jobs in this country to supply the needs for this country.

The CHAIRMAN. Would you prevent Mr. Ford from going over to Europe and spending $300 million for a company over there?

Mr. STEWART. No. But I believe I would be inclined to keep tariffs at a level which will enable industries in the United States to serve this market in competition with foreign industry that has an advantage based simply upon the lower wage scale abroad, and that is all that the Bush amendments are designed to do, to put balance into the legislation.

The CHAIRMAN. We are not talking about the Bush amendments. I am talking about this whole situation that confronts us whereby the Common Market is certainly something which will be a more efficient body of six nations without tariffs, than if operating as individuals. You would agree with that?

Mr. STEWART. Yes. But I note carefully——

The CHAIRMAN. Wait. Then I am also bothered about the large number of American companies that are going from here to the Common Market area. They will have no intention of exporting, if they have a company here; to the contrary, it is perfectly possible for those companies to import. Isn't that right?

Mr. STEWART. That is correct, Senator; yes, sir.

The CHAIRMAN. I say it is a very complex problem.

I want to thank you, sir, for one of the best statements which has been made before our committee.

Mr. STEWART. Thank you, sir.

(The supplemental statement of Mr. Stewart follows:)

STATEMENT TO THE COMMITTEE ON FINANCE, U.S. SENATE, ON BEHALF OF THE MAN-MADE FIBER PRODUCERS ASSOCIATION, INC.

Mr. Chairman and member of the committee, my name is Eugene Stewart. I appear as counsel for the Man-Made Fiber Producers Association, Inc., 350 Fifth Avenue, New York City. The association represents the firms which produce more than 90 percent of the domestic output of manmade fibers, except glass fibers.

POSITION ON THE BILL

We oppose the enactment of H.R. 11970 in its present form. We endorse the amendments to the bill which have been introduced in the Senate by Senator Prescott Bush with the cosponsorship of Senator Bennett and other Senators. We would support the enactment of the bill modified by those amendments. So amended, the bill would grant the President the new and unprecedented authority he desires for negotiations with the Common Market. At the same time, it would insure that such authority would be wisely administered under clear-cut standards and procedures which will maintain the economic stability and growth of American industries, sectors of agriculture, and workers sensitive to excessive import competition. Our position is completely consistent with the concept of an expanding world trade in which the United States participates and benefits by retention and enlargement of her share of such expanding trade.

It is essential to the long-range interests of the United States that the matter of an orderly expansion of world trade be placed in its proper perspective with the achievement of an accelerated rate of growth for the overall domestic economy. The anmendments accomplish this.

BASIC FALLACIES ON WHICH THE TRADE BILL IS PREMISED

Taking the Nation's persistent balance-of-payments deficit and the retreat of Western European markets behind the EEC external tariff wall as their cue,

proponents of the bill urge its adoption as though it were a panacea for these problems.[1]

The proponents assume or hope that through use of the unprecedented powers which would be granted by the bill, our exports can be made to expand more rapidly than our imports. The Congress should require something more than an assumption as the basis for the delegation of authority requested in H.R. 11970. If it makes the delegation of power, the Congress should be at pains to spell out clearly guidelines and safeguards to govern the use of the authority. H.R. 11970 is deficient in this respect.

It is by no means clear that the use of greater authority under the negotiating philosophy which has characterized our tariff bargaining in the past will cause our exports to increase more rapidly than our imports:

1. Secretary of the Treasury Dillon advised the President, March 26, 1962, that—[2]

"The principal factor working against a balance in 1962 is the prospect of a sharp increase in imports over the unusually low level during the early part of 1961. This can be expected in response to the growth of our domestic economy. The same sort of increase cannot safely be assumed for exports, tied closely to market conditions abroad, although we will be doing all we can to expand our foreign markets."

2. Under Secretary of the Treasury Fowler assumes the possibility of expanding our exports while maintaining imports at a constant level:[3]

"Doubling our export surplus may sound like an impossible job, but actually, since the surplus on non-U.S. financed exports totaled $3 billion, it would have required only a 15-percent increase in overall exports to achieve that result—assuming a constant import level."

3. Secretary Hodges is uncertain as to what the results will be in negotiations under the bill if enacted:[4]

"No one can say how successful we will be in negotiations under the proposed Trade Expansion Act."

4. The statement on trade policy recently issued by the Research and Policy Committee of the Committee for Economic Development emphasized the necessity for new tariff concessions by the United States to be based upon the very sensitive appraisal of the effect of further reductions on our trade:[5]

"* * *. We seek not only an increase of U.S. exports and an increase of U.S. exports relative to imports but also, in the near future, a faster increase of exports than of imports.

"These goals require that we participate in tariff bargaining armed with the most realistic estimates obtainable of the probable consequences on imports and exports of tariff concessions. Some members of this committee would state this proposition even more strongly. They foresee a danger that with much lower wage rates and rapidly rising productivity, European, Japanese, and other

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[1] President Kennedy at New Orleans, May 4, 1962: "Unless we are able to increase our surplus of balance of payments then the United States will be faced with a hard choice * * *. There is another answer and that is to increase our exports * * *. I have every confidence that once this bill is passed the ability of American initiative and know-how will increase our exports and our export surplus * * *" (New York Times, May 5, 1962).

Under Secretary of the Treasury Henry Fowler at Atlanta, June 20, 1962: "Doubling our exports surplus may sound like an impossible job * * *. That need to expand exports is the real key to improving our balance-of-payments situation * * *. This need to expand our export trade is the basic reason behind President Kennedy's trade program" (Treasury Department Release, D-523).

Director, Office of International Trade and Finance, Leonard Weiss, at Chicago, May 28, 1962: "The maintenance or expansion of U.S. exports, industrial as well as agricultural, will depend to a major degree on future negotiations with the EEC to reduce its external tariff or otherwise to assure trade access. * * * In the recent negotiations at Geneva the United States was seriously handicapped as a result of its lack of bargaining power. * * * The Trade Expansion Act of 1962 * * * is designed to correct this situation" (Department of State press release 337, May 25, 1962).

Acting Assistant Secretary of State for Economic Affairs Philip Trezise, at Pittsburgh on April 12, 1962 "On the basis of experience we could expect our exports to grow substantially more rapidly than our imports with a consequent benefit to our difficult balance-of-payments problem" (Department of State Bulletin, May 7, 1962, p. 776).

[2] U.S. Treasury Department, "Report to the President by the Secretary of the Treasury on the Balance of Payments," Mar. 26, 1962.

[3] Remarks by Hon. Henry H. Fowler at the Commerce Department Regional Conference, Atlanta, Ga., June 20, 1962, "Business and the Balance of Payments," Treasury Department release D-523, p. 8.

[4] Secretary Hodges in White Sulphur Springs, W. Va., June 25, 1962; Department of Commerce press release 61-345, p. 7.

[5] Committee for Economic Development, Research, and Policy Committee, "A New Trade Policy for the United States," April 1962, pp. 10, 11.

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producers will be able to take more advantage of a reduction in our tariffs than we can gain from a reduction of foreign tariffs. They would therefore suggest that we should enter tariff negotiations with a presumption that equal tariff reductions by the United States and by others will increase our imports more than our exports. In their opinion, any agreement providing for substantial U.S. tariff reductions would be likely to increase U.S. unemployment and worsen the U.S. balance-of-payments position unless it also provided for much larger reduction of foreign tariffs.

"The majority of the committee sees the situation somewhat differently. The United States needs to receive larger and quicker tariff concessions, and other liberalizations, than it gives, because it needs a larger and quicker increase of its exports than of its imports. * * *

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"The United States has much to gain from a proper agreement for reduction of United States and foreign trade barriers. This does not mean that we would gain from any agreement, regardless of its terms. But we would gain from some agreements. There is every economic, political, and moral reason for the United States to seek an agreement that will serve its interests. These interests are now to some extent different than they were in earlier tariff negotiations. * * *."

5. The 32d Annual Report of the Bank for International Settlements published June 4, 1962, expresses strong reservations as to the possibility of the United States increasing its exports at a more rapid rate than imports:

"The administration's aim to stimulate higher productive investment so as to raise productivity is highly desirable. But this is not a miracle drug; it cannot change the competitive position of U.S. industry very substantially in a short space of time because the United States is not a country of low productivity. In terms of output per man-hour, the productivity of U.S. industry at present is more than twice that of European industry, which accounts for the much higher level of real income that U.S. industry can afford to pay its employees. Nor is it apparent that U.S. management has missed many opportunities for productivity increase. * * *

"Moreover, the flow of international business depends on relative costs and prices, in which productivity is only one factor. * * * European industry, only in part because of the Common Market, is in the course of developing a large mass market. In the years ahead it will benefit from economies of scale, as U.S. industry did decades ago when it discovered massproduction methods. As European industry has the opportunity for some catching up on American standards of productivity, a tight rein will have to be kept on money costs and prices in the United States to maintain the country's competitive position. Thus, here again, it would not seem prudent to count too heavily on the possibilities of widening the trade surplus, even though wage costs in Europe have been rising" (pp. 22–23).

It would be foolhardy to assume that undiscriminating use of the power in H.R. 11970 would benefit the U.S. economy. If Congress does not itself specify in the bill the guidelines for wise use of the power, there can be no confidence that the tariff negotiations carried out during the 5-year term of the bill would, in fact, strengthen the U.S. economy and contribute to full employment. The report of the Research and Policy Committee of the Committee for Economic Development is correct in emphasizing the sensitive appraisal of economic factors, and the selective exchange of concessions, which will be needed to benefit the U.S. economy in future tariff negotiations. Nothing in the bill supplies the necessary guidelines or safeguards to this end. The Bush-Bennett amendments do supply these standards.

Our national goals are full employment and rapid growth to improve steadily our standard of living.[6] But we have a high level of unemployment, and a lagging economy. Increased costs have made it impossible to protect our cost position with other industrial countries.[7] These conditions must be reversed. The causes are too deep rooted and extend too far beyond the periphery of tariff policy for trade agreement negotiations to make a substantial contribution to their correction.

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[6] Secretary of Treasury Dillon at New York, June 4, 1962, Treasury Department press release D–503.

[7] Under Secretary of Commerce Gudeman at Brookings Institution, June 14, 1962; Secretary Dillon at New York, June 4, 1962.

Even the President recognizes that the new employment which the type of trade expansion program envisaged by the bill can produce is limited to the so-called growth industries:[8]

"There will be new employment in our growth industries—and this will come mostly in our high-wage industries, which are most competitive abroad, and less new employment in others."

But what are the employment implications of such a policy for the great number of business firms established in communities throughout the Nation which are not by nature highly automated, mass production units? These organizations are most directly affected by tariff reduction. The United States has reduced its tariffs to an average of 8 percent on agricultural products, and 11 percent on industrial products, ranking it with the lowest tariff nations,[9] and with a further 20-percent cut to take effect during fiscal year 1963–64. As the CED's report observed:[10]

"The rates that now remain after a generation of reciprocal reductions are the hard cases, the rates that have been difficult to reduce because they protect industries that are sensitive to import competition."

An approximation of the magnitude of the employment losses that have been experienced by import-sensitive industries is attempted in exhibit 5. Using industry data from the 1954 and 1958 Census of Manufactures and the 1960 Annual Survey of Manufactures, correlations were made with the export and import data in product categories recently suggested by the Department of Commerce as being generally coextensive with the product sectors of the industry classifications reported in the census and survey of manufactures.

The group of industries identified in exhibit 5 sustained a decline in employment of 304,636 workers from 1954 to 1960. During this period the balance of trade in the products of those industries shifted against the United States by $2.9 billion, as exports dropped $1.1 billion and imports increased $1.8 billion. Whereas the United States in 1954 had enjoyed a $1.9 billion favorable balance of trade in the products of these industries, by 1960 the balance of trade had shifted to a deficit of $1 billion.

These adverse employment and foreign trade trends cannot fairly be attributed to inefficiency. The productivity of the workers in these industries increased from an average of $6,290 of value added by manufacture per worker in 1954 to $8.667 per worker in 1960, a 38-percent increase.

The adverse shift in the balance of trade of $2.9 billion in the products of this group of industries represents the output of 334,000 workers at the $8.667 value added per worker figure achieved in 1960. It would seem, therefore, that the actual loss of 304,636 jobs in these industries shown on exhibit 5 can fairly be attributed, in substantial part at least, to the adverse foreign trade developments shown on the exhibit.

The data contained in exhibit 5 underscore the quotation given above from the CED report. If the U.S. tariffs on the products of these industries are further reduced or eliminated entirely under the authority of H.R. 11970, a further and substantial decline in employment in these industries must be anticipated. The procedures presently contained in H.R. 11970 are inadequate to prevent this from occurring. The loss to the Nation in a repetition or acceleration of the decline in employment recorded for the industries shown on exhibit 5 would be directly contrary to our national objectives of increased economic growth and full employment.

And what of the so-called growth industries which are the principal object of the administration's foreign trade policy? These industries are characterized by technological advance and by increases in productivity through automation. The Nation has been experiencing a loss of employment from increased productivity through automation, averaging 200,000 jobs per year. During the next decade this loss will average 100,000 jobs per year in manufacturing, and 200,000 jobs per year in all nonagricultural industries as a group. With the labor force increasing by 1 million workers per year, if output per man-hour increases no more than 3 percent per year, the output of goods and services must increase

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[8] President Kennedy in Washington, D.C., May 17, 1962, State Department Bulletin, June 4, 1962; see also the President's message (H. Doc. 314, 87th Cong.) stating that the trade policy which he advocates "will in general benefit our most efficient and expanding industries."

[9] Joint Economic Committee of the Congress, "Trade Restraints in the Western Community," December 1961, pp. 2, 6.

[10] Op. cit., supra, n. 5, at p. 6.

fast enough to provide 2 million jobs a year merely for the nation to hold its own at its existing levels of employment and unemployment.[11]

Exhibit 6 identifies a group of growth industries which experienced an increase in employment of 348,489 workers from 1954 to 1960. During this period the balance of trade in the products of these industries shifted in favor of the United States by $1 billion, as exports increased by $1.8 billion and imports by $0.8 billion. A favorable balance of trade in the products of these industries of $0.2 billion in 1954 grew to $1.3 billion in 1960.

While this group of growth industries was achieving the favorable upswing in the balance of trade in its products shown on exhibit 6, the productivity of the workers in the group increased from an average of $8,509 of value added by manufacture per worker in 1954 to $11,442 per worker in 1960, a 34-percent increase.

The increase in the favorable balance of trade of $1 billion in the products of these industries represents the output of 89,727 workers at the $11,442 value added per worker figure reached in 1960. It would seem, therefore, that the increase of 348,489 workers in these industries from 1954 to 1960 can be attributed in only a minor degree to the favorable foreign trade experience of these industries.[12]

While we do not suggest that the analysis of Government data presented in exhibits 5 and 6 is conclusive on the point, it would appear that the magnitude of the data and the correlation of employment shifts with shifts in the balance of trade are sufficiently clear to warrant certain conclusions:

(1) The loss in employment which can be attributed to adverse shifts in foreign trade (increasing imports, declining exports) appears to exceed the gains that can be attributed to favorable trends (increasing exports, decreasing imports).

(2) The magnitude of employment in industries sensitive to employment losses through unfavorable shifts in foreign trade is approximately equal to the magnitude of employment in the "growth industries."

(3) The adverse impact on employment in "nongrowth" industries from adverse shifts in foreign trade is more direct than the beneficial impact on employment in "growth" industries from favorable shifts in foreign trade.

(4) Both the "growth" and "nongrowth" industries are experiencing increased imports so that substantial reduction or elimination of duties could be expected directly to cause employment losses in nongrowth industries and to threaten the favorable balance of trade in growth industries with an indirect effect on employment.

SPECIFIC DEFECTS IN THE BILL

1. General authority

Section 201: The key purpose of the bill is an expansion of U.S. exports. Other purposes stated in section 102 flow from an exchange of concessions to carry out the main purpose. Section 201, however, would allow the President to use the authority in the bill for any of the four purposes stated in section

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[11] Clague and Greenberg, "Technological Change and Employment," U.S. Department of Labor, Monthly Labor Review, July 1962, pp. 742, 745–746.

[12] Spokesmen for certain of the growth industries included in exhibit 6 have testified before this committee of their concern over adverse consequences to their industry if H.R. 11970 is enacted without amendment. See testimony of: "Dairy Products," National Council of Farmer Cooperatives (retention of peril point and escape clause). "Paper and Allied Products," American Paper & Pulp Association and National Paperboard Association (amend most-favored-nation provision so that concessions would be granted only when identical concessions are received by the United States from favored nations; eliminate adjustment assistance). "Fibers, Plastics, Rubbers," Manufacturing Chemists Association (require industry advisers at negotiations; require trading with dominant supplier, and exchange of concessions of like items; eliminate adjustment assistance; suspend trade benefits from nations not recognizing U.S. patents and trademarks; require Presidential report to Congress when Tariff Commission advice on "probable economic effect" is not followed); synthetic Organic Chemical Manufacturers Association (restore peril point, negotiate on products or articles and not categories, reserve essential national security items from negotiations, repeal most-favored-nation treatment, retain existing escape clause law, and eliminate adjustment assistance provision of bill); E. I. du Pont de Nemours & Co. (require industry advisers during negotiations, require equivalent reciprocity in negotiations, strengthen the peril point and escape clause, and eliminate adjustment assistance). "Drugs," Abbott Laboratories (eliminate adjustment assistance, require Tariff Commission hearings re determination of articles in categories). "Special Industry Machinery," National Association of Dairy Equipment Manufacturers (amend to make reciprocity mandatory; delete adjustment assistance; require elimination of nontariff restrictions of other countries before tariff concessions may be granted to them).

102. To insure that maximum attention is directed to the expansion of U.S. exports, section 201 should be amended to require that in each use of the authority the President act for the first purpose specified in section 102, and any of the other purposes.

Section 202: This section permits the elimination of duty simply because it is 5 percent or less. It is sought on the ground of "administrative convenience."[13] The Ways and Means Committee rejected the contention that such duties have little or no economic significance. If an article is important to EEC negotiations, it will fall within section 211, 212, or 213. Any article can be reduced 50 percent under section 201(b). No justification exists for the elimination of duties on the ground of "administrative convenience." If that were a valid ground, all duties could be eliminated since it would be less trouble for the Government if there were no necessity for the collection of customs. Section 202 should be deleted.

2. Special authority for Common Market negotiations

Section 211(a): The theory of this section is that if the United States and the EEC account for 80 percent of world trade, they are in such a superior competitive position vis-a-vis the rest of the world that their import duties can be eliminated without prejudice to their industries.[14] The fallacy in this section is that the United States need not, in fact, account for any percentage of world exports for the authority of the section to apply. Thus, if the EEC accounts for 80 percent by itself, or such a large part of the 80 percent that the U.S. share is nominal, the authority would exist but the reason for the authority would not. If the United State is not participating in world export trade in the articles in the category under consideration to some significant extent, the premise that the United States is strong competitively in such world trade would be false. Therefore, section 211(a) should be amended to require that the U.S. account for at least 25 percent of world export value.

Section 211(b): The President is to propose the categories to be considered under the 80 percent authority; the Tariff Commission is to identify and make public the articles included within each such category. Subsequently, the Commission is allowed to modify that identification in order to correct errors. If there is such a modification, it should be made public just as the initial identificaton is published.

Section 211(c): The President is told how to determine world export value for the purpose of the 80-percent test. He is required to use the dollar value of exports shown in trade statistics in use by the Department of Commerce. Since these determinations are of critical importance to the existence of the duty-eliminating power, it is important that the public be fully informed and have available the essential statistical data for such determinations. If the Department has trade statistics for the various countries for use in making the determination, it should be required to make such statistics public. Even though the statistics are publications of other governments, the Department could arrange for them to be reprinted and sold on a cost-recovering fee basis to interested members of the public.

The 80-percent test is supposed to identify categories of articles where the U.S. industry producing such articles has sufficient competitive commercial strength in world trade to hold its own without tariffs. It is axiomatic, therefore, that the statistics used in applying the test reflect only commercial competitive transactions. Section 211(c) should be amended to require that in making the 80-percent test there be excluded exports which did not move on a commercial basis (e.g., foreign aid financed exports).

Section 211(d): The Tariff Commission finds the essential facts on which the President's 80-percent determination is made. This provision should be amended to require the Commission to make public its report to the President since the contents would consist entirely of statistical data and findings applicable to the 80-percent test. This information is of obvious interest and importance to the business community.

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[13] Leonard Weiss, Director, Office of International Trade and Finance, Department of State Publication 7372, p. 4.

[14] "The fact that we and the EEC have dominated 80 percent of the world export value in a category reflects the advantage we have over other suppliers in such categories. * * * because we do enjoy a strong competitive position, as reflected by our dominance in world exports in these categories, we can make substantial duty reductions and even eliminations with reasonable confidence that our domestic industry will not face undue difficulties from imports * * *" (Leonard Weiss, Director, Office of International Trade and Finance, Department of State Publication 7372, pp. 3, 4).

Section 213: To assist underdeveloped countries in maintaining access to the EEC, this section empowers the President to eliminate duties on tropical commodities not produced in the United States. It overlooks the possibility that such an article can be directly competitive with a different species of the same class of article produced in the United States (e.g., tapioca starch versus cornstarch; coconut oil versus vegetable oil). If a tropical article is directly competitive either with the identical article produced in the United States or a related article so produced, the tariff pertaining to the U.S. article should not be subject to elimination. It would appear consistent with the purpose of section 213 to amend it so that it will be inapplicable to a tropical commodity directly competitive with an article produced in the United States.

3. Requirements for negotiations

Section 221(b): This section would replace the peril point procedure of existing law. Now the Tariff Commission, advised by the President of the list of articles on which he intends to negotiate, investigates and reports to the President the extent to which each article can be safely reduced without causing serious injury. These peril point findings serve as a blueprint to guide the President's agents in negotiating an exchange of concessions. With it they are able to avoid bargaining on sensitive items until such time, if any, as additional concessions are needed to get an agreement. The bill replaces these specific findings with general advice on the probable economic effect of modifications of duties. A specific blueprint is replaced by a rough sketch. The meaning of "domestic industry" and "serious injury" presently used in peril point investigations would be eliminated. The new test would become idling of plants, inability of firms to operate at a profit, and unemployment.[15] Thus, the "sketch" would become even less helpful because of the eradication of the familiar reference points of "injury" and "industry."

The elimination of the "injury" test flows directly from the report of the Task Force on Foreign Economic Policy, headed by George Ball, made to the President prior to his inauguration. The Ball report declared that "the peril point provision has become a severe limitation on tariff negotiating power" and recommended that it be "substantially abandoned." the language of section 221(b) is intended to effect this abandonment.

In the "Dillon round" of tariff negotiations the Tariff Commission found that articles accounting for 48 percent of the trade volume of the concessions requested by the EEC could not be reduced without causing serious injury. The U.S. negotiators bargained first with the items not subject to peril point findings. When it became clear that concessions on additional items were required to secure a satisfactory agreement, the President authorized the invasion of the peril point on articles representing in value about 38 percent of those initially reserved because of peril point findings. The EEC, aware of the peril point policy, accepted these additional offers, and the negotiations were concluded on a basis described by the President as "highly advantageous to the United States."[16] While there may have been some administrative inconvenience involved in proceeding in the manner described, the result was as consistent as possible with the interests of domestic industries affected by the peril point findings while leaving the President sufficient flexibility to make an advantageous trade agreement.

Because the peril point procedure is clearly a means of assuring a balancing of interests, domestic and foreign, in the use of trade agreement power, it should be reinstated in place of section 221(b).

In the case of articles subject to elimination of duties in trade agreements, a finding by the Tariff Commission that reduction below 50 percent would cause or threaten serious injury should reserve that article from negotiation. The finality of the loss of protection involved in complete duty elimination and the great difficulty for all concerned in securing an increase in duty following a trade agreement concession make it most desirable that any doubt attaching to a finding of injury on such an article be resolved in favor of the domestic industry. The reservation of such articles should be required by an appropriate amendment in section 211(b)(2)(B) and in section 211(e).

Section 224: This section states that the President may not make an offer of a concession until he has received the Tariff Commission's report. The intent

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[15] Ways and Means Committee report, p. 5 (H. Rept. 1818).

[16] Message to the Congress, Mar. 7, 1962.

of the section is for the President to grant no concession until such report is received. Section 224 should be amended to state that the President may neither make an offer nor grant a concession until the Commission's report is received.

Section 225: Various articles are to be reserved from negotiations. While some would be reserved from any negotiation during the 5-year term of the act, articles subject to a finding of serious injury under an escape clause investigation prior to the enactment of the act would only be reserved during the first 4 years of the 5-year term of the act. Elsewhere the bill provides that tariff increases put into effect under the "escape" section of the bill would terminate automatically in 4 year's time. Apparently it is to be a policy of the bill that tariff action in behalf of a domestic industry will last only 4 years as a general rule. Such a policy is indefensible. Congress should carry forward the "no serious injury" test which has been a balancing factor in our trade agreements program to date. Appropriate changes should be made in section 225(b) as well as in section 351(c) (1) (B) to delete the 4-year limit.

Section 226: The President is required to send Congress a copy of each trade agreement with a statement of his reasons for entering into the agreement. The President, however, is not required by the section specifically to explain his reason for ignoring he advice of the Tariff Commission, if he does so. As part of the reinstatement of the peril point procedure of existing law, recommended above, this section should be amended to require that the President report to Congress with regard to any article on which he exceeds the peril point findings of the Tariff Commission, stating his reasons for such action.

A new section should be added setting forth key principles to be observed by the President in negotiating trade agreements. These principles should require that the United States secure actual value received for concessions which it grants. For this purpose, it should be required that concessions on a particular article be negotiated with the principal supplier of that article in world trade. These principles should also deal with the anomalous results which presently flow from the operation of our unconditional most-favored-nation policy. To secure maximum benefit for U.S. exports with the least harm to the domestic economy, these principles should require that countries receiving trade concessions from us admit exports from the United States, on the one hand, and from the low-wage countries of Asia, on the other, on terms as favorable as those which are requested of the United States. In this way we will be assured of equivalent access for our products with those articles on which the EEC requests trade concessions from us. We shall also be assured that the concessions we grant the Common Market will not serve, in the light of discrimination practiced by the Common Market against Japan, to divert the EEC's reasonable share of Japanese exports into the United States.

Notwithstanding the growth in the EEC, the United States will remain the largest and most attractive market for the products of the other countries of the world, at least for many years to come. The other countries will continue to have strong incentive to secure trade concessions from the United States. If the conditions or principles referred to are specified in the law, these other countries will accept those conditions (in the manner in which the EEC accepted the fact of our peril-point policy in the "Dillon round"). The result will be that our negotiators will be able to secure more rapidly than has been the case in the past fair and equal access for our exports to the markets of other countries and at the same time forge stronger economic links for Japan and the other countries of Asia with our free world partners.

4. Administrative provisions

Section 242: The interagency trade organization should be under the chairmanship of the Secretary of Commerce. The President so intends. (See Ways and Means Committee report, p. 19.) Since this is permanent legislation and the interagency trade organization will have responsibilities extending beyond the 5-year term of the President's negotiating power under the bill, section 242 should be amended appropriately.

Section 244: In the 1958 extension of the Trade Agreements Act, pointed attention was given to the requirement that the President in the course of negotiating a trade agreement seek information and advice from domestic industry, agriculture, and labor. This meant that representatives of the particular industries and sectors of agriculture, and their workers, whose products were being negotiated were to be present at the negotiations. While many industries, sectors of agriculture, and groups of workers are necessarily involved

because of the extensive list of articles negotiated, the actual negotiations extend over a long period of time and reasonable arrangements can be made for the scheduling of industry advisers to the scene of the negotiations at the time that the products of a particular industry or sector of agriculture are actively being considered.

The purpose is to have the best technical advice on the problems of the industry available so that questions which arise in the course of negotiations can be discussed with them to insure that our Government's decisions are based upon a proper understanding of the technical, economic, and competitive issues involved. This is the practice of other countries. In practice, however, this type of representation at the negotiations has not been achieved. The 12 persons who were designated to visit the scene of the negotiations in 1961 included representatives of only three industries: coal, lumber, and aluminum. They were not qualified to consult in regard to the problems of the many domestic industries, other than their own, whose products were involved in the negotiations. A section should be added to the bill specifying clearly that the President should seek information and advice during the course of negotiations from each distinct industry and agricultural subdivision whose articles are involved in the negotiations.

5. General provisions.

Section 252 (a) and (b): Throughout the existence of our trade agreements program, Presidential authority has existed to retaliate against countries discriminating against U.S. exports or which nullify the benefit of concessions previously granted to the United States. This power is contained in section 338 and section 350(a)(5) of the Tariff Act of 1930, as amended. Together they direct the President to withdraw most-favored-nation treatment from countries which discriminate against U.S. exports, to increase duties by 50 percent against such countries, and finally, if other steps have been unsuccessful, to impose an embargo on imports from such countries. In addition, the provisions of our trade agreements, including GATT, permit the United States to withdraw concessions granted to other countries when those countries nullify the benefit of concessions previously granted to the United States.

This authority has seldom, if ever, been used. We have tolerated widespread discrimination against U.S. exports, the nullification of tariff concessions by the erection of nontariff barriers, and discrimination against our commerce through bilateral trade agreements, barter arrangements, and other measures. We have not attempted to correct these conditions by retaliation.

The adoption by the EEC of protectionist agricultural policies focused fresh attention upon the desirability of U.S. retaliation against discriminatory treatment of its exports. Section 252 of the bill is inended for this purpose. The section is converted from a mandatory directive to the President to discretionary power on his part by the presence in key places of the words "unjustifiable" and "unjustifiably."

Thus section 252(a) refers to "unjustifiable import restrictions" which impair the value of tariff commitments made to the United States. The use of the word "unjustifiable" implies that there may be "unjustifiable" foreign import restrictions which impair the value of tariff commitments made to the United States. Since the purpose of section 252(a) is to require the President to take appropriate steps to eliminate such restrictions and to refrain from granting any new concession to secure the removal of such restrictions, the implication created by the use of the word "unjustifiable" changes a mandatory directive into a discretionary power. Any restriction which impairs the value of commitments made to us should be the subject of action to eliminate the restriction, where appropriate. In any event, we should not grant additional concessions to remove restrictions which are impairing commitments previously made to us. The elimination of the word "unjustifiable" is therefore essential if section 252 (a) is to be a clear-cut congressional directive of policy requiring action by the President.

Section 252(b) is intended to require the President to withdraw trade agreement concessions previously granted by the United States when a foreign country receiving the benefit of our concessions maintains nontariff trade restrictions which burden our commerce "in a manner inconsistent with provisions of trade agreements." The presence in clause (1) of section 252(b) of the quoted words realistically means that any nontariff trade restriction not permitted by a trade agreement (such as for balance-of-payments reasons) must be the object of Presidential action. Just as the use of "unjustifiable" raises an

implication that there are some restrictions contravening trade agreement commitments which are "justifiable," so, too, the reference in section 252(b) (1) to "unlimited" variable import fees gives rise to the implication that variable import fees which are "limited" would not require Presidential action even though such limited variable import fees substantially burdened our commerce in a manner inconsistent with provisions of trade agreements. To avoid this implication we recommend deleting the word "unlimited."

Clause (2) of section 252(b) contains a further qualification by limiting the President's obligation to act "to the extent that such action is consistent with the purposes of section 102." The presence of the quoted words in the clause make it discretionary on the President to decide when it would be consistent with those purposes to act and when it would not. Since the action described is retaliatory action to persuade a country discriminating against or taking other action restricting our commerce, there should be no exception to the President's obligation to suspend the concessions which we granted to them and which they enjoy and continue to enjoy while discriminating against us. The quoted words should, therefore, be deleted from section 252(b).

Section 252(c): A hearing procedure is provided on the subject of foreign import restrictions against our commerce. The word "unjustifiable" is used so that it would be discretionary on the part of the hearing panel to decide whether the restriction compained of was "justifiable," thus eliminating the right to the hearing. Deletion of the word "unjustifiable" would give an aboslute right to persons aggrieved by foreign import restrictions to be heard under appropriate procedural regulations.

Section 255: A new subsection should be added which would require the President to withdraw concessions granted to the EEC under the 80-percent test if at the first terminal point of the trade agreement data on world exports indicate that the 80-percent test no longer applies.

Similarly, a provision should be added requiring the President to notify offending countries of the intended withdrawal of U.S. concessions when they dishonor the commitment to grant the United States and Asiatic countries access to their markets equivalent to that which they requested and received from the United States. In short, this is an enforcement provision to protect the integrity of the concessions granted to the EEC by enforcing the conditions on which those concessions were made.

A new section should be added requiring Presidential determinations to be based upon findings of fact supported by the record of the investigation made as a preliminary to such determination. Without such a provision Presidential determinations would be deemed to be discretionary. Compliance with constitutional requirements for delegated authority requires that the Executive be obliged to make findings of fact that his action in particular cases conforms to the statutory principles which guide and limit his authority.

An additional section should be added providing that reports of the Tariff Commission and the interagency trade organization, except the Commission's report to the President under section 221(b) and policy recommendations by the organization to the President, be made public by the President as soon as practicable after their purpose has been fulfilled.

6. Adjustment assistance

Section 257(e): The escape clause of existing law is repealed by this section. In accordance with recommendations presented under title III below, the portion of this repealing provision referring to the escape clause policy and procedure (secs. 6 and 7) should be deleted.

Title III: Our tariff reductions during the past decade have been extensive and deep. The findings of the Joint Economic Committee[17] show that we are at the lowest level in agricultural duties (8 percent) and just a few places from the bottom in industrial duties (11 percent).

The peril point and the escape clause have not retarded this steady march toward freer trade. Escape clause actions by the President have averaged only one per year during the entire 15-year history of the provision.

What justification under these circumstances is there for the drastic change in the escape clause as required by the bill? When the power delegated to the Executive is being maximized, as in the case of this bill, the stabilizing pro-

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[17] "Trade Restraints in the Western Community," loc. cit., supra, note 9.

cedures which guide that use of power wisely should not be weakened without clear proof of the necessity for doing so. None has been offered.[18]

The bill changes every major concept which plays a part in the Tariff Commission's investigations of serious import injury. For example, now the Commission may make an affirmative finding in an escape clause case if it concludes that the increased imports which cause the injury are due in part to a tariff concession granted by the United States in a trade agreement. This bill, H.R. 11970, would require the Commission to find that the increased imports were due solely to the tariff concession. The realities of economic analysis preclude such isolation of factors.

The Tariff Commission sought the approval of the Congress in the 1958 extension of the trade agreements program for its practice of concluding that where increased imports follow a reduction in duty, they were due, at least in part, to the concession. The Ways and Means Committee specifically approved that practice.[19] Now, without explanation, the House committee abandoned that test and required the sole causation test referred to above. This change alone will preclude the Commission from making findings of injury in escape clause cases.

The present law defines the domestic industry in an escape clause case as that segment of the industry, and that portion of the producing facilities of the firms in the industry, actually engaged in the production of the article under investigation. This definition is rational and responds to the necessities of the situation. When increased imports of a particular article are being received, the impact of those imports is on that portion of the economic enterprises dedicated to the production of the like articles actually engaged in the production and distribution of the article. This has been the test which the Commission has followed. It has not led to extreme results. Witness the relatively few cases in which the Commission has found injury, and the even smaller number of cases in which the President has authorized an adjustment of duties.

The bill, however, puts this practice and definition of domestic industry aside and sets up the new requirement that the injury caused by imports of a particular article must be measured against the total operations of all the firms of the industry in question. (This, of course, is in direct response to the Ball Task Force recommendations.)

In the case of manmade fibers, excessive imports of rayon staple fiber presumably could not lead to a finding of serious injury under this bill unless it caused idling of plants, inability of firms to operate at a profit, and unemployment throughout the entire manmade fiber industry, including those portions not engaged in the production of rayon staple fiber.

This is an impossible test to meet. It will rarely be possible for the Commission to find that imports of an article like or directly competitive with an article produced by a multiproduct industry in the United States have brought that entire industry to the State where its plants are idle, its firms operating at a loss, and its workers unemployed.

Title III should be amended to—

(1) Reinstate the present escape clause;

(2) Delete adjustment assistance as an alternative to tariff relief in an industry case;

(3) Limit adjustment assistance to firms and workers to the remedies now provided in the Area Redevelopment Act and the Manpower Development and Training Act.

PROCEDURE REGARDING GROWTH INDUSTRIES

The Nation's internal economic strength is of paramount importance to our national security. By common consent it is understood that we must as a nation increase the rate of growth of the economy. To do so we must overcome the high level of unemployment which has characterized the economy at least since the 1958 recession, and we must correct the lagging rate of growth which in recent years has been only half of that of the EEC and one-third of that of

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[18] The fact of the matter is that the weakening of the escape clause corresponds to the recommendations of the Task Force on Foreign Economic Policy, headed by Mr. George Ball, which reported to the President prior to his inauguration. The Ball report stated: "The task force is of the strong opinion that the 'no serious injury' doctrine should be substantially abandoned." Procedures confirming to the adjustment assistance provisions of the trade bill were recommended in the report.

[19] H. Rept. 1761, 85th Cong., p. 9.

Japan. Within the domestic economy the industries which contribute the most to these objectives are the dynamic, innovating, technologically based industries which are characterized by a sustained rate of growth in investment, employment, and production. An expanding market for the products of these industries sustains their rate of growth. To some extent the expanding domestic market for the products of these industries is able to absorb an increasing volume of imports.

Unwise tariff reductions or eliminations could, however, stimulate increased imports in the products of these industries to such an extent that import volume overreaches the growth in demand and impairs the rate of growth of the domestic industries concerned. When this occurs the effect upon the Nation's resources for contributing increased employment opportunities for our growing labor force is seriously injured far out of proportion to the magnitude of the direct import injury to the domestic industry itself.

In commencing upon an era in which the President will be authorized to use greater power for the alteration of tariffs than at any time in our history, it is of particular importance that procedures be established which would alert him to the possibility that excessive imports are threatening to impair the rate of growth of our dynamic employment-generating industries. The President should be empowered to adjust imports to correct such impairment if in his judgment the national interest so requires.

Accordingly, a new section should be added to the bill, patterned after the escape clause, calling for a Tariff Commission investigation and report to the President when imports of an article are threatening to impair the rate of growth of established growth industries. The President should be empowered to regulate imports in such a case by granting tariff relief or imposing quotas.

As a corollary, the peril point procedure should be amended so that the President can be advised in advance of negotiations of the probability that tariff reductions or eliminations would cause or threaten serious impairment of the rate of growth of any established growth industry.

CONCLUSION

H.R. 11970 should be amended to insert guidelines and procedures to effect a balanced administration of our trade agreements program under the increased tempo anticipated through the use of the enlarged powers granted to the President.

In addition, the bill should be amended to insert principles for the conduct of our negotiations attuned to the realities of the present competitive situation and practices in world trade designed to assure that the United States receives true reciprocity and full value for its tariff concessions. These principles should assist in opening up markets for the products of Asiatic countries, thereby relieving some of the pressure from the U.S. market for the absorption of the surplus production of those countries.

The bill should be amended to reinstate the guiding principle of our trade agreements program for a selective use of tariff-reducing authority in a manner best calculated to avoid serious injury to domestic industries, agriculture, and workers while enlarging foreign markets for our export industries.

The amendments to the trade bill which have been introduced by Senator Bush, Senator Bennett, and other Senators would meet each of these objectives in a sound and reasonable manner.

We urge the committee to adopt these amendments and to report the bill so amended.

August 8, 1962.

Appendix to Statement to the Committee on Finance, U.S. Senate, on Behalf of the Manmade Fiber Producers Association, Inc.

IMPACT OF FOREIGN TRADE ON THE DOMESTIC MANMADE FIBER INDUSTRY

Ninety percent of this industry's output is sold to the domestic textile industry. The economic health of that industry is of primary importance to the economic health of the manmade fiber industry.

Economic dislocation within the textile industry resulting from excessive imports of fabrics and apparel also impairs the economic vigor of the manmade fiber industry. Our industry is also directly affected by imports of man-

made fibers, filaments, and yarn. Since the United States is self-sufficient in manmade fibers, imports directly displace domestic production.

The manmade fiber content of imported textiles made from or including manmade fibers mounted in 1961 to 119 million pounds.[1] In addition, there were imported 61 million pounds of manmade fiber, filaments, and yarn in the forms directly competitive with the products of this industry.[2] The total manmade fiber content of imports in 1961 was equivalent to 9 percent of apparent domestic consumption of 1,947 million pounds.[3]

Manmade fibers may be divided into two main categories: cellulosic (rayon and acetate) and noncellulosic (nylon, acrylic, modacrylic, spandex, olefin, vinyon, and polyester). The cellulosic sector has developed over the past four decades, and is relatively stabilized in growth in comparison with the newer noncellulosic sector of the industry. The latter has developed essentially during the past two decades.

Imports of cellulosic fibers have fluctuated at excessive levels in relation to domestic consumption throughout the past decade. Imported rayon and acetate staple fiber reached 31 percent of domestic consumption in 1955, and 21 percent in 1959.[4] So severe was the domestic textile recession in the 1960–61 period that imports of rayon staple fell to 8 percent of apparent consumption in 1961.[5] With the quicker pace of textile consumption in the United States in 1962, imports of rayon and acetate staple fiber, filaments, and yarn during the first 5 months increased 71 percent in comparison with imports during the same period in 1961.[6]

Domestic consumption of rayon and acetate fiber, filaments, and yarn has declined 24 percent since 1955.[7] Consumption in 1960 and 1961 was nearly 400 million pounds lower than in 1955, the peak consumption year of the decade. Though the United States has reduced its productive capacity for cellulosic fiber by 200 million pounds since 1955, it is still carrying capacity more than 300 million pounds in excess of domestic consumption plus exports.[8] The high level of imports, ranging as high as 12½ percent of consumption for all cellulosic fiber, filaments, and yarn, and to a level in excess of 30 percent for staple fiber, has had a disruptive effect on the economics of the cellulosic fiber industry.

In contrast with the declining domestic consumption of cellulosic fibers, apparent consumption of noncellulosic fibers rose steadily during the past decade. Consumption in 1961 of 706 million pounds of noncellulosic fibers represented nearly a 100-percent increase over consumption in 1955.[9] Imports of noncellulosic fibers increased at an even faster rate, however, with 1961's imports of 18.2 million pounds exceeding 1955's 1.1 million pounds by more than 1,500 percent.[10] The effect of this more rapid increase of imports has been to lift the share of domestic consumption accounted for by imports from less than 1 percent to nearly 3 percent by 1961.[11] With the upturn in domestic textile activity in 1962, imports of noncellulosic fibers reached an even higher tempo, with the imports during the first 5 months of this year exceeding the same period of 1961 by 39 percent.[12]

The domestic industry has made continuing substantial investments in domestic facilities for the production of noncellulosic manmade fibers. By 1963 domestic noncellulosic fiber capacity will be approximately 250 percent of the Nation's capacity in 1955. This expansion in capacity has involved an investment estimated at approximately $70 million per year during the past decade.[13]

The increase in employment in the synthetic fibers industry of 5,900 workers from April 1958 to April 1962[14] is believed to be almost entirely due to the expansion within the noncellulosic sector of the industry.

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[1] U.S. Department of Agriculture, "Cotton Situation," July 1962, table 15.
[2] "Textile Organon," April 1962, p. 82.
[3] Ibid., p. 85.
[4] See exhibit 2.
[5] Ibid.
[6] Exhibit 1.
[7] Apparent consumption in 1955, 1,419.2 million pounds; in 1961, 1,076.7 million pounds. See exhibit 2.
[8] Exhibit 3.
[9] Exhibit 2.
[10] Ibid.
[11] Ibid.
[12] Exhibit 1.
[13] This estimate is based on capital expenditures for the synthetic fibers industry reported in the 1958 and 1954 Census of Manufactures which, in view of the decrease in capacity in cellulosic fibers, are believed to have been almost entirely for the creation of noncellulosic fiber capacity.
[14] U.S. Department of Labor, Employment and Earnings Statistics for the United States, 1909–60, p. 383; annual supplement issue, June 1962, table B–2.

While the domestic industry has increased its capacity for the production of noncellulosic fibers by 758 million pounds, or 150 percent since 1955, the rest of the world (excluding Communist Europe) has increased its capacity for the production of noncellulosic fibers by 1,590 million pounds, a 567-percent jump.[15] In other words, the rest of the free world has been increasing its capacity for the production of noncellulosic fibers at nearly four times the rate of increase in such capacity in the United States.

The domestic industry's experience with economic distress caused by excessive and wildly fluctuating imports of cellulosic fibers warns it that the rapid construction of new capacity for noncellulosic fibers abroad and the established and increasing rate of imports of noncellulosic fibers into the United States at present rates of duty presage economic injury to the domestic industry if the existing U.S. tariffs on man-made fibers are materially reduced.

Further, downward tariff changes in textile fabrics, apparel, and other finished articles containing manmade fibers can result in a sharp displacement of domestic consumption of manmade fibers equal to or greater in its effect on the domestic manmade fiber industry than the direct importation of staple fiber, filaments, and yarn.

The enactment of H.R. 11970 in and of itself will not produce these changes, but the absence from the bill of procedures and guidelines capable of producing a discriminating evaluation of the economic consequences of tariff change creates the possibility of a nondiscriminating use of the tariff-changing power which can produce these results. In a moment we shall refer more particularly to the ineffective and incomplete provisions of the bill which this industry believes could lead to unwise reductions or eliminations of duty on manmade fibers and textile fabrics and articles made therefrom, to the particular detriment of this industry and of the textile industry, and the general detriment of the Nation's economy.

PRESENT AND POTENTIAL SIGNIFICANCE OF FOREIGN TRADE IN MANMADE FIBERS TO U.S. BALANCE OF PAYMENTS

The domestic manmade fiber industry is a dynamic factor in the economy, and it contributes importantly to the Nation's favorable balance of trade. A survey of the members of this association discloses that as a group these companies expend annually an average of 6½ percent of sales on research. This is well above the average for manufacturing industries in the United States. The research and development budgets of the industry which have produced the ever-growing family of noncellulosic manmade fibers, in turn trigger the major portion of the industry's expenditures for new plant and equipment. The latter are in excess of $70 million per year.[16]

In the commercial development of new manmade fibers the U.S. industry has led the rest of the world. Hand in hand with the development of the new fibers, the domestic producers of manmade fibers have carried out on a large scale the applied research necessary for the utilization of the new fibers in textile fabric constructions and in the utilization of the new fabrics in apparel and other finished textile articles. The National Research Council reported recently that by 1958 domestic producers of manmade fibers were expending $75 million per year in textile research, more than five times the amount expended by the textile mill products industry.[17]

As a result of these activities, consumption of noncellulosic fibers developed in the United States well ahead of the utilization of such fibers elsewhere in the world.[18] Because of this technological leadership, the domestic industry has been in the position of supplying the initial demand for the new fibers and textiles containing the new fibers for the rest of the world. As markets have been developed for the new fibers and the new textile articles containing such fibers elsewhere in the world, plants have been constructed in those foreign countries

[15] Exhibit 3.

[16] In 1958 the industry reported capital expenditures of $71 million, per 1958 Census of Manufactures. In 1954 the industry reported capital expenditures of $63 million, per the Census of Manufactures that year. On the basis of these two reference points it can safely be assumed that the industry's annual capital expenditures are in excess of $70 million per year.

[17] National Academy of Sciences, National Research Council, Ad Hoc Textile Research Committee, "Current Needs in Research Relevant to the Interests of the U.S. Textile Industry," April 1962, p. 4.

[18] See exhibit 3; cf., "Internal Consumption and Productive Capacity of Noncellulosic Fibers," United States versus other areas of the world.

for the production of the fibers. As shown by exhibit 3, the rest of the free world, while initially lagging behind the United States in the production and consumption of noncellulosic fibers, has in recent years increased its capacity and its consumption more rapidly than in the United States.

The lead established by the domestic industry through its research and investment policies has served to keep the United States in a position of excess capacity, while in the other areas of the world capacity has lagged behind the demand generated by U.S. technology. But the rest of the world with its more rapid creation of new capacity in recent years has now drawn abreast of demand. The rest of the world will soon be in a surplus capacity position akin to that in the United States.

Meanwhile, during the past decade, the U.S. manmade fiber industry, and those portions of the domestic textile industry utilizing manmade fibers in the production of fabric and apparel, have combined to export manmade fibers and manufactures at a rate exceeding imports of such articles by amounts ranging from $165 to $235 million per year.[19]

The contribution which the domestic manmade fiber producers and textile and apparel firms utilizing manmade fibers have made to the U.S. balance of payments is of some importance. In 1961, the United States had commercial exports of $17.7 billion, and merchandise imports of $14.5 billion, for a merchandise surplus, in our balance of payments, of $3.2 billion.[20] The merchandise surplus in manmade fibers and manufactures of $232 million in 1961[21] thus represented 7.2 percent of the Nation's balance-of-payments surplus in merchandise transactions.

The rest of the free world is increasing its productive capacity for manmade fibers, both cellulosic and noncellulosic, at a steady and rapid rate. Whereas the United States is suffering a decline in cellulosic capacity, the rest of the free world has increased cellulosic capacity by 38 percent since 1955. As previously noted, while the United States has increased its noncellulosic capacity by 150 percent, the rest of the free world has increased its capacity for the production of noncellulosic fibers by 567 percent since 1955.[22] In 1961, manmade fibers were produced in 41 foreign countries, 33 of which included the production of noncellulosic fibers.[23]

The output of these increasing capacities of the free world outside of the United States for the production of both cellulosic and noncellulosic manmade fibers in excess of their home-consumption needs will inevitably be directed to the U.S. market at an ever-increasing rate. As these foreign countries become self-sufficient in manmade fibers, they will fill the needs of their home markets and their neighbors to the detriment of U.S. exports to those countries.

The deep reductions or total eliminations of duty authorized by H.R. 11970, if carried out without the most careful prenegotiation investigation, and without particular regard to the effect of such tariff change on the increased rate of imports of manmade fibers and products into the U.S. market, could, in conjunction with developments in world trade in manmade fibers and manufactures, seriously affect the U.S. balance-of-payments position. At the same time, such actions could produce an erosion of the economic strength and vigor of the domestic manmade fiber industry and those sectors of the textile and apparel industries utilizing manmade fibers to the immediate detriment of the domestic economy. Nothing in H.R. 11970 would require consideration of these vitally important factors. More specific guidelines and more definite procedures are required. These would be provided by the Bush-Bennett amendments.

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[19] Exhibit 4.
[20] U.S. Department of Commerce, Office of Business Economics, Business News Reports OBE 62-54, June 21, 1962.
[21] Exhibit 4.
[22] See exhibit 3.
[23] Textile Organon, June 1962, pp. 111-113.

Exhibit 1

U.S. imports/exports of manmade fibers and textile products of such fibers

[In thousands]

	Manmade staple fibers, filaments, and yarns			Textile products of manmade fibers	
	Rayon and acetate	Other	Total	Fabric	Apparel
	Pounds	*Pounds*	*Pounds*	*Square yards*	
1957:					
Imports	89,268	2,504	91,772	4,129	$4,681
Exports	60,474	35,004	95,478	45,192	14,193
1958:					
Imports	92,506	7,248	99,754	6,113	6,566
Exports	43,738	2,617	76,355	39,501	15,010
1959:					
Imports	130,246	11,752	142,048	13,195	14,926
Exports	45,781	51,621	97,402	40,950	15,864
1960:					
Imports	66,155	9,678	75,833	12,371	16,839
Exports	69,12[illegible]	73,587	142,712	40,622	18,577
1961:					
Imports	43,042	18,160	61,202	9,647	13,027
Exports	79,818	67,698	147,516	34,118	20,733
Percent change:					
Imports	−51	+625	−33	+134	+178
Exports	+32	+93	+55	−25	+46
1st 5 months, imports:					
1961	13,893	7,415	21,308	13,749	[1] 11,198
1962	23,731	12,218	35,949	26,753	[1] 21,872
Percent change	+71	+39	+69	+95	+95

[1] 4 months.

Source: Textile Organon: The Association of Cotton Textile Merchants of New York.

Exhibit 2

U.S. imports in relation to domestic consumption of manmade fibers, 1952–61

[Millions of pounds]

	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961
Rayon and acetate:										
Staple fiber:										
Mill consumption	369.5	356.9	433.5	561.4	473.8	491.2	483.7	530.2	430.5	448.9
Imports	68.1	67.8	58.1	172.0	91.8	83.6	83.4	115.1	59.1	37.1
Imports as percent of mill consumption	18.4	19.0	13.4	30.6	19.4	17.0	17.2	21.7	13.7	8.3
Staple fiber, filaments, and yarn:										
Mill consumption	1,214.7	1,222.5	1,154.7	1,419.2	1,200.9	1,177.1	1,127.2	1,252.5	1,055.5	1,076.7
Imports [1]	73.1	69.8	62.4	177.0	96.4	89.3	92.5	130.3	66.2	43.0
Imports as percent of mill consumption	6.0	5.7	5.4	12.5	8.0	7.6	8.2	10.4	6.2	4.0
Noncellulosic:										
Mill consumption	208.1	232.7	273.9	355.3	390.2	470.9	471.1	590.0	618.5	706.3
Imports [1]	1.0	1.2	1.0	1.1	1.0	2.5	7.2	11.8	9.7	18.2
Imports as percent of mill consumption	.5	.5	.4	.3	.3	.5	1.5	2.0	1.6	2.6
Total manmade fiber:										
Mill consumption	1,422.8	1,455.2	1,428.6	1,774.5	1,591.1	1,648.0	1,598.3	1,842.5	1,669.0	1,783.0
Imports [1]	74.1	71.[illegible]	63.4	178.1	97.4	91.8	99.7	142.1	75.9	61.2
Imports as percent of mill consumption	5.2	4.9	4.4	10.0	6.1	5.7	6.2	7.7	4.5	3.4

[1] Includes imports recorded as "waste."

Source: Textile Organon.

EXHIBIT 3

World production, exports, imports, consumption, and capacity of manmade fibers, by selected areas

[In millions of pounds]

	(A) Production			(B) Exports			(C) Imports		
	Cellulosics	Noncellulosics	Total	Cellulosics	Noncellulosics	Total	Cellulosics	Noncellulosics	Total
World:									
Including Communist Europe:									
1955	5,034.3	579.9	5,614.2			(1)			(1)
1956	5,262.7	674.6	5,937.3			(1)			(1)
1957	5,459.7	894.9	6,354.6			(1)			(1)
1958	5,029.6	920.5	5,950.1			(1)			(1)
1959	5,559.5	1,272.2	6,831.7			(1)			(1)
1960	5,740.6	1,564.9	7,305.5			(1)			(1)
1961	5,935.3	1,833.3	7,768.6			(1)			(1)
1963 [2]									
Excluding Communist Europe:									
1955	4,306.8	550.5	4,857.3	742.0	(1)	(1)	408.0	(1)	(1)
1956	4,486.0	637.2	5,123.2	775.0	46.8	821.8	403.0	32.2	435.2
1957	4,612.1	847.8	5,459.9	796.0	73.1	869.1	381.0	53.4	434.4
1958	4,098.9	864.3	4,963.2	736.0	86.5	822.5	316.0	71.6	387.6
1959	4,565.8	1,205.5	5,771.3	823.0	126.0	949.0	393.0	107.9	500.9
1960	4,667.8	1,476.2	6,144.0	890.6	192.5	1,083.1	358.4	170.1	528.5
1961	4,762.9	1,717.1	6,480.0	936.2	231.8	1,168.0	343.9	191.0	534.9
1963 [2]									
North America:									
United States:									
1955	1,260.7	379.3	1,640.0	28.0	(1)	(1)	174.0	(1)	(1)
1956	1,147.9	400.3	1,548.2	40.0	21.5	61.5	94.0	0.7	94.7
1957	1,139.4	515.7	1,655.1	52.0	30.3	82.3	85.0	1.6	86.6
1958	1,034.9	490.5	1,525.4	40.0	30.9	70.9	84.0	3.6	87.6
1959	1,166.8	645.3	1,812.1	39.0	48.8	87.8	117.0	6.5	123.5
1960	1,028.5	677.2	1,705.7	54.6	69.5	124.1	63.1	4.7	87.8
1961	1,095.3	741.7	1,837.0	70.0	62.0	132.0	38.8	8.4	47.3
1963 [2]									
Canada:									
1955	78.7	12.3	91.0	2.0	(1)	(1)	16.0	(1)	(1)
1956	76.4	14.0	90.4	2.0	.3	2.3	14.0	3.3	17.3
1957	73.9	20.5	94.4	3.0	3.2	6.2	11.0	5.0	16.0
1958	65.4	23.2	88.6	2.0	1.9	3.9	10.0	2.8	12.8
1959	85.7	29.7	115.4	4.0	1.9	5.9	15.0	3.7	18.7

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1960	75.3	37.2	112.5	6.7	7.9	14.6	11.9	4.0	15.9
1961	73.2	43.6	116.8	3.6	6.2	9.8	12.8	7.1	19.9
1963 [1]	-----	-----	-----	-----	-----	-----	-----	-----	-----
Central and South America:									
1955	189.1	1.2	190.3	16.0	(1)	(1)	26.0	(1)	(1)
1956	204.5	1.9	206.4	16.0	0	16.0	28.0	4.8	32.8
1957	206.0	4.5	210.5	14.0	-----	14.0	29.0	2.5	31.5
1958	206.4	6.9	213.3	10.0	-----	10.0	30.0	10.2	40.2
1959	216.3	10.0	226.3	13.0	-----	13.0	29.0	16.0	45.0
1960	219.9	18.0	237.9	12.4	-----	12.4	35.3	17.6	52.9
1961	220.8	23.6	244.4	6.8	-----	6.8	32.7	23.4	56.1
1963 [1]	-----	-----	-----	-----	-----	-----	-----	-----	-----
Western Europe:									
Common Market:									
1955	1,196.2	76.6	1,272.8	444.0	(1)	(1)	62.0	(1)	(1)
1956	1,256.3	99.1	1,355.4	465.0	17.1	482.1	76.0	13.5	89.5
1957	1,311.8	133.3	1,445.1	448.0	25.3	473.3	82.0	14.8	96.8
1958	1,212.8	160.6	1,373.4	409.0	34.0	443.0	68.0	14.0	82.0
1959	1,274.9	233.7	1,508.6	449.0	53.0	502.0	78.0	27.9	105.9
1960	1,337.4	317.8	1,655.2	442.2	83.1	525.3	91.0	59.3	150.3
1961	1,377.9	387.4	1,765.3	463.2	106.9	570.1	95.1	58.5	153.6
1963 [2]	-----	-----	-----	-----	-----	-----	-----	-----	-----
European Free Trade Association:									
1955	650.2	45.7	695.9	204.0	(1)	(1)	46.0	(1)	(1)
1956	665.5	56.1	721.6	197.0	7.2	204.2	54.0	4.0	58.0
1957	678.1	76.8	754.9	200.0	12.2	212.2	56.0	18.0	74.0
1958	601.8	75.0	676.8	200.0	15.6	215.6	47.0	22.2	69.2
1959	694.4	99.3	793.7	229.0	18.1	247.1	48.0	27.8	75.8
1960	728.2	151.6	879.8	227.7	23.5	251.2	40.0	51.0	91.0
1961	681.4	166.8	848.2	235.1	38.6	273.7	55.2	60.0	115.2
1963 [2]	-----	-----	-----	-----	-----	-----	-----	-----	-----
Other:									
1955	143.4	.5	143.9	26.0	(1)	(1)	12.0	(1)	(1)
1956	148.7	2.1	150.8	28.0	0	28.0	18.0	.2	18.2
1957	156.2	3.2	159.4	32.0	0	32.0	16.0	0	16.0
1958	145.1	3.3	148.4	24.0	0	24.0	18.0	1.8	19.8
1959	135.4	4.4	139.8	22.0	0	22.0	13.0	3.3	16.3
1960	159.2	6.4	165.6	62.3	.1	62.4	19.6	4.8	24.4
1961	151.8	8.1	159.9	45.2	-----	45.2	20.8	9.8	30.6
1963 [2]	-----	-----	-----	-----	-----	-----	-----	-----	-----
Middle East:									
1955	18.7	.2	18.9	0	(1)	(1)	4.0	(1)	(1)
1956	21.0	.2	21.2	0	.1	.1	2.0	.2	2.2
1957	21.7	.3	22.0	-----	.1	.1	9.0	1.6	10.6
1958	24.0	.6	24.6	1.0	.1	1.1	10.0	2.9	12.9
1959	27.4	.6	28.0	3.0	.1	3.1	8.0	4.8	12.8
1960	27.0	1.0	28.0	.7	.1	.8	16.5	3.5	20.0
1961	27.1	1.5	28.6	.3	.9	1.2	9.4	6.4	15.8
1963 [2]	-----	-----	-----	-----	-----	-----	-----	-----	-----

See footnotes on following page.

EXHIBIT 3—Continued

World production, exports, imports, consumption, and capacity of manmade fibers, by selected areas—Continued

[In millions of pounds]

	(A) Production			(B) Exports			(C) Imports		
	Cellulosics	Noncellulosics	Total	Cellulosics	Noncellulosics	Total	Cellulosics	Noncellulosics	Total
Far East:									
Japan:									
1955	732.1	34.7	766.8	22.0	(1)	(1)		(1)	(1)
1956	917.3	63.5	980.8	27.0	.6	27.6	1.0	.9	1.9
1957	966.9	93.5	1,060.4	47.0	2.0	49.0	4.0	1.0	5.0
1958	718.6	102.2	820.8	50.0	4.0	54.0	1.0	1.4	2.4
1959	848.3	178.1	1,026.4	61.0	4.1	65.1	1.0	1.0	2.0
1960	955.4	260.8	1,216.2	34.0	8.3	92.3	.3	.6	.9
1961	981.9	337.5	1,319.4	110.9	17.1	128.0	.1	1.0	1.1
1963 [2]									
Other:									
1955	37.7	0	37.7	0	0	0	68.0	(1)	(1)
1956	48.4	0	48.4	0	0	0	116.0	4.6	120.6
1957	58.1	0	58.1		0		89.0	8.9	97.9
1958	89.9	2.0	91.9		0		48.0	12.7	60.7
1959	116.6	4.4	121.0	3.0	0	3.0	84.0	16.9	100.9
1960	136.9	6.2	143.1		0		80.7	24.6	105.3
1961	153.5	6.9	160.4	1.1	.1	1.2	78.9	16.4	95.3
1963 [2]									
Communist Europe:									
1955	727.5	29.4	756.9			(1)			(1)
1956	776.7	37.4	814.1			(1)			(1)
1957	847.6	47.1	894.7			(1)			(1)
1958	930.7	56.2	986.9			(1)			(1)
1959	993.7	66.7	1,060.4			(1)			(1)
1960	1,072.8	88.7	1,161.5			(1)			(1)
1961	1,172.4	116.2	1,288.6			(1)			(1)
1963 [2]									

[1] Not available.
[2] 1963 capacity figure is based on reports of new plant construction or plant expansions scheduled for completion in 1963.

Source: Textile Economics Bureau, Inc.

EXHIBIT 3—Continued

World production, exports, imports, consumption, and capacity of manmade fibers, by selected areas—Continued

[In millions of pounds]

	(D) Internal consumption (production less exports plus imports)			(E) Productive capacity			(F) Capacity in excess of internal consumption plus exports		
	Cellulosics	Non-cellulosics	Total	Cellulosics	Non-cellulosics	Total	Cellulosics	Non-cellulosics	Total
World:									
Including Communist Europe:									
1955			(1)	6,061.4	(1)	(1)			(1)
1956			(1)	6,389.9	(1)	(1)			(1)
1957			(1)	6,895.4	1,126.3	8,021.7			(1)
1958			(1)	7,239.3	1,366.2	8,605.5			(1)
1959			(1)	7,368.9	1,659.6	9,028.5			(1)
1960			(1)	7,560.6	2,022.4	9,583.0			(1)
1961			(1)	7,638.3	2,446.0	10,084.3			(1)
1963 [2]				7,803.3	3,366.1	11,169.4			(1)
Excluding Communist Europe:									
1955	3,972.8	(1)	(1)	5,299.1	781.7	6,080.8	584.3	(1)	(1)
1956	4,114.0	622.6	4,736.6	5,552.4	883.6	6,436.0	663.4	214.2	877.6
1957	4,197.1	828.1	5,025.2	5,946.0	1,071.4	7,017.4	952.9	170.2	1,123.1
1958	3,678.9	849.4	4,528.3	6,227.4	1,301.0	7,528.4	1,812.5	365.1	2,177.6
1959	4,135.8	1,187.4	5,323.2	6,321.6	1,577.9	7,899.5	1,362.8	264.5	1,627.8
1960	4,135.6	1,453.8	5,589.4	6,390.8	1,915.0	8,305.8	1,[illegible]4.6	268.7	1,633.3
1961	4,170.6	1,676.3	5,846.9	6,350.4	2,302.2	8,652.6	1,243.6	394.1	1,637.7
1963 [2]				6,442.3	3,129.6	9,571.9			
North America:									
United States:									
1955	1,406.7	(1)	(1)	1,654.5	502.0	2,156.5	219.8	(1)	(1)
1956	1,201.9	379.5	1,581.4	1,605.8	507.5	2,113.3	363.9	106.5	470.4
1957	1,172.4	487.0	1,659.4	1,558.5	616.5	2,175.0	334.1	99.2	433.3
1958	1,078.9	463.2	1,542.1	1,485.0	753.6	2,238.6	366.1	259.5	625.6
1959	1,244.8	603.0	1,847.8	1,446.3	853.6	2,299.9	162.5	201.8	364.3
1960	1,037.0	612.4	1,649.4	1,454.0	948.0	2,402.0	362.4	266.1	628.5
1961	1,064.2	688.1	1,752.3	1,435.5	1,089.5	2,525.0	301.3	339.4	640.7
1963 [2]				1,418.0	1,260.0	2,678.0			
Canada:									
1955	92.7	(1)	(1)	105.5	28.5	134.0	10.8	(1)	(1)
1956	88.4	17.0	105.4	114.5	30.0	144.5	24.1	12.7	36.8
1957	81.9	22.3	104.2	121.0	32.5	153.5	36.1	7.0	43.1
1958	73.4	24.1	97.5	116.5	39.5	156.0	41.1	13.5	54.6
1959	96.7	31.5	128.2	111.0	46.6	157.6	10.3	13.2	23.5
1960	80.5	33.3	113.8	107.0	49.2	156.2	19.8	8.0	27.8
1961	82.4	44.5	126.9	107.0	54.4	161.4	21.0	3.7	24.7
1963 [2]				107.0	65.5	172.5			

See footnotes on p. 1208.

EXHIBIT 3—Continued

World productions, exports, imports, consumption, and capacity of manmade fibers, by selected areas—Continued

[In millions of pounds]

	(D) Internal consumption (production less exports plus imports)			(E) Productive capacity			(F) Capacity in excess of internal consumption plus exports		
	Cellulosics	Non-cellulosics	Total	Cellulosics	Non-cellulosics	Total	Cellulosics	Non-cellulosics	Total
Central and South America:									
1955	199.1	(1)	(1)	249.6	1.7	251.3	34.5	(1)	(1)
1956	216.5	6.7	223.2	254.9	3.9	258.8	22.4	−2.8	19.6
1957	221.0	7.0	228.0	253.4	7.4	260.8	18.4	.4	18.8
1958	226.4	17.1	243.5	268.1	12.3	280.4	31.7	−4.8	26.9
1959	232.3	26.0	258.3	297.0	17.1	314.1	51.7	−8.9	42.8
1960	242.8	35.6	278.4	314.2	24.6	338.8	59.0	−11.0	48.0
1961	246.7	47.0	293.7	318.5	39.2	357.7	65.0	−7.8	57.2
1963 [2]				332.6	99.4	432.0			
Western Europe:									
Common market:									
1955	814.2	(1)	(1)	1,494.7	112.2	1,606.9	236.5	(1)	(1)
1956	867.3	95.5	962.8	1,566.3	151.8	1,718.1	234.0	39.2	273.2
1957	945.8	122.8	1,068.6	1,637.4	188.3	1,825.7	243.6	40.2	283.8
1958	871.8	140.6	1,012.4	1,671.2	221.5	1,892.7	390.4	46.9	437.3
1959	903.9	208.6	1,112.5	1,691.2	270.9	1,962.1	338.3	9.3	347.6
1960	986.2	294.0	1,280.2	1,708.3	380.1	2,088.4	279.9	3.0	282.9
1961	1,009.8	39.0	1,348.8	1,679.5	495.5	2,175.0	206.5	49.6	256.1
1963 [2]				1,683.4	693.5	2,376.9			
European Free Trade Association:									
1955	492.2	(1)	(1)	762.6	79.3	841.9	66.4	(1)	(1)
1956	522.5	52.9	575.4	782.4	97.7	880.1	62.9	37.6	100.5
1957	534.1	82.6	616.7	842.7	103.4	946.1	108.6	8.6	117.2
1958	448.8	81.6	530.4	886.9	108.0	994.9	238.1	10.8	248.9
1959	513.4	109.0	622.4	887.2	123.9	1,011.1	144.8	−3.2	141.6
1960	540.5	179.1	719.6	883.4	159.6	1,043.0	115.2	−43.0	72.2
1961	501.5	188.2	689.7	846.5	214.8	1,061.3	109.9	−12.0	97.9
1963 [2]				815.6	292.2	1,107.8			
Other:									
1955	129.4	(1)	(1)	161.2	1.3	162.5	5.8	(1)	(1)
1956	138.7	2.3	141.0	173.1	3.0	176.1	6.4	.7	7.1
1957	140.2	3.2	143.4	177.5	4.7	182.2	5.3	1.5	6.8
1958	139.1	5.1	144.2	180.6	6.0	186.6	17.5	.9	18.4
1959	126.4	7.7	134.1	185.2	6.8	192.0	36.8	−.9	35.9
1960	116.5	11.1	126.7	180.7	12.9	193.6	1.9	1.7	3.6

1961	127.4	17.9	145.3	190.9	26.6	217.5	18.3	8.7	27.0
1963 [2]				208.3	41.3	249.6			
Middle East:									
1955	22.7	(1)	(1)	21.4	.3	21.7	−1.3	(1)	(1)
1956	23.0	.3	23.3	25.8	.8	26.6	2.8	.4	3.2
1957	30.7	1.8	32.5	31.8	1.1	32.9	1.1	−.8	.3
1958	33.0	3.4	36.4	35.7	1.4	37.1	1.7	−2.1	−.4
1959	32.4	5.3	37.7	37.4	2.4	39.8	2.0	−3.0	−1.0
1960	42.8	4.4	47.2	35.9	4.1	40.0	−7.6	−.4	−8.0
1961	36.2	7.0	43.2	34.3	4.2	38.5	−2.2	−3.7	−5.9
1963 [2]				34.2	6.6	40.8			
Far East:									
Japan:									
1955	710.1	(1)	(1)	804.0	56.4	860.4	71.9	(1)	(1)
1956	891.3	63.8	955.1	965.5	88.9	1,054.4	47.2	24.5	71.7
1957	923.9	92.5	1,016.4	1,235.0	117.0	1,352.0	264.1	22.5	286.6
1958	669.6	99.6	769.2	1,471.6	156.0	1,627.6	752.0	52.4	804.4
1959	788.3	175.0	963.3	1,526.6	251.0	1,777.6	677.3	71.9	749.2
1960	871.7	253.1	1,124.8	1,551.5	328.5	1,880.0	595.8	67.1	662.9
1961	871.1	321.4	1,192.5	1,558.5	368.5	1,927.0	576.5	30.0	606.5
1963 [2]				1,551.0	637.0	2,188.0			
Other:									
1955	105.7	(1)	(1)	45.6	0	45.6	−60.1	(1)	(1)
1956	164.4	4.6	169.0	64.1	0	64.1	−100.3	−4.6	−104.9
1957	147.1	8.9	156.0	88.7	.5	89.2	−58.4	−8.4	−66.8
1958	137.9	14.7	152.6	111.8	2.7	114.5	−26.1	−12.0	−38.1
1959	197.6	21.3	218.9	139.7	5.6	145.3	−60.9	−15.7	−76.6
1960	217.6	30.8	248.4	155.8	8.0	163.8	−61.8	−22.8	−84.6
1961	231.3	23.2	254.5	179.7	9.5	189.2	−52.7	−13.8	−66.5
1963 [2]				292.2	34.1	326.3			
Communist Europe:									
1955			(1)	762.3	(1)	(1)			(1)
1956			(1)	837.5	(1)	(1)			(1)
1957			(1)	949.4	54.9	1,004.3			(1)
1958			(1)	1,011.9	65.2	1,077.1			(1)
1959			(1)	1,047.3	81.7	1,129.0			(1)
1960			(1)	1,169.8	107.4	1,277.2			(1)
1961			(1)	1,287.9	143.8	1,431.7			(1)
1963 [2]				1,361.0	236.5	1,597.5			

See footnotes on p. 1208.

EXHIBIT 4

U.S. balance of trade in manmade fibers and manufacturers

[Millions of dollars]

	Exports	Imports	Balance of trade		Exports	Imports	Balance of trade
1952	205.8	37.6	168.2	1957	254.0	52.6	201.4
1953	220.3	35.7	184.6	1958	234.1	55.9	178.2
1954	217.5	32.0	185.5	1959	264.9	87.9	177.0
1955	231.0	66.4	164.6	1960	311.7	76.2	235.5
1956	241.1	49.3	191.8	1961	302.3	70.4	231.9

Source: U.S. Department of Commerce, Bureau of the Census, Quarterly Summary of Foreign Commerce of the United States, 1952-59; FT-110, FT-410, 1960-61.

EXHIBIT 5

U.S. INDUSTRIES WITH EMPLOYMENT LOSSES AND WORSENING EXPORT-IMPORT BALANCES, 1954, 1958, AND 1960

NOTE

Industries selected are all those for which data were available in the sources which, in addition to showing a worsened balance of trade in 1960 as compared with 1954, also experienced a decline in employment in the United States for 1960 as compared with 1954.

SOURCES

Department of Commerce, Bureau of the Census: 1958 Census of Manufactures. General Summary Subject Report MC58(1) and Area Reports MC58(3); 1960 Annual Survey of Manufactures, "General Statistics for Indutry Groups and Selected Industries," MC60(AS)-1; "U.S. Commodity Exports as Related to Output, 1958"; "U.S. Commodity Exports and Imports as Related to Output, 1958": "U.S. Exports of Domestic and Foreign Merchandise," Report FT-410, and "U.S. Imports of Merchandise for Consumption," Report FT-110, 1954, 1958, 1960.

METHODOLOGY NOTE

Because of the revision of the standard industrial classification system, employment and value added data for both 1958 and 1954 were taken from the 1958 Census of Manufactures. This decreased to some extent the industries eligible for inclusion in these comparisons because a number of three- and four-digit industries are shown in the 1958 census with no historically comparable figures.

Adjusted value added data are shown for 1954 and 1958. Unadjusted value added is obtained by subtracting the cost of materials, supplies and containers, fuel, purchased electric energy, and contract work from the value of shipments for products manufactured plus receipts for services rendered. Adjusted value added also takes into account (*a*) value added by merchandising operations (that is, the difference between the sales value and cost of merchandise sold without further manufacture, processing, or assembly), plus (*b*) the net change in finished goods and work-in-process inventories between the beginning and end of the year. The latter is a more comprehensive measure of the net production of goods and services by establishments defined as primarily manufacturing.

For 1960, employment data have been obtained from the 1960 Annual Survey of Manufactures which is based on reports from about 60,000 manufacturing establishments selected out of a total of almost 300,000. This sample includes all large manufacturing establishments, which account for approximately two-thirds of all manufacturing employment, and, in varying proportions, the more numerous medium- and small-sized establishments. The estimates obtained vary from the totals that would have resulted from a complete canvass but, for most industries, the relative magnitude of the sampling variation is no greater than 1 percent.

For all years, export and import data have been compiled on the basis of a classification system developed by the Bureau of the Census which related the import (schedule A) and export (schedule B) commodity codes to the 1957 standard industrial classification. Because each of these commodity classifica-

tions has been created independently and to serve a different purpose, a number of variances occur when an attempt is made to compare individual industries. For this reason, the relationships shown for a number of three-digit industries and even for some of the two-digit industries should be considered as approximations rather than precise comparisons of exports and imports with output and employment. Nevertheless, these estimates are sufficiently valid to make accurate comparisons between years since the method of tabulating the data has been consistent for all years included.

Prepared by Surveys and Research Corp., Washington, D.C., for the Man-Made Fiber Producers Associations, Inc.

U.S. industries with employment losses

	Employment, United States	Value added, United States (thousand dollars)	Foreign trade (thousand dollars)		
			Exports	Imports	Balance
201 Meat products:					
1954	311,366	1,938,307	204,557	232,129	−27,572
1958	311,758	2,499,233	194,022	389,349	−195,327
1960	306,867	2,663,375	271,188	394,208	−123,020
Difference, 1960 compared with 1954	−4,499	725,068	66,631	162,079	−95,448
207 Candy and related products:					
1954	80,425	609,853	45,634	40,622	5,012
1958	80,010	749,066	24,759	43,850	−19,091
1960	78,729	832,243	35,169	51,615	−16,446
Difference, 1960 compared with 1954	−1,696	222,390	−10,465	10,993	−21,458
208 Beverages:					
1954	213,387	2,468,333	38,584	163,086	−124,502
1958	206,197	2,835,661	40,238	234,677	−194,439
1960	211,193	3,197,914	38,804	284,994	−246,190
Difference, 1960 compared with 1954	−2,194	729,581	220	121,908	−121,688
212 Cigars:					
1954	38,494	168,366	385	2,446	−2,061
1958	29,350	183,140	422	3,901	−3,479
1960	26,319	197,210	689	4,700	−4,011
Difference, 1960 compared with 1954	−12,175	28,844	304	2,254	−1,950
220 Textile mill products:					
1954	1,027,802	4,605,985	378,007	353,712	24,295
1958	901,677	4,857,638	327,421	440,249	−112,828
1960	901,530	5,613,457	326,558	267,131	−300,573
Difference, 1960, compared with 1954	−126,272	1,007,472	−51,449	273,419	−324,868
221 Weaving mills, cotton:					
1954	296,193	1,135,365	184,352	9,558	174,794
1958	243,419	1,078,592	159,967	9,601	150,366
1960	238,661	1,311,816	154,421	47,207	107,214
Difference, 1960 compared with 1954	−57,532	176,451	−29,931	37,649	−67,580
222 Weaving mills, synthetics:					
1954	89,994	408,564	101,064	731	100,333
1958	81,688	468,583	83,928	1,153	82,775
1960	79,917	562,996	85,479	1,775	83,704
Difference 1960 compared with 1954	−10,077	154,432	−15,585	1,044	−16,629
223 Weaving, finishing mills, wool:					
1954	66,681	330,385	3,414	38,048	−34,634
1958	55,952	336,618	2,165	59,717	−57,552
1960	56,541	374,928	1,878	80,542	−78,664
Difference, 1960, compared with 1954	−10,140	44,543	−1,536	42,494	−44,030
225 Knitting mills:					
1954	221,364	939,816	33,087	4,140	28,947
1958	213,346	1,101,375	22,025	5,300	16,725
1960	219,954	1,219,611	19,126	8,589	10,537
Difference, 1960, compared with 1954	−1,410	279,825	−13,961	4,449	−18,410
226 Textile finishing, except wool:					
1954	79,308	462,365	7,741	38,748	−31,007
1958	73,205	455,945	5,085	86,441	−81,356
1960	71,558	516,997	4,728	116,132	−111,404
Difference, 1960 compared with 1954	−7,750	54,632	−3,013	77,384	−80,397

U.S. industries with employment losses—Continued

	Employment, United States	Value added, United States (thousand dollars)	Foreign trade (thousand dollars)		
			Exports	Imports	Balance
235 Millinery, hats, and caps:					
1954	40,538	191,361	3,193	8,396	−5,203
1958	35,539	200,431	3,235	9,596	−6,361
1960	38,136	214,433	2,971	11,560	−8,589
Difference, 1960 compared with 1954	−2,402	23,072	−222	3,164	−3,386
240 Lumber and wood products:					
1954	645,936	3,241,606	107,836	00,614	−292,778
1958	581,302	3,176,613	134,090	40,255	−306,165
1960	595,969	3,457,555	179,693	30,125	−350,432
Difference, 1960 compared with 1954	−49,967	215,949	71,857	129,511	−57,654
242 Sawmills and planing mills:					
1954	341,350	1,610,410	66,683	281,502	−214,819
1958	278,003	1,341,127	77,306	289,771	−212,465
1960	280,999	1,495,703	105,786	341,081	−235,295
Difference, 1960 compared with 1954	−60,351	−114,707	39,103	59,579	−20,476
290 Petroleum and coal products:					
1954	183,339	2,240,876	614,505	[illegible]4,638	329,867
1958	179,166	2,518,424	536,388	6[illegible]6,168	−149,780
1960	168,334	3,201,312	476,059	6[illegible]3,682	−172,623
Difference, 1960 compared with 1954	−15,005	960,436	−138,446	36[illegible],044	−502,490
291 Petroleum refining:					
1954	153,072	1,918,020	610,386	277,[illegible]87	332,599
1958	146,025	2,119,402	532,552	674,[illegible]38	−141,486
1960	134,868	2,720,465	472,789	637,3[illegible]	−164,572
Difference, 1960 compared with 1954	−18,204	802,445	−137,597	359,574	−497,171
301 Tires and inner tubes:					
1954	92,748	877,771	75,083	2,789	72,294
1958	89,395	1,179,957	94,783	13,285	81,498
1960	92,003	1,271,606	91,664	20,587	[illegible]1,077
Difference, 1960 compared with 1954	−745	393,835	16,581	17,798	−1,[illegible]
311 Leather tanning and finishing:					
1954	43,468	260,228	21,237	16,717	4,520
1958	37,130	275,796	24,410	31,039	−6,629
1960	34,539	278,536	31,548	40,365	−8,817
Difference, 1960 compared with 1954	−8,929	18,308	10,311	23,648	−13,337
314 Footwear, except rubber:					
1954	230,255	988,379	14,559	10,354	4,205
1958	226,831	1,145,916	13,434	32,697	−19,263
1960	227,688	1,221,132	9,399	53,069	−43,670
Difference, 1960 compared with 1954	−2,567	232,753	−5,160	42,715	−47,875
315 Leather gloves:					
1954	6,917	22,718	96	2,466	−2,370
1958	6,212	25,999	167	5,139	−4,972
1960	6,917	28,123	204	11,644	−11,440
Difference, 1960 compared with 1954		5,405	108	9,178	−9,070
321 Flat glass:					
1954	24,559	247,175	10,160	14,876	−4,716
1958	21,179	263,151	12,766	35,198	−22,432
1960	23,471	345,197	14,251	50,797	−36,546
Difference, 1960 compared with 1954	−1,088	98,022	4,091	35,921	−31,830
324 Cement, hydraulic:					
1954	39,769	525,667	6,577	1,760	4,817
1958	41,127	724,771	2,975	9,682	−6,707
1960	38,762	740,903	1,134	10,307	−9,173
Difference, 1960 compared with 1954	−1,007	215,236	−5,443	8,547	−13,990
326 Pottery and related products:					
1954	50,934	257,983	16,392	30,482	−14,090
1958	44,219	283,912	19,330	46,642	−27,312
1960	45,189	318,200	15,696	65,100	−49,404
Difference, 1960 compared with 1954	−5,745	60,217	−696	34,618	−35,314
332 Iron and steel foundries:					
1954	212,365	1,327,404	13,139	2,914	10,225
1958	182,033	1,322,220	19,280	3,556	15,724
1960	195,860	1,577,846	16,787	8,444	8,343
Difference, 1960 compared with 1954	−16,505	250,442	3,648	5,530	−1,882

U.S. industries with employment losses—Continued

		Employment, United States	Value added, United States (thousand dollars)	Foreign trade (thousand dollars)		
				Exports	Imports	Balance
346	Metal stampings:					
	1954	135, 472	958, 067	17, 499	6, 086	11, 413
	1958	125, 567	1, 049, 311	13, 130	7, 541	5, 589
	1960	134, 560	1, 224, 676	9, 085	11, 949	−2, 864
	Difference, 1960 compared with 1954	−912	266, 609	−8, 414	5, 863	−14, 277
369	Electrical products, n.e.c.:					
	1954	88, 353	644, 368	60, 432	1, 532	58, 900
	1958	78, 377	724, 135	65, 009	4, 171	60, 838
	1960	87, 788	909, 289	67, 995	9, 244	58, 751
	Difference, 1960 compared with 1954	−565	264, 921	7, 563	7, 712	−149
383	Optical instruments and lenses:					
	1954	8, 749	55, 371	11, 293	9, 556	1, 737
	1958	7, 184	60, 387	12, 558	19, 242	−6, 684
	1960	8, 041	79, 406	15, 175	24, 727	−9, 552
	Difference, 1960 compared with 1954	−708	24, 035	3, 882	15, 171	−11, 289
387	Watches and clocks:					
	195	29, 504	200, 676	7, 694	65, 338	−57, 644
	1958	26, 157	183, 556	5, 398	58, 104	−52, 706
	1960	26, 162	238, 773	5, 249	67, 888	−62, 639
	Difference, 1960 compared with 1954	−3, 342	38, 097	−2, 445	2, 550	−4, 995
390	Miscellaneous manufacturing:					
	1954	614, 644	3, 909, 238	546, 076	320, 258	225, 318
	1958	571, 434	4, 754, 260	395, 332	261, 280	134, 052
	1960	588, 174	5, 273, 331	396, 225	694, 229	−298, 004
	Difference, 1960 compared with 1954	−26, 470	1, 364, 093	−149, 851	373, 971	−523, 822
391	Jewelry and silverware:					
	1954	47, 930	302, 058	11, 945	93, 455	−81, 509
	1958	41, 867	323, 316	19, 338	109, 022	−89, 684
	1960	42, 349	373, 644	29, 464	127, 302	−97, 838
	Difference, 1960 compared with 1954	−5, 581	71, 586	17, 518	33, 847	−16, 329
396	Costume jewelry and notions:					
	1954	66, 675	318, 312	16, 519	148, 344	−131, 825
	1958	56, 274	338, 324	13, 597	45, 780	−32, 183
	1960	52, 630	356, 130	14, 187	401, 664	−387, 477
	Difference, 1960 compared with 1954	−14, 045	37, 818	−2, 332	253, 320	−255, 652
999	Miscellaneous and other:					
	1954	358, 209	2, 422, 132	1, 733, 611	67, 495	1, 666, 116
	1958	328, 006	3, 012, 122	1, 009, 349	168, 193	841, 156
	1960	336, 366	3, 279, 669	852, 793	243, 454	609, 339
	Difference, 1960 compared with 1954	−21, 843	857, 537	−880, 818	175, 959	−1, 056, 777
	Total, above industries:					
	1954	4, 477, 233	28, 161, 864	3, 926, 549	2, 038, 266	1, 888, 283
	1958	4, 109, 852	32, 025, 699	2, 948, 496	2, 943, 814	4, 682
	1960	4, 172, 597	36, 164, 186	2, 858, 336	3, 864, 819	−1, 006, 483
	Difference, 1960 compared with 1954	−304, 636	8, 002, 322	−1, 068, 213	1, 826, 553	−2, 894, 766
	Total, all industries:					
	1954	15, 645, 491	117, 032, 326	12, 160, 193	5, 546, 961	6, 613, 232
	1958	15, 393, 766	141, 270, 297	14, 128, 001	7, 725, 919	6, 402, 082
	1960	16, 124, 061	163, 230, 807	15, 753, 320	9, 912, 611	5, 840, 709
	Difference, 1960 compared with 1954	478, 570	46, 198, 481	3, 593, 127	4, 365, 650	−772, 523

EXHIBIT 6

U.S. INDUSTRIES WITH EMPLOYMENT GAINS AND FAVORABLY DEVELOPING EXPORT-IMPORT BALANCES, 1954, 1958, AND 1960

NOTE

Industries selected are all those for which data were available in the sources which, in addition to showing an improvd balance of trade in 1960 as compared with 1954, also experienced an increase in employment in the United States for 1960 as compared with 1954.

SOURCES

Department of Commerce, Bureau of the Census: 1958 Census of Manufactures, General Summary Subject Report MC58(1) and Area Reports MC58(3): 1960 Annual Survey of Manufactures, "General Statistics for Industry Groups and Selected Industries," MC60(AS)-1; "U.S. Commodity Exports as Related to Output, 1958; U.S. Commodity Exports and Imports as Related to Output, 1958; U.S. Exports of Domestic and Foreign Merchandise," Report FT-410, and U.S. Imports of Merchandise for Consumption," Report FT-110, 1954, 1958, 1960.

METHODOLOGY NOTE

Because of the revision of the standard industrial classification system, employment and value added data for both 1958 and 1954 were taken from the 1958 Census of Manufactures. This decreased to some extent the industries eligible for inclusion in these comparisons because a number of 3- and 4-digit industries are shown in the 1958 Census with no historically comparable figures.

Adjusted value added data are shown for 1954 and 1958. Unadjusted value added is obtained by subtracting the cost of materials, supplies and containers, fuel, purchased electric energy, and contract work from the value of shipments for products manufactured plus receipts for services rendered. Adjusted value added also takes into account (*a*) value added by merchandising operations (that is, the difference between the sales value and cost of merchandise sold without further manufacture, processing, or assembly), plus (*b*) the net change in finished goods and work-in-process inventories between the beginning and end of the year. The latter is a more comprehensive measure of the net production of goods and services by establishments defined as primarily manufacturing.

For 1960, employment data have been obtained from the 1960 Annual Survey of Manufactures which is based on reports from about 60,000 manufacturing establishments selected out of a total of almost 300,000. This sample includes all large manufacturing establishments, which account for approximately two-thirds of all manufacturing employment, and, in varying proportions, the more numerous medium- and small-sized establishments. The estimates obtained vary from the totals that would have resulted from a complete canvass but, for most industries, the relative magnitude of the sampling variation is no greater than 1 percent.

For all years, export and import data have been compiled on the basis of a classification system developed by the Bureau of the Census which related the import (schedule A) and export (schedule B) commodity codes to the 1957 Standard Industrial Classification. Because each of these commodity classifications has been created independently and to serve a different purpose, a number of variances occur when an attempt is made to compare individual industries. For this reason, the relationships shown for a number of three-digit industries and even for some of the two-digit industries should be considered as approximations rather than precise comparisons of exports and imports with output and employment. Nevertheless, these estimates are sufficiently valid to make accurate comparisons between years since the method of tabulating the data has been consistent for all years included.

Prepared by Surveys and Research Corp., Washington, D.C., for the Man-Made Fiber Producers Associates, Inc.

U.S. industries with employment gains

		Employment, United States	Value added, United States (thousand dollars)	Foreign trade (thousand dollars)		
				Exports	Imports	Balance
202	Dairy products:					
	1954	283,431	2,302,546	81,328	35,996	45,332
	1958	293,802	2,866,779	187,796	45,439	142,357
	1960	286,842	3,164,914	116,964	49,896	67,068
	Difference, 1960 compared with 1954	3,411	862,368	35,636	13,900	21,736
203	Canned and frozen foods:					
	1954	199,238	1,374,088	129,795	137,632	−7,837
	1958	223,323	1,895,705	206,405	152,202	54,203
	1960	236,503	2,345,798	206,365	206,010	355
	Difference, 1960 compared with 1954	37,265	971,710	76,570	68,378	8,192
211	igarettes:					
	1954	29,987	676,593	57,132	37	57,095
	1958	33,832	1,058,554	76,606	31	76,575
	1960	36,118	1,130,407	87,462	61	87,401
	Difference, 1960 compared with 1954	6,131	453,814	30,330	24	30,306
260	Paper and allied products:					
	1954	527,710	4,630,153	235,123	885,286	−650,163
	1958	555,398	5,707,474	306,458	947,932	−641,474
	1960	580,236	6,568,545	424,579	1,060,622	−636,043
	Difference, 1960 compared with 1954	52,526	1,938,392	189,456	175,336	14,120
270	Printing and publishing:					
	1954	803,482	6,403,088	86,435	16,827	69,608
	1958	864,101	7,922,962	112,887	27,744	85,143
	1960	908,314	9,262,335	138,820	39,263	99,557
	Difference, 1960 compared with 1954	104,832	2,859,247	52,385	22,436	29,949
271	Newspapers:					
	1954	280,895	2,137,583	2,702	2,363	339
	1958	294,258	2,516,921	3,931	2,046	1,885
	1960	307,423	2,924,534	3,602	2,337	1,265
	Difference, 1960 compared with 1954	26,528	786,951	900	−26	926
273	Books:					
	1954	57,400	552,191	25,378	8,476	16,902
	1958	68,694	843,034	39,003	14,930	24,073
	1960	75,821	1,141,970	51,232	20,869	30,363
	Difference, 1960 compared with 1954	18,421	589,779	25,854	12,393	13,461
282	Fibers, plastics, rubbers:					
	1954	110,781	1,427,043	193,947	29,481	164,466
	1958	121,536	1,899,770	429,985	35,388	394,597
	1960	130,030	2,255,710	654,096	32,609	621,487
	Difference, 1960 compared with 1954	19,249	828,667	460,149	3,128	457,021
283	Drugs:					
	1954	92,062	1,364,928	241,209	24,512	216,697
	1958	95,940	2,096,288	275,361	29,525	245,836
	1960	102,086	2,349,105	272,114	39,450	232,664
	Difference, 1960 compared with 1954	10,024	984,177	30,905	14,938	15,967
313	Footwear, cut stock:					
	1954	20,059	87,070	1,846	347	1,499
	1958	18,031	98,380	2,949	570	2,379
	1960	20,066	113,198	3,153	1,325	1,828
	Difference, 1960 compared with 1954	7	26,128	1,307	978	329
322	Pressed and blown glassware:					
	1954	91,334	678,839	47,031	2,170	44,861
	1958	92,045	844,811	58,029	3,652	54,377
	1960	99,909	1,012,533	57,203	6,038	51,165
	Difference, 1960 compared with 1954	8,575	333,694	10,172	3,868	6,304
330	Primary metal industries:					
	1954	1,169,331	9,899,138	689,710	956,390	−266,680
	1958	1,096,359	11,671,341	901,914	945,732	−43,818
	1960	1,178,422	13,314,076	1,191,317	1,351,225	−159,908
	Difference, 1960 compared with 1954	9,091	3,414,938	501,607	394,835	106,772
351	Engines and turbines:					
	1954	81,955	650,901	149,795	2,719	147,076
	1958	95,572	1,067,971	215,126	5,607	209,519
	1960	84,815	999,649	220,026	14,699	205,327
	Difference, 1960 compared with 1954	2,860	348,748	70,231	11,980	58,251

U.S. industries with employment gains—Continued

	Employment, United States	Value added, United States (thousand dollars)	Foreign trade (thousand dollars)		
			Exports	Imports	Balance
355 Special industry machinery:					
1954	165,746	1,223,538	317,412	29,065	288,347
1958	162,262	1,339,530	394,541	41,940	352,601
1960	175,481	1,762,393	497,808	64,881	432,927
Difference, 1960 compared with 1954	9,735	538,855	180,396	35,816	144,580
379 Transportation equipment, n.e.c.:					
1954	12,767	79,217	12,378	419	11,959
1958	23,478	165,898	20,739	1,338	19,401
1960	28,276	202,350	18,678	1,176	17,502
Difference, 1960 compared with 1954	15,509	123,133	6,300	757	5,543
380 Instruments and related products:					
1954	272,586	2,130,958	199,367	97,192	102,175
1958	296,558	2,906,390	324,926	131,577	193,349
1960	333,844	3,763,074	393,207	167,233	225,974
Difference, 1960 compared with 1954	61,258	1,632,116	193,840	70,041	123,799
393 Musical instruments and parts:					
1954	15,407	94,213	4,384	11,878	−7,494
1958	17,450	131,703	6,146	12,883	−6,737
1960	21,864	149,388	11,323	18,147	−6,824
Difference, 1960 compared with 1954	6,457	55,175	6,939	6,269	670
395 Office supplies:					
1954	28,218	200,908	23,284	931	22,353
1958	29,131	236,997	24,599	1,736	22,863
1960	29,777	268,028	28,105	2,632	25,473
Difference, 1960 compared with 1954	1,559	67,120	4,821	1,701	3,120
Total, above industries:					
1954	3,904,094	33,223,221	2,470,176	2,230,882	239,294
1958	4,018,818	41,910,553	3,544,467	2,383,296	1,161,171
1960	4,252,583	48,661,503	4,321,220	3,055,267	1,265,953
Difference, 1960 compared with 1954	348,489	15,438,282	1,851,044	824,385	1,026,659
Total, all industries:					
1954	15,645,491	117,032,326	12,160,193	5,546,961	6,613,232
1958	15,393,766	141,270,297	14,128,001	7,725,919	6,402,082
1960	16,124,061	163,230,807	15,753,320	9,912,611	5,840,709
Difference, 1960 compared with 1954	478,570	46,198,481	3,593,127	4,365,650	−772,523

The CHAIRMAN. The next witness is Mr. T. C. Keeling, Jr., of the Koppers Co.

Take a seat, Mr. Keeling, and proceed.

STATEMENT OF THOMAS C. KEELING, JR., VICE PRESIDENT AND GENERAL MANAGER, CHEMICALS & DYESTUFFS DIVISION, KOPPERS CO., INC.

Mr. KEELING. I am Thomas C. Keeling, Jr., vice president and general manager of the Chemicals & Dyestuffs Division of Koppers Co., Inc. I wish to express my views on the Trade Expansion Act of 1962 on behalf of my division and as a member of the organic chemicals industry.

The objectives of the proposed Trade Expansion Act, among other things, to stimulate economic growth of the United States and maintain and enlarge foreign markets, are certainly laudable. Much of the testimony which has been given before the House Ways and Means Committee has been used by the supporters of H.R. 11970 to confuse the question of who is for the bill and who is opposed to it. In the hearings before the Ways and Means Committee a great number of in-

dustrialists have appeared, some supporting the bill; others opposing it; and still others offering constructive suggestions for improvements.

Since some of these witnesses favored the objectives of the bill, the supporters of the bill have tried to label it as an "industry endorsed" measure. While, as I say, the objectives are quite laudable, I cannot believe that any businessman would support the bill if in his best judgment his company's earning power would be seriously jeopardized or any significant portion of his stockholders' equity would be made unprofitable and the employees displaced by imported merchandise.

The question then arises as to how a businessman can support the bill and at the same time feel that he can keep faith with his stockholders and the employees of his company.

An industrialist could certainly support the proposed Trade Expansion Act if he were reasonably convinced that—

1. Imports could not compete with his products due to the fact that international plus domestic transportation costs would price the imports out of the market.

2. Labor costs (which are the area on which the European and Japanese producers have most significant "edge" over U.S. manufacturers) are not a significant portion of his overall cost of operation, so that with comparable technology the U.S. producer would be competitive with the foreign manufacturer.

3. U.S. duties are presently insignificant as compared to external duties of the foreign countries. By removal of both barriers, the U.S. manufacturer might face slight additional competition, but the foreign producer would be shorn of substantial protection; in other words, the foreign producer would be subjected to much more competitive activity from U.S. sources.

4. His company's products are of a proprietary nature, which are marketed by brand name, and are supported by substantial advertising in the U.S. market. His home market would be relatively safe from foreign proprietary products; and at the same time reduction in foreign duties might open new markets for his products.

5. He has hedged against tariff reductions by placing plants abroad, which would stand to benefit by exporting into the United States if tariffs were reduced.

6. His company might be classified as a "service industry" which is not subject to import competition.

7. His interest might lie in any one or combination of the above categories and he is personally an out-and-out free trader with the pious hope that somehow U.S. industry will work out of its difficulties without being too badly marred and scarred.

The organic chemical industry, in general, and the dyestuffs industry, in particular, are not in any of these categories. These industries stand to be hurt and hurt badly if substantial tariff reductions are made in accordance with the broad powers which are proposed to be authorized under the Trade Expansion Act of 1962. It is true that the organic chemical industry has in the past contributed a substantial favorable trade balance, but this has only been possible through special situations on products which could be exported profitably due to specialty characteristics or the fact that foreign capacities had not yet come into being to take care of foreign needs. This favorable trade balance was only possible as a result of the fact that the great body of

products in the line of domestic business was protected by tariffs and not allowed to be displaced by imports.

The Synthetic Organic Chemical Manufacturers Association engaged the Arthur D. Little Co. to make a survey showing the effect that proposed tariff changes would have on organic chemical imports. Many of you have seen copies of this report or the summary of the report, which indicates that imports can reach a level of 10 percent of total annual organic chemical sales. This would be five times the present import volume.

The report goes on to say that in the case of dyes and other highly upgraded chemicals, which contain larger labor costs, even higher percentage losses would be realized.

I wish to testify that, based upon intimate knowledge of our production costs of dyes and the prices at which foreign producers offer these same products in the world markets, the report is certainly a conservative estimate of what could happen to dyestuffs production in this country. Our present average margin of profit before taxes on dyes is a small fraction of the duty applied to imported dyes. If requested I shall be glad to reveal to the committee on a confidential basis our exact percentage of profit. It is obvious that a reduction in duties, which on most dyes amounts to 40 percent of American selling price plus 7 cents per pound, would more than wipe out the modest profit. In addition, a reduction in sales volume of 15 to 20 percent as projected by the report would increase costs of remaining production to the point that we would not be able to continue our dyestuffs operation.

The great preponderance of testimony from the organic chemicals industry before this committee and the House Ways and Means Committee has pointed to the pitfalls for our industry which lie ahead if the proposed tariff act is put into effect and reductions were applied to organic chemicals. This testimony was given in all sincerity. If the industry is to be believed as to the disastrous effect of tariff reductions, I respectfully raise the questions:

(1) Why not delete the organic chemicals industry from tariff negotiations by an act of Congress?

(2) If other industries which favor the Trade Expansion Act feel that exports can be increased by tariff reductions, why not let the tariff reductions by the Common Market be negotiated on the basis of what those industries are willing and able to concede in reductions of U.S. duties?

Even if some portion of the chemical industry does not agree with this suggestion, let them be privileged to step forward to the President and request reductions of U.S. tariffs on their particular products in exchange for negotiated reductions on these same items abroad.

It is well enough for other industries to say, in effect, "Let's negotiate away protective tariffs on organic chemicals because we may get some concessions which will benefit us." If lower tariffs on organic chemicals would not be a significant plum for the European Economic Community and other foreign trade areas, why would they be willing to give up important protection on other products for reduction in tariffs on organic chemicals? We in the organic chemicals industry can see that the industry and the economy as a whole would be injured by tariff reductions on our commodities. There are undoubtedly

other industries which are acutely aware of the dangers of tariff reductions in addition to the glass and textile industries, for which the President has made special provisions. They should be accorded protection along with the chemical industry. We should not have to wait until we and other vulnerable industries have been closed down before protection is given. This country must not negotiate sweeping tariff reductions on the organic chemicals industry which would further aggravate our balance of payments position.

The Arthur D. Little report points out that the present favorable balance of trade of the chemical industry would be more than wiped out by the proposed tariff reductions, which would result in this industry being in a negative balance of trade position.

Thank you, sir.

In addition, I have submitted written testimony which I would like to have incorporated in the record.

The CHAIRMAN. Without objection, it will be inserted in the record. Any questions?

Thank you very much, Mr. Keeling.

Mr. KEELING. Thank you.

(The written testimony of Mr. Keeling follows:)

WRITTEN TESTIMONY OF THOMAS C. KEELING, JR., TO BE SUBMITTED TO THE COMMITTEE ON FINANCE, U.S. SENATE, AUGUST 8, 1962

While I do not agree that the chemical industry should be included under the Trade Expansion Act of 1962, I feel that for the economic protection of the country and all American industry H.R. 11970 should be further modified.

The proposed Trade Expansion Act in the form of H.R. 11970 gives too broad powers to the President and too little consideration for the drastic effects that tariff reductions would have on any particular industry, company, or plant. The following specific points cover areas in which the bill is particularly deficient:

(1) The bill offers no peril-point procedure requiring that products, which would be hurt by unfair import competition, not be subject to tariff negotiation. The peril-point procedure would help to prevent U.S. industry being irreparably damaged in those cases where it could be foreseen beforehand that tariff reductions would put them in jeopardy.

(2) The bill should be provided with a strong escape-clause procedure which would permit readjustments of tariffs in those cases where reductions had been made, but the injury was not foreseen. The escape-clause procedure as written into H.R. 11970 is an improvement over H.R. 9900, but the mechanism is much too cumbersome to effect adjustment in any reasonable length of time.

(3) In its present form the bill requires that the President select a comprehensive classifications of articles by category "to determine the groups of articles on which tariff reductions will be considered." Because of the complexity and interrelation of the organic chemical industry, reduction of tariffs on a group basis can lead to serious dislocations within the industry. So that the effect of proposed tariff reductions can be more nearly assessed, it is imperative that chemicals be dealt with on a product by product basis and not be grouped. If a chemical would be of significance in making a tariff concession, it is certainly worthy of being identified specifically.

(4) As written the present bill does not give recognition to the fact that serious damage can be done by tariff reduction, unless a whole company has become unprofitable. Escape-clause relief should be possible if a plant were jeoparized by tariff reduction rather than the whole firm.

(5) The Defense Department should be required to specify which segments of industry (where applicable) and specific products which are vital to overall national defense. These industries and specific products should be removed from the list of items on which tariff reductions might be made.

(6) Provisions for adjustment assistance should be removed from the bill.

(7) Any concessions on U.S. tariffs granted under the proposed bill should be specifically reserved to those countries which have made concessions in their

tariffs to products of U.S. origin. In other words, the most-favored-nation concept should be stricken from our tariff policy.

I strongly recommend that H.R. 11970 be amended in accordance with the proposals of Senator Buch of Connecticut as reported in the Congressional Record of the Senate August 2, 1962, page 14371.

Respectfully submitted.

The CHAIRMAN. The next witness is Mr. W. K. Coolidge, Chicago Copper & Chemical Co.

Mr. Coolidge, take a seat, sir, and proceed.

STATEMENT OF WINTHROP K. COOLIDGE, PRESIDENT, CHICAGO COPPER & CHEMICAL CO.

Mr. COOLIDGE. My name is Winthrop K. Coolidge.

On behalf of the Chicago Copper & Chemical Co., which I represent, its employees an security holders, I wish to thank this committee for permitting me to present our views on H.R. 11970.

Chicago Copper & Chemical Co. manufactures barium chemicals, principally precipitated barium carbonate. We have not been in the copper business for many years.

Barium carbonate is one of he major industrial chemicals. It is used for the purification of brines in the manufacture of caustic and chlorine; in oil well drilling; by manufacturers of brick, tile, sewer pipe, vitreous enamels, glass, steel treating compounds, barium magnets, electronics parts, and in the manufacture of other barium chemicals. The latter have important military uses.

IMPORTANCE OF TARIFF PROTECTION TO CHICAGO COPPER & CHEMICAL CO.

Our company, the earliest to enter our line of business in the United States, was incorporated in 1912. We have seen 17 competitors go in and out of the manufacture of barium carbonate. Nine of these companies discontinued operation at times which would indicate their demise was due to import competition.

We are currently one of five manufacturers of precipitated barium carbonate in the United States. We must be efficient to have withstood this competition.

H.R. 11970, if passed, spells our death warrant. Even if the President reduces our protective tariff only 50 percent, which is the minimum called for in the bill, our industry will be eliminated.

The bill calls for aid to injured industries in the form of loans and assistance to companies in converting to other products. The chemical industry is composed largely of giants. We are small with a small base for loans and a small organization and a small plant which does not lend itself to conversion—special equipment put in over the years for our special purposes. To change over and compete with the giants in other segments of our industry is out of the question.

OUR VIEWS ON GENERAL TARIFF POLICY

In our opinion the considerations which make tariff protection for U.S. industry necessary at this time and in the foreseeable future are:

(*a*) Labor costs in Europe are approximately one-third of those in the United States. Ours are rising faster than theirs, dollarwise if not percentagewise.

(*b*) The inflation in the United States which tends to make all costs increase.

(*c*) The continuing increase in U.S. costs has rendered the fixed dollar tariffs relatively less and less effective percentagewise. For instance in our case, barium carbonate in 1926, $20 tariff versus $60.35 per ton, f.o.b., works price equals 33 percent ratio; in 1928, $30 tariff versus $61.45 per ton, f.o.b., works price equals 49 percent ratio; in 1951, $24 tariff versus $85 per ton, f.o.b., works price equals 28 percent ratio; in 1962, $24 tariff versus $111.50 per ton, f.o.b., works price equals 21 percent ratio.

(*d*) The aid which has been given European industries by lend-lease and in other forms since World War II has enabled them to build modern, efficient plants. In contrast, policies of the U.S. Government have permitted insufficient sums to be set aside through depreciation allowances to cover replacements and help to improve plants.

(*e*) European advantages of monopolies and cartels not permitted or wanted in the United States.

(*f*) We believe imports into the United States from Europe will grow faster than exports from the United States to Europe, if there is a further mutual lowering of the tariffs. In the appendix II, to our written brief submitted to your committee, we have shown that comparing the year 1950, which was the year preceding the last lowering of tariffs under GATT, with the year 1960, the latest year in which a full 12 months figures are available, exports of all commodities to Europe from the United States grew by a ratio of 2.19:1, while imports of all commodities from Europe to the United States grew by a ratio of 3.07:1. (The sources of these figures are the U.S. Department of Commerce "Survey of Current Business" Annual Review numbers for February 1951, February 1952, and February 1962.)

Perhaps even more significant is to compare exports to Europe from the United States and imports from Europe to the United States in 1950 which were $2,953,140,000 value and $1,388,760,000 respectively with the averages for the years 1958, 1959, and 1960 which were $5,220,700,000 for U.S. exports to Europe and $4,077,400,000 for U.S. imports from Europe. The increase in the U.S. exports to Europe for this period was $2,267,560,000 while the increase in value of corresponding imports was $2,688,600,000. The ratios are 1.77:1 for the exports versus 2.94:1 for the imports. The dollar increase in imports exceeded the dollar increase in exports by $421,040,000. Again the source of figures is U.S. Department of Commerce "Survey of Current Business" Annual Review numbers. One of the great cries by those in favor of GATT and mutual lowering of tariffs after World War II, was that the Europeans needed more dollar exchange and that we should help them to obtain it and thus lessen the alleged necessity of our various other forms of aid by increasing imports into the United States relative to exports from the United States. The above figures show that this is exactly what happened.

Now the proponents of mutual lowering of tariffs cry that it is needed for exactly the opposite reason. Neither the record, nor the admitted existence of fundamentally lower costs and standards of living in Europe support this latter view.

(*g*) We believe the statement, "We are more efficient than the Europeans due to automation, mass production, etc." (insofar as it may

now be applicable and true) will not long be applicable as the Europeans are admittedly growing and progressing faster than we are.

(*h*) Low tariff and free trade advocates usually assume that a foreign nation with whom we are currently friendly will remain friendly, and therefore that sources upon which we will become dependent, if U.S. manufacturers are eliminated, will remain available. All history teaches that alliances and alinements change, and that our friends of today are our enemies of tomorrow.

(*i*) We anticipate absolute ruin of ourselves and our industry if the present law is changed in the direction of H.R. 11970.

OUR RECOMMENDATIONS

If the Reciprocal Trade Act must be renewed, we recommend that—

(*a*) The peril point clause should be stiffened to prohibit the breaching of it. President Kennedy stated in his recent announcement of the results of the negotiations last year, that the negotiators had breached the peril point 60 or 70 times.

(*b*) The escape clause relief should be mandatory.

(*c*) We feel that Congress should not delegate any more power or responsibility to the executive branch of the Government. We believe the President already has far too great a load of responsibility and the executive branch too much power.

Thank you.

The CHAIRMAN. Thank you, Mr. Coolidge. Thank you very much, sir.

Any questions?

Mr. COOLIDGE. Thank you.

(The appendixes to Mr. Coolidge's statement follow:)

APPENDIX I

Manufacturers of barium carbonate who have discontinued production

[U.S. Department of the Interior]

Company	Location	Period of production
Barbour Chemical Works	Melrose, Calif.	1915–18
Metals & Chemicals Extraction Corp.	Oakland, Calif.	1921–22
Los Angeles Chemical Co.	Southgate, Calif.	1929–31
National Pigments Co.[1]	El Portal, Calif.	1931–32
Consolidated Chemical Products Co.	Alton, Ill.	1919–20
Basic Chemical Manufacturing Co.	do.	1924–25
Alton Barium Products	do.	1926–30
Grasselli Chemical Co. (purchased by Du Pont, 1931).	Grasselli, N.J.	1930–34
Port Morris Chemical Works	New York, N.Y.	1917
Durex Chemical Corp.	Sweetwater, Tenn.	1915–23
Bertha Mineral Co. (New Jersey Zinc Co.)	do.	1924–26
Clinchfield Products Corp.	Johnson City, Tenn.	1917–19
Bollin Chemical Co.	Charleston, W. Va.	1917–22
Hazel-Atlas Glass Co.	Wheeling, W. Va.	1932
Gabriel & Shaw	New Jersey	(2)
Standard Ultramarine Co.	Huntington, W. Va.	(3)
Barium Reduction Corp.	South Charleston, W. Va.	1922–58

[1] This may have been witherite (natural carbonate).
[2] Not available.
[3] About 1938–41.

APPENDIX II

[From U.S. Department of Commerce "Survey of Current Business," annual review numbers, February 1951, February 1952, and February 1962]

	Value
A. U.S. exports to Europe 1950 (obtained by adding monthly figures)	$2,953,138,000
B. U.S. imports from Europe 1950 (obtained by adding monthly figures)	1,388,288,000
C. U.S. exports, calendar year 1960, to Europe (obtained by multiplying average monthly figure by 12)	6,480,000,000
D. U.S. imports, calendar year 1960, from Europe (obtained by multiplying average monthly figure by 12)	4,267,200,000

C divided by A equals 2.19:1.
D divided by B equals 3.07:1.

APPENDIX III

Tariff on precipitated barium carbonate

	Per short ton
Prior to 1928	$20
1928 to 1950	30
1951 to date	24

The CHAIRMAN. The next witness is Mr. Clark L. Wilson of the Emergency Lead-Zinc Committee.

Mr. Wilson, take a seat and proceed.

STATEMENT OF CLARK L. WILSON, CHAIRMAN, EMERGENCY LEAD-ZINC COMMITTEE

Mr. WILSON. Thank you, Mr. Chairman.

I am Clark L. Wilson, chairman of the Emergency Lead-Zinc Committee. My personal experience includes over 20 years in the exploration and operating phases of lead and zinc and other metal mining in the United States. Members of the committee for which I speak account for at least 90 percent of domestic mine production of lead and about 80 percent of domestic mine production of zinc. Attached is a list of domestic mining companies represented by the Emergency Lead-Zinc Committee.

Lead and zinc are the two commodities that exemplify to the utmost the complete failure of the Trade Agreements Act to provide the necessary assistance as was contemplated by the Congress to aid industries injured by imports. This failure has been due entirely to discretionary Executive powers that have been used to nullify the intent of the legislation.

First, lead and zinc are two commodities that have faithfully followed every single procedure of the Trade Agreements Act in seeking a solution to their problem, caused by unneeded and excessive imports.

Second, they are the only two commodities in the United States that have received unanimous findings of injury by the U.S. Tariff Commission. Notwithstanding these decisions in 1954 and 1958, the Commission's recommendations were disregarded in whole or in part, and conditions have steadily worsened, with more and more of the industry forced out of business.

Third, after 8 years of pleading by the industry, action was finally taken by the Chief Executive in October 1958. Absolute quotas were

imposed on imported lead and zinc; however, the recommendations of the Tariff Commission were not followed, and the President proclaimed something considerably less effective than the Commission had recommended.

Because of their inadequacy, these quotas as presently constituted have been ineffective in curing the injury to the industry, and prices and production within the domestic industry have steadily deteriorated. The most that can be said for quotas is that without them the conditions in the domestic industry would have become chaotic. Had the quotas and duties recommended by the Tariff Commission been adopted, some alleviation of the injury would have been accomplished.

Our industry also has been the subject of Tariff Commission study under section 332 of the Trade Agreements Act on three occasions. These examinations, including one 7 months ago, verify the findings of injury from excessive imports determined under the escape clause, but, of course, do not correct the problem.

Another two reports, 1960 and 1961, have been prepared for the President by the Tariff Commission as required under Executive Order 10401, reporting on conditions within the industry as affected by the imposition of quotas.

The statistical information in these two reports also reaffirmed that injury from imports continues. By law, this examination cannot provide added protection, but the reports both recommended no relaxation of the present meager controls.

Our experience has been that the present Trade Agreements Act provides no easy road to relief, in fact, there has too often been no road at all. Even though a finding of injury is obtained from the Tariff Commission, the industry's case is still subject to disposition under the broad powers of the President, with no effective provision for consultation with the Congress.

There are certain important principles of the Trade Agreements Extension Act that would be eliminated by H.R. 11970 as—

(*a*). The President would be given more discretionary power, when our experience has indicated it should be less; and

(*b*) H.R. 11970 would make it even more difficult for an industry injured by imports to obtain relief, when our experience has indicated that it should be made less difficult.

1. As previously pointed out, the lead-zinc mining industry well knows that use of the escape clause under the Trade Agreements Extension Act has not been an "easy road to relief." This law provides for initiation of escape clause action by Congress, by the President, or by the indsutry itself. If the Tariff Commission finds injury, it may recommend corrective action for consideration by the President. So, even though it has not been fully effective, the escape clause does provide a route to relief that is not predicated on the sacrifice of an industry.

In investigating a case of injury to an industry resulting in whole or in part from a tariff concession, the escape clause provides for determination of actual or relative serious injury with appropriate recommendations for correction, taking into consideration a downward trend of production, employment, prices, profits, wages, and sales.

Legislation should not discriminate against those who have already suffered because of national trade policy in favor of those who will suffer by a continuation of this policy.

There are a few independent mining operations, losing money, still operating, waiting for the day that Congress enacts a tariff bill sufficient to maintain the nucleus of a domestic mining industry. They could probably qualify for adjustment assistance that apparently is directed toward adjustment of a firm or an industry into something new and different and to abandonment of the old activity or industry that has been injured by lack of adequate import restrictions. The only asset these firms have is a natural resource that must be mined and developed to be of value. These assets cannot be utilized by retraining the employees or using the facilities for some other business. Their only help, as provided under H.R. 11970, would be technical assistance, loans, and tax carryback. These mines through necessity have become as efficient as humanly possible and technical assistance as a remedy is useless. Loans will not help correct their problems. It will take better metal prices. A tax carryback is worthless to a company that has consistently lost money for the past 5 to 10 years. In other words, the only available relief under H.R. 11970, that would apply to a small segment of the overall industry injured by imports, would provide no effective remedy.

We are impressed with the importance attached to the need for expanded foreign trade, and we are equally impressed with the emphasis being placed on provisions of H.R. 11970 that are reported to be so designed, that industries damaged by increased imports would have easily available recourse to effective procedures that will correct these inequities. This is needed particularly by our natural resources that are the backbone of our economy and should be encouraged to remain strong rather than be provided with palliatives to compensate for their loss.

Based on our knowledge of the lead-zinc industry and our experience of the past 10 years, we can state without equivocation that the escape-clause procedures and the "adjustment assistance" proposal in H.R. 11970 will not solve the problems of our industry and preserve it as a vital segment of our natural resources economy.

Adjustment assistance should be eliminated from the proposed legislation. H.R. 11970 should maintain the definitions and procedures of the escape clause of section 7 of the Trade Agreements Act and provide further that the President must accept and implement the maximum tariff recommendations of a Tariff Commission finding for protection of an industry unless a majority of one House will approve a lesser proposal from the Executive.

Mr. Chairman, the Secretary of Commerce, Mr. Hodges, was asked by a member of your committee if the escape-clause provisions of H.R. 11970 posed any greater threat to the lead and zinc industry than under present law. His answer was "No." Our case clearly demonstrates that his answer should have been "Yes." The proposed provisions of this bill will effectively eliminate any possibility for future escape-clause assistance to the lead-zinc mining industry.

2. Let us examine the tariff assistance that would be available to our industry if we were able to obtain another finding of injury due to excessive imports. The President would be limited to declaring a tariff no more than 50 percent above the rates existing on July 1, 1934. We know from long and sad experience that these rates are not sufficient to maintain our domestic mines, particularly in times of world overproduction of these metals.

The Members of Congress, particularly from the mining States, have for many years been well aware of the need for controls more effective than provided by escape-clause and trade-agreement procedures. Their interest in the lead-zinc industry has been expressed by their efforts to obtain legislation to correct this particular situation. This interest is continuing in this session of Congress with the full support of the mining industry we represent.

3. The Trade Agreements Extension Act contains the so-called Purtell amendment that provides for conversion of 1934 rates to an ad valorem equivalent and application of these rates as upper limits based on current market conditions. This same principle should be reaffirmed in H.R. 11970 to allow the Tariff Commission to make effective tariff recommendations, following a finding of injury due to excessive, unneeded imports.

4. Under the Trade Agreements Extension Act, negotiations for tariff reductions are preceded by peril-point hearings before the Tariff Commission to determine whether tariff reductions are warraned and to establish peril points as limits of tariff reductions. These peril points have been an important deterrent to unwarranted comprehensive rate reduction and should not be weakened as proposed in H.R. 11970.

We wish to state again that our industry does not fail to recognize the importance of world trade, and it is not opposed to the general goals that the administration wishes to attain. It is, however, unequivocally opposed to the principle in the proposed legislation that would anticipate and accept the possibility of sacrifice of important natural resource industries in our Nation. We do not believe it is in the national interest for the brush to sweep so broadly.

The lead-zinc mining industry has demonstrated during the past few years that our present Trade Agreements Act is not effective, even in cases of proven serious injury. We believe this committee and this Congress should look to means of encouraging the discovery, and production of all natural resources, not only as a sound economic principle for the United States, but as a means of maintaining a readily available supply of indispensable materials. This can best be done by equalizing the present inequities between United States and foreign production costs with adequate tariffs. This will require procedures under the law that will be effective and not frustrating, as illustrated by our experience of the past 10 years under the present law.

H.R. 11970 must be amended to satisfy the need for adequate and meaningful safeguards against import injury, which need the Presi-

dent recognized not only in his message on the trade program but also by his recent action in the glass case, in the rug and carpet case, in the cotton textile Geneva arrangements, and in establishing the oil-import quotas.

RECOMMENDATIONS

Effective provisions to provide the essential safeguards against import injury have been introduced in this Congress, and the bill, H.R. 8850, maintains some of the limitations of present law but redefines other provisions to expedite interpretation and effective action. For example:

1. The principle of peril-point hearings prior to foreign-trade negotiations would be maintained and further strengthened by limiting tariff reductions to the levels established by the Tariff Commission as a result of such hearings.

2. H.R. 8850 would maintain the principles of the Purtell amendment of the present Trade Agreements Act and broaden the base year for computing a 50-percent increase for ad valorem rates from 1934 to the nearest calendar year in which imports were sufficient to establish an import value to be used. This could be important to our industry, as there were no imports of lead metal in 1934

3. In addition to defining better guidelines for Tariff Commission authority with the Commission still making the necessary findings and determinations for necessary relief to an injured industry, the bill has a most important provision that the President shall proclaim the necessary tariff modifications (the recommendations for greater relief in a case of a divided decision) unless—

(*a*) Either House of Congress approves by a majority vote a modification proposed by the President: or

(*b*) Either House of Congress by a majority vote determines that the recommendation shall not be effective.

A similar provision in the Trade Agrements Extension Act would probably have eliminated the inaction of the executive department in 1954 and the ineffective limited action in 1958 following the escape clause proceedings and findings of the lead-zinc mining industry during the 1950's.

Our industry requests your earnest consideration of these constructive provisions to be included in any trade agreements legislation recommended by this committee. They will provide the practical means to assure continuation and strengthening of industries such as ours that are essential to the United States only through continued development and production of our particular products and are not to be considered as potential cases for redevelopment and adjustment assistance. We have faith in the future of U.S. lead-zinc mining, based on past and present experience and knowledge. We now look to the Congress for cooperation in providing a business climate that will encourage this important industry.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

(The exhibit to Mr. Wilson's statement follows:)

EMERGENCY LEAD-ZINC COMMITTEE

MEMBERS OF THE DOMESTIC LEAD-ZINC MINING INDUSTRY REPRESENTED BY THE EMERGENCY LEAD-ZINC COMMITTEE

Marget Ann Mine
The Anaconda Co.
The Eagle-Picher Co.
Mifflin Mining Co.
Piquette Mining & Milling Co.
Vulcan Silver-Lead Corp.
Zanetti Bros.
Highland-Surprise Consolidated Mining Co.
Nabob Silver Lead Co.
The Bunker Hill Co.
Sunshine Mines
Frank N. Marr Lease
Sidney Mining Co.
Lincoln Mining Co.
Smith Kersage Lease
Hecla Mining Co.
Mascot Mines, Inc.
Golconda Lead Mines
Lucky Friday Silver Lead Mines Co.
Day Mines, Inc.
Clayton Silver Mines
Sunshine Consolidated, Inc.
Silver Syndicate, Inc.
Vindicator Mine
St. Joseph Lead Co.
McFarland & Hullinger
Shattuck-Denn Mining Corp.
Park City Consolidated Mines Co.
King Lease, Inc.
The New Jersey Zinc Co.
Callahan Mining Corp.
Camp Bird, Ltd.
Rico Argentine Mining Co.
Jordan Mines
Emperius Mining Co.
Shenandoah Dives Mining Co.
Argyle Mining & Milling Corp.
Superior Mines Corp.
Mile High Mining Co.
Silver Bell
Mountain View Mining Co.
Tintic Standard Mining Co.
International Smelting & Refining Co.
Eagle & Blue Bell Mining Co.
El Dorado Mining Co.
Machinery Center, Inc.
Mecca Mining Co.
Mountain Minerals Investment Co.
Ophir Mine
Silver King Western Mining Co.
Silver Lake Mining Co.
Temple Mountain Uranium Co.
Standard Metals Mining Co.
Wasatch Mines Co.
Cardiff Mining & Milling Co.
Katie Lode Mining Co.
Mountain View Mining Co.
National Resources Corp.
Yankee Consolidated Mining Co.
Silver Sun Mines, Inc.
C. C. Mining Co.
Alta United Mines Co.
Utah Minerals Co.
Rainbo Gold Mines Corp.
Heinecke Bros.
Prince Construction Co.
Alta Venture
Continental Exploration Co.
Dry Gulch Mining Co.
Edwards & Perkins
Metcalfe Mining Co.
Seccee Mining & Development Co.
New Quincy Mine
Bueno Mining Co.
Tintic Ophir Mining Co.
Revelator Mine
Peru Mining Co.
Empire Zinc Co.
L. A. Patton & Associates
Gene Galassini
U.S. Smelting Refining & Mining Co.
United Park City Mines Co.
New Park Mining Co.
Godiva
Arundel
Peter Martin
Combined Metals Reduction Co.
Pend Oreille Mines & Metals Co.
Consolidated Eureka Mining Co.
Centennial Development Co.
Argent Mine
Centennial Beck Mine
Pine Creek
Hand Mines
Trout Mining Co.
Taylor-Knapp Co.
Lively Mining Co.
Scratch All and Silver Hill Mines
Nancy Lee Mines
St. Paul Lead Co.
Governor Tilden Mine
Silver Buckle Mining Co.
Argentina Mine
Duplex & Quartette Mines
Lead King Mine
Sultan Mine
Three Kids Mine
Yellow Pine Mine
Cleveland Mine
Kelly Mine
Spruce Standard Mining Co.
Nevada Monarch Consolidated Mines
Rip Van Winkle Mine
Index & Copper Tunnells
Harmill & Monitor Mines
Mountain View or Lone Mountain Mine
Pelmont Mine
Flux Mine

EMERGENCY LEAD-ZINC COMMITTEE—Continued

MEMBERS OF THE DOMESTIC LEAD-ZINC MINING INDUSTRY REPRESENTED BY THE EMERGENCY LEAD-ZINC COMMITTEE—continued

Nash Mining Co.
Seventy-Nine Mine
Spring Canyon Mine
Larsen & Reed
Marvel Mining Co.
Privateer
Empire
Drill Steel Mining Co.
Chief Consolidated Mining Co.
Richmond-Eureka Mine
Mount Hope Mine
Mill Canyon Mine
Diamond-Excelsior Mine
Cortez Mine
West Coast Mine
Copper Canyon
Groom Mine
Prince Mine
Apex Mine
Susan Duster Mine
Lincoln Mine
Mount Lion Mine
Bristol Silver Mine
Caselton & No. 1 Mines
Ely Valley Mine
Comet Mine
Simon Silver Lead Mine
San Rafael Mine
Henrietta Mine
Union Lode Mine
Mount Wheeler Mines
Ward Mine
Grand Deposit Mine
Atler Mine
Compadre Mines
LeRoi Mine
Tiajuana Mine

ASSOCIATIONS

Arizona Small Mines Operators Association
Clear Creek County Metal Mining Association
Colorado Mining Association
Idaho Mining Association
Montana Mining Association
Nevada Mining Association
New Mexico Mining Association
Northwest Mining Association
Utah Mining Association
Wisconsin, Illinois, & Iowa Lead & Zinc Producers Association

The CHAIRMAN. The next witness is Mr. T. E. Veltfort, of the Copper & Brass Research Association.

STATEMENT OF THEODORE E. VELTFORT, MANAGING DIRECTOR, COPPER & BRASS RESEARCH ASSOCIATION

Mr. VELTFORT. Mr. Chairman, I am Theodore E. Veltfort, managing director of the Copper & Brass Research Association, often called CABRA. This is a trade association representing virtually all of the brass mills in this country. As listed in appendix I attached to my full statement, the members consist of 37 companies with mills located in 15 different States.

Since the time allotted to me would be insufficient to present my full statement orally, I have prepared this summary of the key points for presentation today, but I respectfully request that the printed record of the hearings include my full statement, copies of which are in the hearing room.

In understand, Mr. Chairman, that this procedure is acceptable to the committee.

The CHAIRMAN. Without objection.

Mr. VELTFORT. The brass mill industry opposes H.R. 11970. This bill is an improvement over the original administration bill, H.R. 9900, but it still does not provide the minimum safeguards necessary to preserve basic domestic industries essential in our economy.

The brass mill industry constitutes a basic metal industry essential to our economy. It fabricates raw copper and copper alloys collec-

tively called brass, into basic mill products such as tube, rod, and sheet. Brass mills have the same relationship to the copper industry as the steel mills have to iron and steel, and the aluminum mills to aluminum. We believe that no successful industrial economy can exist today without strong industries in steel, aluminum and in copper and brass and they must not be allowed to decline.

Our industry normally employs about 30,000 production workers and 10,000 additional administrative employees. Most of the domestic mills are "small businesses" but are an important factor in their local communities. The wages paid by the mills are among the highest in the country, averaging $3.30 per hour in February 1962, including fringe benefits of 64 cents an hour. Labor relations in the industry are excellent.

Our mills operate in an extremely efficient manner, with capacity more than adequate to meet all demands. The brass mills in no other country have achieved any greater efficiency than our mills, but it is an established fact that the brass mills in several European countries have now reached our operating efficiency. They have the same labor-saving equipment, a highly trained labor force, and the same efficient production techniques. Their production per man-hour is about the same as it is here.

But labor rates in foreign brass mills are much lower than ours. In 1961 the average labor rate in manufacturing in West Germany was 73 cents per hour compared to an average of $2.32 in the United States. In fact the comparable labor rate in domestic brass mills in 1961 was $2.60 per hour, considerably higher than the U.S. average.

Moreover, the dollar spread between our labor rates and those abroad is continuing to grow. Between 1955 and 1961 the increase in Germany was only 32 cents an hour compared to 46 cents increase in the United States, with the same efficiency as here, thus the foreign mills have a substantial labor cost advantage over our mills which is continuing to grow. And this cost advantage extends to most other elements of cost.

Our domestic industry faces a critical situation. Our mills have already lost their export markets and a substantial portion of their domestic market. Further injury has been inflicted by the disruption of the domestic market with import sales at prices which the domestic producer cannot meet and remain on a reasonably profitable basis. Under the terms of H.R. 11970, they are threatened with even greater injury from imports.

The question for this committee to resolve, and later for Congress itself, is whether you should establish by law adequate standards and procedural safeguards to prevent serious injury to an essential domestic industry such as the brass mills. H.R. 11970 is inadequate for this job and for this reason we strongly oppose the bill.

I proceed on the assumption that the responsibility for protecting and promoting our domestic industries rests with the Congress. If this responsibility is to be delegated to the executive branch, it should be accompanied by strong and explicit standards so that the tremendous power thus transferred is so circumscribed as to avoid the crippling of an essential domestic industry. Where an independent, impartial tribunal such as the Tariff Commission, finds that certain steps are necessary to avoid injury to a domestic industry, the President

should be required to put into effect the relief recommended by the Tariff Commission, unless he is able to get at least one House of Congress to approve alternative measures which he may think proper.

Under the existing law an industry has two avenues of relief. One is the peril point proceeding wherein the Tariff Commission is required to find for each product the specific limit below which our negotiators may not reduce our tariffs without causing or threatening serious injury to the domestic industry. If, despite this finding the President reduces the tariff below the peril point found by the Commission, he is required to submit a report to Congress stating specifically his reasons for such action. With this requirement there have been only a few cases in which tariffs have been reduced below the peril point. In several cases in recent years, the serious import situation in the brass mill industry warranted the removal of certain of its products from proposed tariff reduction. The danger to the industry was thus recognized in the peril point proceeding and acted on accordingly.

H.R. 11970 would change all this. While H.R. 11970 provides for a Tariff Commission proceeding prior to negotiations for further reductions in our tariffs, the similarity to existing peril point proceedings stops there. Instead of finding a specific peril point, the Commission would merely make a general inquiry "as to the probable economic effect" of further tariff reductions.

If a proceeding before the Tariff Commission prior to our negotiation of a trade agreement is to mean something, the vague and loose standards now found in H.R. 11970 should be changed to accord with the present law on peril point proceedings.

The same deficiency also holds true with respect to the escape clause provisions of the bill. Section 301 provides for an escape clause hearing before the Tariff Commission, and in such hearing the Commission is directed to take into account "all economic factors which it considers relevant, including idling of productive facilities, inability to operate at a profit, and unemployment or underemploymnet."

In view of the philosophy which this bill promotes, I fear that if an industry is able "to operate at a profit"—however small or marginal—an application for relief would be in vain. Our industry, as is doubtless true of many industries injured by imports, has operated with a narrow margin of profit in the aggregate. But this profit is largely that still available on items not yet hit by imports. On items being imported the domestic mills often operate on a break-even basis or even at a loss.

We submit, therefore, that the peril point and escape clause procedures incorporated in H.R. 11970 are plainly inadequate to preserve basic domestic industries. Indeed, we believe that the standards in the present law should be strengthened and applied in order to maintain a healthy economy.

This is in essence what Congressman Monagan of Connecticut attempted to assure when in August 1961 he introduced H.R. 8850 in which he proposed more realistic peril point protection and escape clause standards. We urge this committee to adopt them in any bill which you may ultimately approve. The applicable provisions in Congressman Monagan's bill are attached as appendix IV to our full statement.

In 1958 Congress amended the Trade Agreements Extension Act to include the so-called Purtell amendment. Under that amendment a specific duty can be converted into its ad valorem equivalent, if necessary, to provide adequate relief to an industry injured by imports. Since the level of specific duties was fixed by Congress in the 1930's, inflation has reduced drastically the protection they afford. Most brass mill products have specific duties, and unless the Commission is empowered to convert specific duties into their ad valorem equivalents, no effective relief can be granted in many cases. This fair and reasonable provision is eliminated from H.R. 11970. We urge that it be restored.

The major fallacy in H.R. 11970 is that in the final analysis the President can do as he pleases. Without definite standards and procedure, as set forth in Congressman Monagan's bill, th President would have even greater power over the life and death of domestic industries.

Finally, I come to the adjustment assistance proposed in H.R. 11970 which Under Secretary Ball has made clear the administration excepts to use as a principal tool for relief.

We think the adjustment assistance provisions should be stricken from the bill altogether. In the first place, the procedures would be so intricate that many companies would pass out of existence while wading through the numerous administrative proceedings required.

We think that the entire concept of adjustment assistance is without merit.

To offer a dole to the industry's displaced workers or to retrain them to new tasks that are already hard to find for our millions of unemployed, or to uproot them from their lifelong environments, is not our historic way of solving our problems. Moreover, the proffered assistance to management which has shown itself fully capable of meeting the industry's technical and financial problems is not desirable. The proposed adjustment assistance would not be a solution—it would be a condemnation.

Mr. Chairman, our industry has suffered many ups and downs in the century and a half of its existence. Except for recent years, these have been the normal vicissitudes of business and our industry has depended on its own resources to develop into the important modern industry it is today. It has fully met the requirements of American labor standards and industrial progress. It cannot, however, control the competitive situation abroad. Only our Government can do that. We merely ask that the inequitable import situation be subject to correction by reasonable tariff adjustment.

We urge you, therefore, to eliminate the adjustment assistance provision and to strengthen the peril-point and escape-clause relief as we have recommended.

Now, Mr. Chairman, may I add, if you please, that we, in general, support the amendments proposed by Senator Bush, with one exception. The exception is this: We think the recommendation of the Tariff Commission for relief of an industry should be mandatory on the President unless he can get either the Senate or the House to approve an alternative suggestion that the President may make.

Senator Curtis, I think that would answer the question you raised where the President reduces a tariff below the permissible 50 percent

for commodities in general. In that case, if an industry were injured by that it could petition the Tariff Commission, and if the Tariff Commission recommended the necessary relief, the President would have to supply it unless one House of Congress supported some alternative measure. In that way the Congress would have its control of the situation restored. We believe that is very important.

We think that an additional amendment should be added, namely, one that would restore to the bill the Purtell amendment which I have described above, and which was added, as a matter of fact, by Congress in 1958.

That amendment permits the Tariff Commission and the President to convert a specific duty to its ad valorem equivalent when necessary in order that adequate relief be given.

Now, Mr. Chairman, with your permission, we would be glad to submit a proposed amendment, and I would like to have that included in our statement.

The CHAIRMAN. That will be done. Thank you very much, Mr. Veltfort.

(The proposed amendment and prepared statement of Mr. Veltfort follows:)

PROPOSED AMENDMENT TO H.R. 11970

On page 69, line 15, strike out "or" and insert in lieu thereof—

"provided that a specific rate of duty existing on July 1, 1934 (or the nearest calendar year in which imports were sufficient to establish an import value), may be converted to its ad valorem equivalent, and the proclamation may provide an ad valorem rate of duty not in excess of 50 per centum above such ad valorem equivalent, or",

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STATEMENT BY T. E. VELTFORT, MANAGING DIRECTOR, COPPER & BRASS RESEARCH ASSOCIATION, ON BEHALF OF THE DOMESTIC BRASS MILL INDUSTRY, H.R. 11970

I am Theodore E. Veltfort, managing director of the Copper & Brass Research Association, often called CABRA. It is a trade association representing virtually all of the brass mill industry of this country. As shown in appendix I attached, the members consist of 37 different companies with mills located in 15 different States.

The brass mill industry opposes H.R. 11970. The bill as it comes to this committee is an improvement over the original administration bill (H.R. 9900), but it still falls far short of providing the necessary minimum safeguards to protect domestic industries against unreasonable inroads by imports from abroad.

Before addressing myself to the specific provisions of the bill to which we object, I should like to explain briefly the brass mill industry which I represent. This industry constitutes a basic metal industry essential to the economy of our country both in war and peace. Our mills fabricate raw copper and copper alloys—generally called brass—into basic mill products such as tube, rod, and sheet. Brass mills have the same relationship to the copper industry as the steel mills have to iron and steel and as the aluminum mills have to aluminum. We believe that no nation today can maintain a successful industrial economy without strong industries in steel, aluminum, and in copper and brass. And if these industries are permitted to decline, our Nation cannot continue as a powerful economic force in the world.

The brass mills in this country normally employ about 30,000 production workers and some 10,000 additional administrative and executive employees. Most of the domestic mills are "small businesses" in that they employ less than 500 workers. Many of them are located in small cities or towns and represent an important—sometimes a decisive—factor in the economic health of the local communities. The wages paid by the mills are among the highest in the country, averaging $3.30 per hour in February 1962, which includes fringe benefits amounting to 64 cents per hour. Labor relations in the industry are excellent.

This industry is not engaged in producing frills. The tube, rod, and sheet which it produces constitute the raw materials for numerous domestic manufacturing industries ranging from the automotive and heavy machinery industries to the delicate products of the electronics industry. Brass mills have been indispensable in times of national emergencies. In such emergencies as World War II and the Korean conflict the domestic mills expanded their facilities almost overnight in order to meet the increased demands for their products. The capacity of the industry is now more than adequate to meet all current demands and all foreseeable demands for years to come.

The domestic brass mills have modern equipment, highly trained and experienced workers, and operate in a modern and most efficient manner. We are convinced that the brass mills in no other country have achieved any greater efficiency than our domestic mills. But it is likewise an established fact that the brass mills in several European countries, especially Britain and West Germany, have now equaled our operating efficiency. They have installed the same laborsaving equipment found in American brass mills, have an equally trained labor force, and have adopted the same efficient production techniques. This explains why the production per man-hour of labor is about the same in foreign mills as it is here.

In foreign brass mills, however, labor rates are extremely low as compared to those paid by the domestic mills. For example, exclusive of fringe benefits, the latest information shows that in 1961 the average labor rate in manufacturing in West Germany was 73 cents per hour as compared to an average of $2.32 per hour in the United States. Moreover, labor rates in domestic brass mills are actually higher than this country's average. In 1961 the average wage, less fringe benefits, in domestic brass mills was $2.60 per hour.

Appendix II attached sets forth the comparative wage rates for several countries, and these rates show that in dollar amount the spread between our rates and those abroad is continuing to grow. For instance, while wages in West Germany increased 78 percent between 1955 and 1961, as against 24 percent for the United States, the cents per hour increase in Germany was only 32 cents compared to 46 cents for the United States. The lower labor rates abroad, coupled with the same efficiency per man-hour of labor, add up to the fact that foreign mills have a substantial labor cost advantage over our domestic mills.

This point was recently confirmed in a report issued by an agency of the European Common Market which conducted a study of labor costs covering 4 million European workers in 14 different industries. The report concluded:

"There is little doubt that the great difference in labor costs permits European manufacturers to produce a wide variety of products more cheaply than American manufacturers—(and) while wages have been rising much more rapidly in Europe than in the United States in percentage terms, the gap in absolute terms has narrowed very little."

Moreover, our experience indicates that the spread in costs in practically all other items, except perhaps raw materials, is comparable with the wage levels.

The substantial cost advantage in favor of foreign brass mills is illustrated dramatically by the chart comparing our imports and exports which appears in the attached appendix III. Throughout the prewar period and for several years after World War II our exports of brass mill products vastly exceeded imports.

By 1950, however, many foreign mills had modernized their facilities with the assistance of Marshall plan aid and were approaching the same efficiency per man-hour of labor as our mills. At about the same time the 1948 GATT drastically reduced our tariffs on brass mill products. On most items our tariffs were cut to half the prior level, and on a few key items they were reduced to one-fourth the level fixed by Congress. Almost immediately this country became a net importer of brass mill products, and now our exports are completely dwarfed by the tremendous volume of imports.

Today our domestic industry is facing a critical situation. It is one that merits the careful consideration of Congress and particularly of this committee. The substantial labor cost advantage of foreign mills, coupled with the steep reductions already made in our tariffs, has resulted in our mills (1) having lost their export markets; (2) having lost to foreigners a substantial portion of their own domestic market; and (3) being threatened with even greater injury from imports.

The question for this committee to resolve, and later for Congress itself, is whether you should establish by law adequate standards and procedural safeguards to prevent serious injury to an essential domestic industry such as the

brass mills. We are convinced that H.R. 11970 is inadequate to do this job, and for this reason we strongly oppose the bill.

I proceed on the assumption that the responsibility for protecting and promoting our domestic industries, including the brass mill industry, rests with the Congress of the United States. If this responsibility is to be delegated to the executive branch of the Government, it should be accompanied by strong and explicit standards so that the tremendous power thus transferred is so circumscribed as to avoid the crippling of an essential domestic industry. We believe that an independent, impartial tribunal such as the Tariff Commission should be given the responsibility of determining whether a domestic industry is being injured, or threatened with injury, by imports and directed to prescribe the necessary relief to prevent it. If the Tariff Commission finds that an important domestic industry has thus been injured, or threatened with injury, and prescribes the steps necessary to be taken in order to stop it, the President should be required to put into effect the relief recommended by the Tariff Commission unless he is able to get at least one House of Congress to approve alternative measures which he may think proper.

Under the law as it exists today, an industry suffering from imports can seek to protect itself through the peril-point procedure and through escape-clause action. The safeguards found in the existing law are only partially satisfactory in this respect, but H.R. 11970 would weaken them. We think, therefore, that the peril-point and escape-clause as provided for in existing law should be strengthened in order to provide the minimum protection needed by a domestic industry such as the brass mills. Unless Congress includes in any new law definite standards to determine whether an essential industry has been injured by imports as a result of past or future tariff concessions and provides the procedural means to obtain effective relief, we fear that the law will be interpreted and applied in such a way as to achieve a foreign political objective which, while it may be important, should not be achieved at the sacrifice of an important domestic industry.

Heretofore the trade agreements program authorized by Congress has had as its basic purpose the protection and promotion of our domestic industries. The purpose of the reciprocal trade program fathered by Cordell Hull in 1934 was to facilitate the exchange with other nations of products that we produce and which they need, for products which they produce and which we need. In fact, that is the essence of sound reciprocal trade. It was never intended that the program would be administered in such a way as to injure domestic industries.

H.R. 11970 proceeds on the assumption that this philosophy is no longer valid and that Congress should now authorize the President to make sweeping changes in our tariffs, and should give the authority on the assumption that domestic industries will be injured and indeed destroyed. It is only necessary for this committee to study H.R. 9900, the forerunner of H.R. 11970, to understand more clearly what the administration proposes doing. And unless stronger safeguards are incorporated in H.R. 11970, and some its provisions eliminated altogether, this bill, if it becomes law, might well be administered so as to carry out the purposes more clearly enumerated in H.R. 9900.

In a speech in Bonn, Germany, in April 1962, Under Secretary Ball said that the Trade Expansion Act of 1962 "* * * provides a different approach to the problems of adjustment created by imports. Reflecting the experience of the EEC itself, the act proposes to rely upon domestic adjustments as the first response to such problems. Industries finding difficulty in adjusting to lower tariffs will be given various types of financial and tax aid to enable them to shift to new lines of production; workers will be helped through retraining and by other means. Import restrictions may be resorted to only as an exceptional procedure and then only for a limited period."

As I have already pointed out, the brass mill industry has suffered, and is suffering, substantial injury from excessive imports. The injury arises not alone from the quantity of products imported, but more importantly from disrupting the domestic market through the sale of imports at prices which the domestic producer cannot meet and remain on a reasonably profitable basis. The costs which I have already discussed make for this unfair and we think unjustified situation.

The domestic industry has planned for some time f[illegible] a petition for relief under the escape clause of the present law, but it has delayed doing so in view of the announced purpose of the administration to seek greater authority to

further reduce tariffs. The criteria in the present law for obtaining relief are too severe and those proposed in H.R. 11970 would make it well-nigh impossible for us, or any other industry in a similar position, to obtain relief.

Under the present law an industry has two avenues open to it to protect its domestic market against excessive imports. One is the peril-point proceeding wherein the Tariff Commission is required to find for each product the specific limit below which our negotiators may not reduce our tariffs without causing or threatening serious injury to the domestic industry. If, despite this finding, the President reduces the tariff below the peril point found by the Commission, he is required to submit a report to Congress stating specifically his reasons for such action. This requirement has resulted in very few cases in which tariffs have been reduced below the peril point. In several cases in recent years, the serious import situation in the brass mill industry warranted the removal of certain of its products from tariff reduction consideration. The danger to the industry was thus recognized in the peril point proceeding and acted on accordingly.

Under H.R. 11970 all of this would be changed. In an effort to retain the semblance of a peril-point proceeding, H.R. 11970 does provide for proceedings before the Tariff Commission in advance of trade negotiations with foreign countries, but the similarity to existing peril-point proceedings stops there. The whole concept of these proceedings prior to trade agreement negotiations would be changed.

No longer would the purpose of the Commission's inquiry be to determine a peril point below which our tariffs should not be reduced. Instead H.R. 11970 would merely direct the Commission to arrive at a "judgment as to the probable economic effect" on our domestic industry producing the article on which a reduction in our tariff is to be negotiated. Proceedings under such a loose and vague standard would be meaningless.

If the procedure of H.R. 11970 is to have any practical effect, is should be changed to accord with the existing law which involves the determination of a specific peril point.

The same deficiency holds true with respect to the escape clause provisions of the bill. Section 301 provides for an escape-clause hearing before the Tariff Commission, and in such hearing the Commission is directed to take into account "all economic factors which it considers relevant including idling of productive facilities, inability to operate at a profit, and unemployment or underemployment." In view of the philosophy which this bill promotes, however, I fear that if overall operations of an industry show a small or marginal profit, an application for relief would be in vain.

Our industry, as is true of many industries injured by imports, has operated with a narrow margin of profit in the aggregate. But this profit is in most cases attributable to specific items on which imports have not yet hit us in full force. On those items where imports have invaded the domestic market, many of our brass mills are operating at about the break-even point, and in some instances, at an actual loss.

It is relatively easy to anticipate what the Tariff Commission will do if it finds an industry "operating at a profit," however marginal, in view of the philosophy behind this whole legislative proposal.

It is significant, I believe, that the only improvement in escape-clause procedure which Congress added in 1958 would be eliminated under H.R. 11970. For several years the brass mill industry worked hard in support of a much needed administrative improvement in the escape clause procedure, culminating in the so-called Purtell amendment which was included in the 1958 Trade Agreements Extension Act as enacted by Congress. This amendment provided that, where necessary to give adequate relief to a domestic industry injured by imports, a specific duty can be converted into its ad valorem equivalent.

Such a provision is obviously fair and in many cases essential. It does no more than to permit the reinstatement of the relative level of duty provided by Congress, where inflation has reduced drastically the protection originally afforded. Most brass mill products have specific duties. Unless there is authority to convert specific duties into their ad valorem equivalents, no effective relief can be granted in many cases. This fair and reasonable provision is entirely eliminated under H.R. 11970. It should be restored.

But the major fallacy in H.R. 11970 goes much deeper than the elimination of the Purtell amendment. The major fallacy is that in the final analysis the

President can do what he pleases. The standards are so loose and the restrictions so limited that however strong the case may be before the Tariff Commission, the President can disregard the advice he receives and take whatever action he chooses to take.

Past experience indicates that even the present law has been administered so as practically to defeat the purpose of Congress. From 1948 to July 1962, the Tariff Commission took formal action in 134 escape clause cases. It found relief was necessary in 41 cases, but the President declined any relief in 26 of these 41.

We submit, therefore, that the peril point and escape clause procedures incorporated in H.R. 11970 are not only inadequate to protect domestic industries, but in fact the standards in the present law should be strengthened in order to maintain a healthy economy.

In August 1961 Congressman Monagan, of Connecticut, introduced H.R. 8850 in which he proposed more realistic peril point protection and escape clause standards, and we urge this committee to adopt them in any bill which you may ultimately approve. The provisions in Congressman Monagan's bill are attached hereto as appendix IV.

As set forth in Congressman Monagan's bill, we believe the President should be required to put into effect the remedy found necessary by the Tariff Commission to eliminate the cause of the injury unless he can prevail upon at least one House of Congress to approve alternative relief which he may propose. It is idle to hope that an industry can convince both Houses of Congress to adopt the relief recommended by the Tariff Commission over the President's opposition. Matching the strength of an industry with the strength of the President is no match at all.

On the other hand, if the President has sound grounds for disregarding the relief found necessary by the Tariff Commission, he can easily persuade the House or the Senate to adopt the alternative he proposes. Since the Constitution vests in Congress the power to levy duties and regulate commerce with foreign countries, the President should not have the power to liquidate an industry in disregard of the findings and advice of an independent, impartial tribunal like the Tariff Commission, unless at least one branch of the Congress approves. We believe, therefore, that the Monagan proposal should be adopted because in no other way can an industry hope to escape the finality of the President's decision even though the industry has proved conclusively to the Tariff Commission's satisfaction that it has been severely injured and is entitled to substantial relief.

Finally, I come to the adjustment assistance proposed in H.R. 11970 which Under Secretary Ball has made clear the administration expects to use as the principal tool for relief. The brass mill industry vigorously opposes these adjustment assistance provisions of H.R. 11970.

Our opposition divides into two major areas. In the first place, we believe that the adjustment assistance provisions impose virtually a procedural impossibility.

To obtain relief, an industry must first go to the Tariff Commission and submit proof of injury caused by imports. If the industry is successful in this first proceeding, which would be virtually impossible under the standards prescribed in H.R. 11970, the Commission forwards to the President a recommendation setting forth the amount of increase in the tariffs necessary "to prevent or remedy such injury." Under H.R. 11970, however, the President may decline to follow the advice of the Tariff Commission, and instead he may suggest that the industry file a request with "the Secretary of Commerce for certification of eligibility to apply for adjustment assistance." And then, as incredible as it may seem, section 302(b)(1) of the bill provides that the domestic industry must prove its case all over again and demonstrate it "to the satisfaction of the Secretary of Commerce."

Thus, at the very outset, a domestic industry would be confronted with a three-tier procedural hurdle. First, the domestic firm must prove its case before the Tariff Commission; second, it is necessary to survive a review by the President and his staff at the White House; and third, the firm must prove its injury again to the satisfaction of the Secretary of Commerce.

If the procedure in H.R. 11970 were limited to these three proceedings, perhaps a few companies might be willing at least to attempt to get adjustment assistance. Unfortunately, the procedural morass does not stop with only three proceedings. A firm that somehow is successful in these first three procedural

hurdles gets no relief at all—even though the President has agreed that relief is justified and even though the firm has proved two times that imports have caused or threatened serious injury. All the firm gets at the end of the third proceeding is a piece of paper consisting of a so-called certificate of eligibility entitling the firm to prosecute the request for relief through additional tiers of administrative proceedings.

After having obtained a certificate of eligibility, section 311 provides that the firm then has 2 years in which to use the certificate as the "ticket of admission" to the fourth proceeding required by the adjustment assistance provision. The fourth proceeding is to be conducted in the Commerce Department, and in it the domestic firm must submit a "proposal" for assistance and then prove to the satisfaction of the Secretary of Commerce that the proposal meets three specific tests set forth in section 311(b) of the bill.

If the firm comes through this fourth proceeding successfully, section 312(a) of the bill provides that then the Secretary of Commerce shall refer the firm's proposal to other Government agencies in a position to furnish the technical and financial assistance needed to save the firm from the injuries caused by imports. But section 312(c) of the bill makes it clear that these other unidentified governmental agencies can consider the proposed relief and reject it, putting the whole matter back in the lap of the Secretary of Commerce. Section 312(c) then provides that after the other agencies have rejected the proposed relief, the Secretary of Commerce shall determine whether in fact the proposed relief is necessary. If it is, the Secretary of Commerce is empowered at long last to give the relief, subject, however, to the limitations of sections 313 and 314 of the bill.

This brief outline of the procedural requirements for obtaining adjustment assistance is enough to make most companies decline to undertake the journey. One need not be cynical to suggest that a company hurt by imports could easily be extinguished before relief would be forthcoming under these procedures.

Wholly apart from these procedural objections, we think that the concept of adjustment assistance has no substantive merit and the provisions therefor should be striken from the bill altogether. As Under Secretary Ball stated, these provisions contemplate requiring a company to "shift to new lines of production." Essentially, this means that the company will be required to get out of the business in which it is engaged and start a new business. Moreover, in order to endeavor to get into a new business, the company must subject itself to substantial control by various governmental agencies.

We believe that such an approach is fundamentally wrong. If a domestic firm is entitled to relief, it should be able to get real relief—in the form of adequate protection against excessive imports which are unneeded in this country in light of the capabilities of our existing industries.

Conversely, if Congress were to decide that a domestic industry suffering from imports should not be given real relief as a matter of policy, then there is no sound economic reason for the Government to give any monetary or other relief to such an industry injured by imports, while withholding such monetary relief from industries injured by other policies of the Federal Government.

Put another way, if a governmental policy causing injury to domestic industry were fundamentally sound, there would be no justification for any dole or other relief.

The unsoundness of the assistance approach is apparent when one considers its practical impact.

It would mean uprooting men and women from their homes and communities and placing them in other work after they have been retrained. The disrupting effect this would have upon families and communities, to say nothing of the industries involved, is disturbing to even contemplate, and the cost to our overburdened taxpayers would be very large indeed.

Also it means that the Federal Government would take on the burdens and responsibilities of subsidizing literally thousands upon thousands of our working men and women and their families. It means that Government experts would be constantly interfering with the conduct of a business and, in fact, directing what new lines of production a dying industry should undertake.

This committee should not overlook the complications and interminable disputes that will arise over these and other questions certain to be faced if the adjustment assistance provisions of this bill become law. For example, an industry that is being liquidated because of excessive imports is required to submit a proposal showing how it hopes to succeed in some other line of business, but

what happens if one or more of the governmental agencies considering the proposal concludes that the industry should try something else? Similarly, as applied to workers, it may be exceedingly difficult in specific cases to determine whether a job has been lost because of imports or because of other reasons. A worker who is in fact discharged for cause may suddenly contend that his job was lost due to imports.

During the past 10 years, the number of employees in the brass mill industry has declined by approximately 10,000 men and women. A substantial number of them have lost their jobs due to increased imports resulting from tariff concessions. Certainly, their position is no different from those who will lose their jobs in the future as a result of lowering tariffs, and the failure to compensate them is plainly discriminatory.

Moreover, it is not difficult to foresee the additional army of men and women dependent upon the Federal Government for monthly subsidies and to consider the necessity for adding additional Government employees to direct the subsidy program set forth in H.R. 11970.

Mr. Chairman, our industry has suffered many ups and downs in the century and a half of its existence. Except for recent years, these have been the normal vicissitudes of business. The industry has depended on its own resources in its development into the important modern industry it is today. It has met fully the requirements of American labor standards and industrial progress.

It cannot, however, control the competitive situation abroad. Only our Government can do that.

These foreign competitors, operating with modern equipment, financed in part by taxes to which our industry has contributed, together with the advantage of their far lower wages and other costs, and with the help of more favorable tax treatment, have been able to sell their products in our well-established markets at prices which the domestic mills cannot meet for long without economic disaster.

We merely ask that this situation in our home market be subject to correction by equitable tariff adjustment.

To offer a dole to the industry's displaced workers or to retrain them to new tasks that are already hard to find for our millions of unemployed, or to uproot them from their lifelong environments, is not our historic way of solving our problems. Moreover, the proffered assistance to management which has shown itself fully capable of meeting the industry's technical and financial problems is not desirable. The proposed adjustment assistance would not be a solution—it would be a condemnation.

We, therefore, respectfully submit that it is not right to make it possible to sacrifice an important taxpaying American industry like ours, fully able to serve its customers adequately and economically, in order that its hard-won markets may be made available for the surplus production of foreign mills.

We therefore urge you to eliminate the adjustment-assistance provision and to strengthen the peril point and escape-clause relief as we have recommended.

APPENDIX I

MEMBER COMPANIES AND LOCATIONS

The Accurate Brass Corp., subsidiary of the Bristol Brass Corp., Bristol, Conn.

Anaconda American Brass Co., Paramount, Calif., Waterbury, Conn., Ansonia, Conn., Torrington, Conn., Detroit, Mich., Buffalo, N.Y., Kenosha, Wis.

The Beryllium Corp., Reading, Pa.

Bohn Aluminum & Brass Corp., Detroit, Mich.

Bridgeport Brass Co., division of National Distillers and Chemical Corp., Bridgeport, Conn., South Norwalk, Conn., Indianapolis, Ind.

Bridgeport Rolling Mills Co., Bridgeport, Conn.

The Bristol Brass Corp., Bristol, Conn.

Cerro Copper & Brass Co., division of Cerro Corp., St. Louis, Mo., Cleveland, Ohio.

Chase Brass & Copper Co., Inc., Waterbury, Conn., Cleveland, Ohio.
Harvey Aluminum, Torrance, Calif.
The Harvey Metal Corp., division of Chicago Extruded Metals Co., Chicago, Ill.
C. G. Hussey & Co., division of Copper Range Co., Pittsburgh, Pa.
Kensico Tube Co., Division, Robinson Technical Products, Inc., Mount Kisco, N.Y.
The Linderme Tube Co., Cleveland, Ohio.
Mackenzie Walton Co., Inc., Pawtucket, R.I.
The Miller Co., Meriden, Conn., Waterbury, Conn.
Mueller Brass Co., Port Huron, Mich.
Murdock Manufacturing Co., Inc., Scotch Plains, N.J.
The National Copper & Smelting Co., Solon, Ohio.
New England Brass Co., Taunton, Mass.
The New Haven Copper Co., Seymour, Conn.
Olin Brass-Metals Division, Olin Mathieson Chemical Corp., New Haven, Conn., East Alton, Ill.
Phelps Dodge Copper Products Corp., Los Angeles, Calif., Elizabeth (Bayway), N.J., South Brunswick, N.J.
The Plume & Atwood Manufacturing Co., Thomaston, Conn.
H. K. Porter Co., Inc., Riverside-Alloy Metal Division, Riverside, N.J.
Reading Tube Co., division of Progress Manufacturing Co., Inc., Reading, Pa.
Revere Copper & Brass, Inc., Los Angeles, Calif., Chicago, Ill., Baltimore, Md., New Bedford, Mass., Detroit, Mich., Rome, N.Y.
Scovill Manufacturing Co., Waterbury, Conn.
The Seymour Manufacturing Co., subsidiary of Bridgeport Brass Co., Seymour, Conn.
Somers Brass Co., Inc., Waterbury, Conn.
Stamford Rolling Mills Co., a division of Howe Sound Co., Springdale, Conn.
The Thinsheet Metals Co., Waterbury, Conn.
Triangle Conduit & Cable Co., Inc., New Brunswick, N.J.
Volco Brass & Copper Co., Kenilworth, N.J.
Waterbury Rolling Mills, Inc., Waterbury, Conn.
Wolverine Tube, division of Calumet & Hecla, Inc., Decatur, Ala., Detroit, Mich.

APPENDIX II

Comparative wages in manufacturing industries in the United States, and in principal foreign countries shipping brass mill products to the United States

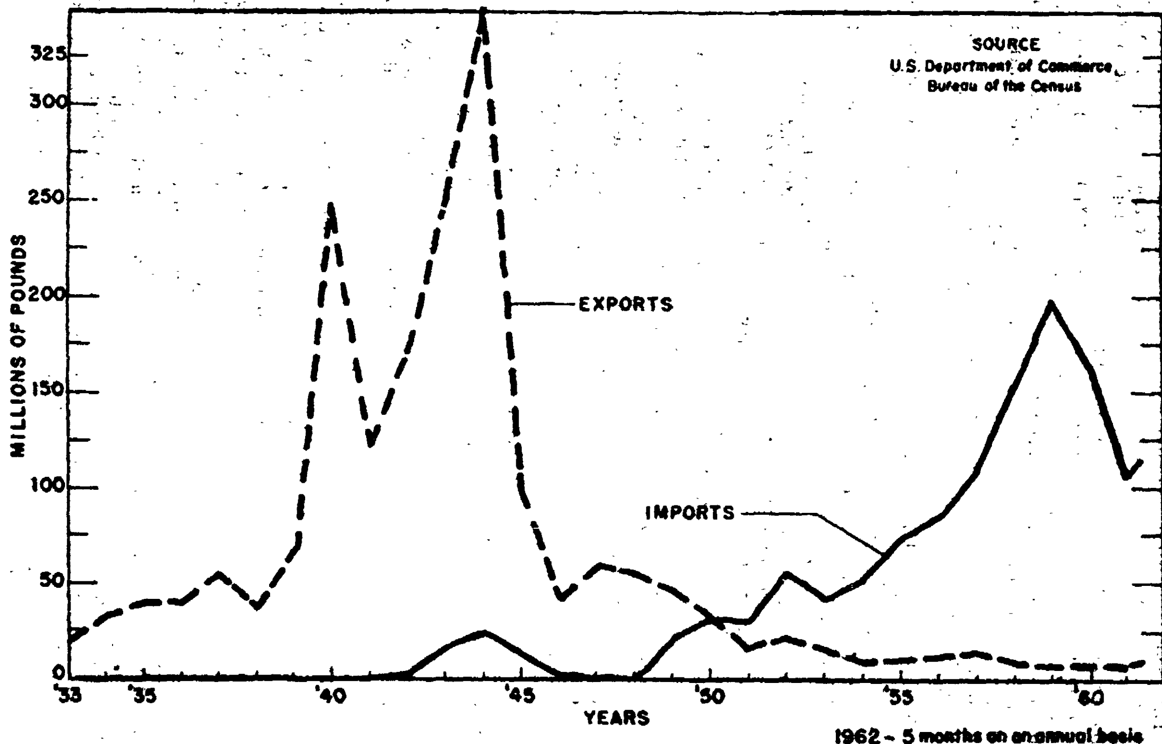
	Sex	Dollars per hour							Percent increase, 1955–61	Percent of United States		Increase, cents per hour, 1955–61
		1955	1956	1957	1958	1959	1960	1961		1955	1961	
United States	Male, female.	1.86	1.95	2.05	2.11	2.19	2.26	2.32	24	100	100	46
Canada	do	1.45	1.58	1.63	1.72	1.80	1.78	1.75	21	78	75	30
United Kingdom.	Male [1]	.66	.71	.76	.78	.82	[2] .90	.95	44	36	41	29
Germany	Male, female.	.41	.45	.50	.53	.57	.63	.73	78	22	31	32
France	do [1]	.41	[2] .43	.39	.38	.40	.43	.46	12	22	20	5
Italy	do	.30	.32	.33	.35	.36	.37	(3)	[4] 23	16	[4] 16	[4] 7
Switzerland	do	.69	(3)	(3)	(3)	(3)	.86	(3)	[4] 25	37	[4] 38	[4] 17
Sweden	do	.82	.89	.95	1.01	1.05	1.03	1.11	35	44	[4] 48	29
Belgium	Male	.51	.54	.57	.59	.61	.63	(3)	[4] 24	27	[4] 28	[4] 12
Japan	Male, female.	.23	.24	.26	[5] .25	.27	.30	.33	43	12	14	10

[1] Adults. [2] Revised series. [3] Not available. [4] 1960. [5] Based on index.

Source: International Labour Office, from United Nations Monthly Bulletin of Statistics, June 1962.

APPENDIX III

UNITED STATES IMPORTS & EXPORTS - BRASS MILL PRODUCTS



Appendix IV

Peril-Point and Escape-Clause Provisions of the Monagan Bill, H.R. 8850, Which We Urge Be Incorporated in New Trade Agreements Legislation

H.R. 8850 constitutes a complete proposal for new trade agreements legislation. It would repeal certain provisions of existing law and replace them with new provisions and would retain other provisions of existing law, amended to conform to the new standards proposed in the bill.

If the peril-point and escape-clause provisions of H.R. 8850 were to be incorporated in H.R. 9900, there would have to be modification of language to conform to the scheme of H.R. 9900, repealing existing trade agreements authority substantially in toto and substituting new provisions. Such modification need not affect the substance of the peril-point and escape-clause provisions of H.R. 8850 set forth below. Entirely new provisions were taken verbatim from that bill. Where existing law is amended by the bill, the existing provisions as amended are set forth.

Section 3(b)(2)(C) of H.R. 8850, "Negotiating Authority Limited by Peril Point Findings":

"(2) No proclamation * * * shall be made—

"(C) Establishing or continuing in effect (either by specific provision or by failure to make such provision) any rate of duty or other import restriction which is less than the rate or other restriction found by the United States Tariff Commission in a report to the President, pursuant to section 3 of the Trade Agreements Extension Act of 1951, as amended (19 U.S.C. 1360), to be necessary to prevent or avoid injury or threat of injury to the domestic industry producing like or directly competitive articles."

Section 3 of the Trade Agreements Extension Act of 1951 (19 U.S.C. 1360), amended as proposed in H.R. 8850 to incorporate new injury standards.

"Peril point; procedure by Tariff Commission:

"Sec. 3(a) Before entering into negotiations concerning any proposed foreign trade agreement under section 3 of the Trade Agreements Act of 1961, the President shall furnish the United States Tariff Commission (hereinafter in this Act referred to as the 'Commission') with a list of all articles imported into the United States to be considered for possible modification of duties and other import restrictions, imposition of additional import restrictions, or continuance of existing customs or excise treatment. Upon receipt of such list the Commission shall make an investigation and report to the President the findings of the Commission with respect to each such article 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 3 without causing or threatening 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 injury or threatened 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 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 six months' period."

"(b)(1) In the course of any investigation pursuant to this section the Commission shall hold hearings and give reasonable public notice thereof, and shall afford reasonable opportunity for parties interested to be present, to produce evidence, and to be heard at such hearings. If in the course of any such investigation the Commission shall find with respect to any article on the list that an increase in duty or additional import restriction is required to avoid injury to the domestic industry producing like or directly competitive artcles, the Commission shall promptly institute an investigation with respect to that article pursuant to section 1364 of this title.

"(2) In each such investigation the Commission shall, to the extent practicable and without excluding other factors, ascertain for the last calendar year preceding the investigation the average invoice price on a country-of-origin basis (converted into currency of the United States in accordance with the provisions of section 372 of title 31) at which the foreign article was sold for export to the United States, and the average prices at which the like or directly competitive domestic articles were sold at wholesale in the principal markets of the United

States. The Commission shall also, to the extent practicable, estimate for each article on the list the maximum increase in annual imports which may occur without causing injury to the domestic industry producing like or directly competitive articles. The Commission shall request the executive departments and agencies for information in their possession concerning prices and other economic data from the principal supplier foreign country of each such article."

Section 6 of the Trade Agreements Extension Act of 1951 (19 U.S.C. 1363), amended as proposed in H.R. 8850, to incorporate new injury standards.

Escape clause for future agreements; insertion in past agreements:

"SEC. 6. (a) No reduction in any rate of duty, or binding of any existing customs or excise treatment, or other concession proclaimed under section 350 of the Tariff Act of 1930, as amended (19 U.S.C. 1351), or under section 3 of the Trade Agreements Act of 1961 shall be permitted to continue in effect when the product on which the 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 into the United States in such quantities or under such circumstances as to cause or threaten injury to the domestic industry producing like or directly competitive products.

"(b) The President as soon as practicable but in no event later than June 30, 1964, shall take such action as may be necessary to bring trade agreements heretofore entered into under section 350 of the Tariff Act of 1930, as amended, into conformity with the policy established in subsection (a) of this section."

Section 7 of H.R. 8850, the escape clause:

"SEC. 7. ADJUSTMENT OF IMPORT DUTIES AND QUOTAS.—(a) Upon the request of the President, upon resolution of either House of Congress, upon resolution of either the Committee on Finance of the Senate or the Committee on Ways and Means of the House of Representatives, upon its own motion, or upon application of any interested party (including any organization or group of employees), the United States Tariff Commission shall promptly make an investigation and make a report thereon not later than 6 months after application is made to determine whether any product is being imported into the United States in such quantities or under such circumstances as to cause or threaten injury to the domestic industry producing like or directly competitive products.

"In the course of any such investigation, whenever it finds evidence of injury or threat of injury or whenever so directed by resolution of either the Committee on Finance of the Senate or the Committee on Ways and Means of the House of Representatives, the Tariff Commission shall hold hearings giving reasonable public notice thereof and shall afford reasonable opportunity for interested parties to be present, to produce evidence, and to be heard at such hearings.

"Should the Tariff Commission find as the result of its investigation and hearings that a product is being imported into the United States in such quantities or under such circumstances as to cause or threaten injury to the domestic industry producing like or directly competitive products, then it shall further determine what modifications of the existing customs treatment of such product are necessary to prevent or remedy such injury or threat of injury. Such modifications may include withdrawal, modification, or suspension of concessions granted under any trade agreement, imposition of new duties or increase in existing duties, or establishment of quotas in amounts and for periods specified, or any combination thereof, in each case to the full extent determined by the Tariff Commission to be necessary without regard to limitations imposed by any other provision of law.

"(b) In arriving at a determination in the foregoing procedure, the Tariff Commission shall consider as evidence of injury or threat of injury any of the following: A decline in the volume of sales of the domestic products; or a decline in prices or profits or wage rates or working hours or take-home pay in the domestic industry involved, in each case either actual or relative to the trend in domestic industries producing articles of the same general class; or a small proportion of the domestic consumption supplied by the domestic producers; or a higher or growing inventory among domestic producers; or a curtailment of investment for equipment, facilities, exploration, research, and development in the domestic industry; or an unfair competitive advantage to the imported product over the domestic products by reason of the difference in the wages and hours in effect in the foreign industry producing the imported product, and the minimum wage and maximum hours in the domestic industry producing the products or by reason of a difference in other costs of production; or a difference between the average landed cost of the imported product and

the average price at which the domestic products were sold at wholesale in principal markets in the United States.

"(c) The Commission may make a finding of injury or threat of injury on the basis of any one or more of the factors specified in subsection (b). Without limiting the generality of the foregoing, a finding by the Commission in any such proceeding—

"(A) that the proportion of the U.S. market for a product which is being supplied by imports has increased significantly over the proportion of such market supplied by imports in the appropriate base period fixed in accordance with subsection (e); or

"(B) that U.S. prices for an imported product or like or directly competitive domestic products have declined significantly and that the profits of a substantial number of domestic producers upon sale of such like or directly competitive products have declined significantly; or

"(C) that U.S. prices for an imported product or like or directly competitive domestic products have declined significantly in relation to the prices of other products of the same general class as shown by an appropriate U.S. price index selected by the Commission, and that the profits of a substantial number of U.S. producers upon sale of such like or directly competitive products have declined significantly; or

"(D) that prevailing wage rates or average take-home pay in the domestic industry producing products like or directly competitive with an imported product have declined relative to prevailing wage rates or average take-home pay in industries producing other articles of the same general class;

shall be deemed to establish injury or threatened injury to the domestic industry involved requiring a modification of tariff treatment as provided in this section unless the record of the investigation and hearings shall clearly establish and the Commission shall affirmatively find that imports were not a factor contributing to the conditions so found to exist.

"(d)(1) The Tariff Commission shall immediately make public its report, including any dissenting or separate findings, and shall cause a summary thereof to be published in the Federal Register and shall transmit a copy of the report to the President and to the Committee on Ways and Means of the House and the Committee on Finance of the Senate.

"(2) The modification of existing tariff treatment found by the Tariff Commission to be necessary shall be proclaimed by the President, effective upon a date to be specified in his proclamation, which shall be issued promptly after expiration of the period for congressional action as provided in this paragraph 2, unless—

"(A) within 60 days following transmittal of the Tariff Commission report to the President, the President submits a report to the Committee on Ways and Means of the House and the Committee on Finance of the Senate stating that he does not approve the proposed modification in tariff treatment, his reasons for withholding his approval, and what, if any, modification of existing tariff treatment he proposes to proclaim in lieu of that recommended by the Commission, and within 60 days thereafter either House of Congress by resolution adopted by the yeas and nays by a majority vote of such House approves the President's proposed modification or retention of existing tariff treatment, or

"(B) within 60 days following transmittal of the Tariff Commission report either House of Congress, by resolution adopted as provided in clause (A), determines that the modification in existing tariff treatment recommended by the Tariff Commission shall not be made effective. If, pursuant to paragraph (A), the President is authorized to proclaim the modification of tariff treatment proposed by him, he shall immediately make the proclamation so authorized.

"For the purposes of clauses (A) and (B), in the computation of the 60-day periods for congressional action 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.

"(e) The appropriate base period referred to in subsection (c) shall be the period of 3 consecutive years during the 10 years preceding the year in which the report of an investigation is made in which the ratio of imports of the product subject to investigation to domestic consumption of such product and like or directly competitive domestic products was the lowest: *Provided*, That any year or years at the commencement of such 10-year period, not to exceed 4 years, in

which there were no imports of such product shall be excluded: *And provided further*, That the Commission may exclude from the base period not more than 2 years if it finds with respect to each year excluded that the volume of imports of the foreign product, the volume of sales of like or directly competitive domestic products or the volume of domestic consumption of such products was so substantially increased or decreased by specified abnormal factors of a nonrecurring nature that the inclusion of such year in the base period would be grossly unfair.

"(f)(1) As used in this Act the terms 'domestic industry producing like or directly competitive products' and 'domestic industry producing like or directly competitive articles' mean that portion or subdivision of the producing organizations manufacturing, assembling, processing, extracting, growing, or otherwise producing like or directly competitive products or articles in commercial quantities. In applying the preceding sentence the Commission shall distinguish or separate the operations of the producing organizations involving the like or directly competitive products or articles referred to in such sentence from the operations of such organizations involving other products or articles, using to the extent necessary for such purpose reasonable estimates and assumptions. The Commission may also consider as such a domestic industry for the purposes of this Act a segment of an industry situated in a geographical area within the United States if the injurious effect of the imported article is confined to the segment of such industry in such area.

"(2) There shall be deemed to be a 'threat of injury' or 'threatened injury' within the meaning of this Act if there is a reasonable probability of injury, even though such injury is not so imminent as to be almost certain to occur.

"(g) The provisions of this section shall apply to investigations for which request or application is made after the effective date of this Act, and to investigations heretofore commenced under section 7 of the Trade Agreements Extension Act of 1951, as amended (19 U.S.C. 1364), in which hearings before the Commission have not been completed on the effective date of this Act. In any investigation pending at the effective date of this Act to which this section becomes applicable, the Commission shall permit such amendments to the application and provide such opportunity to produce further evidence and be heard as may be appropriate in view of the applicability of this section. The time for completing the Commission's report in any such proceeding shall be extended for such period, not exceeding three months, as the Commission shall find to be necessary."

The CHAIRMAN. The next witness is Mr. H. S. Potter, Tool & Fine Steel Industry Committee.

Mr. Potter, take a seat, sir, and proceed.

STATEMENT OF H. S. POTTER, VICE PRESIDENT, SALES, CARPENTER STEEL CO., READING, PA., AND CHAIRMAN, TOOL & FINE STEEL INDUSTRY COMMITTEE

Mr. POTTER. My name is H. S. Potter, I am vice president, sales, of Carpenter Steel Co., Reading, Pa., and chairman of the Tool & Fine Steel Industry Committee. The names of the companies which join in this statement are listed on an attached sheet. I appreciate the opportunity to be here and discuss with you the proposed Trade Expansion Act as it presents problems which very seriously concern our industry.

I. THE TOOL AND FINE STEEL INDUSTRY IS VITAL TO OUR NATIONAL SECURITY

Tool steel and fine steels are high alloy specialty products which do not account for nearly as much volume as tonnage steels. Nevertheless, by reason of their content they possess certain properties, such as a high degree of heat resistance, which greater volume steel products do not enjoy, and can fulfill a number of vital functions for which

tonnage steels are not qualified. Indeed, tool steel is listed by the defense agencies of the U.S. Government as first in priority of strategic importance. It is indispensable to the cutting, shaping, and forming of virtually every weapon in our defense arsenal. I submit to this committee that not a wheel in our defense structure could turn if there were not an adequate supply of tool and specialty steel. And I submit further that as the missile age progresses, the highly heat resistant steels will become increasingly important to American advancement and security. The large tonnage steel mills have neither the equipment nor technical knowledge to make the tool steel and specialty steels which are essential to our national defense effort.

We are certain that neither this committee nor Congress would favor or permit importation of these items to reach such a level that the existence of an adequate, steady domestic supply would be imperiled, as such a result would bring about the total reliance of our defense effort on foreign supplies of a highly strategic material. The principal supplying nations—Austria, Sweden, West Germany, France, Italy, and the United Kingdom—are in such proximity to the Soviet Union to make such a course neither safe nor prudent. We contend that it is essential for the United States to maintain a flexible defense posture to meet emergencies of all dimensions in all parts of the world and that such flexibility can only be maintained if the country has available to it adequate domestic supplies of such critical materials as produced by our industry.

II. THE TOOL AND FINE STEEL INDUSTRY IS NOW THREATENED BY IMPORTATION

We in the tool and fine steel industry are by no means opposed to an expanded international trade for the sake of being opposed. We are, however, presently suffering a severe loss of the U.S. market to foreign imports and fear that H.R. 11970, in its present form, could result in further losses and threaten the elimination of U.S. production altogether.

Importation has in recent years absorbed a dramatically expanding share of the domestic market. In 1960, total domestic production of tool steel was approximately 87,000 tons, although average production has been 100,000 tons annually. That same year, imports reached the level of 12,000 tons, or 12 percent of average annual domestic production and over 14 percent of actual domestic production for that year. Moreover, these figures do not include another estimated 12,000 tons of product imported in various finished forms. This trend toward an ever increasing market share supplied by imports means not only a loss of earnings for the domestic industry, but a loss of employment for American workers.

The cause of this threatening pattern which is facing the tool and fine steel industry is not the ability of foreign competition to apply better production techniques and place superior products in the domestic market. It is very simply a question of price. For instance, Japanese stainless sheets are being offered at 20 percent below the domestic market. Stainless cold heading wire from the same country is offered at 16 to 27 percent below my company's prices and a popular grade of oil hardened tool steel from Austria is being offered here at prices 53 percent below my company's price.

These lower prices at which foreign producers are able to compete in the domestic market are attributable to two chief factors: the substantially lower wages and working standards prevalent in the principal foreign countries producing tool and fine steel and the narrowing of our margin of productive efficiency. Faced with a continuation of this situation and the continuing increase in the ration of imports to domestic demand, the U.S. tool and fine steel industry is in an extremely precarious position.

III. ADEQUATE SAFEGUARDS MUST BE PROVIDED TO PROTECT VITAL DEFENSE INDUSTRIES

In the light of the importance of tool and fine steel to the Nation's defense production and the current status of imports, we submit that adequate safeguards are essential for our industry. The present bill does not contain these safeguards.

We contend that a strengthening of the national security clause is essential. We submit that the provision has not always been implemented in accordance with legislative intent. In view of this history we hope that Congress will take positive steps to strengthen the national security clause so that it will become an effective, operative instrument of national trade and defense policies. We suggest that this committee consider exercising legislative review of executive decisions in this field—certainly determinations here are at least as important as under the escape clause in which national security may or may not be involved. By like token, the application of specific time limits for national security determinations may be advisable. In the past, proceedings alone have consumed as much as 18 months. These suggestions by no means exhaust the possible avenues of improving this clause.

For example, we understand that Senator Kerr has indicated that more specific criteria for industries significant to national security would be extremely helpful. We fully agree.

The underlying approach of the trade expansion program is an open departure from past tariff policies, yet section 232 is fundamentally the same as enacted 7 years ago. Whereas prior trade legislation seems to have been based on the premise that no injury as a result of foreign competition would be suffered by industry which could not be alleviated by the safeguards provided, the present act, as seen by its detailed attention to adjustment assistance, is founded on the premise that substantial injury will occur but will be compensated for and by the Government.

This new approach, whatever its merits or inadequacies, at least demands a new and vigorous national security clause. It is not enough that the prior clause be boilerplated onto H.R. 11970. With the threat of substantial dislocation and disruption in our economy as a result of foreign imports—a fact which the proponents of this bill admit by so carefully providing means to alleviate the distress—the importance of the national security provision is significantly increased. It is one thing to risk the economic destruction of some domestic industry in the hope of obtaining increase in export trade. It is quite another to jeopardize our national security in the process of this gamble. We submit, therefore, that section 232 be redrawn

in such a way to absolutely insulate key industries and commodities from the harsh impact of increased foreign imports.

We are especially concerned with the exclusive discretion granted the President to eliminate duties altogether on undefined broad categories of goods in entering into agreements with the Common Market nations. Should tool and fine steels be lumped with tonnage steel, any deliberative consideration of the critical national defense contribution and precarious market position of our industry could be unwittingly ignored with the destruction or crippling of the specialty steel industry as the result and agreements producing total disruption of the tool and fine steel industry could be negotiated without Congress exercising any review whatever over administrative determination. We consider this to be one of the principal flaws of H.R. 11970.

It is also to be emphasized that the bill retains only the facade of the peril-point provision of existing law. Briefly, the Tariff Commission may not find any specific level of duty below which injury would be likely to occur but may only "advise" as to the "economic" effect of reductions or eliminations. Consequently, the President need not report that any recommendation or finding was rejected, and the economic conclusions of the Commission would not permit Commission analysis only of the effect on overall industry operations of proposed reductions, a particular detriment to tool and fine steels.

The ineffectiveness of the escape-clause provision is also a glaring inadequacy. Although it is unquestionably an improvement over the language originally proposed to the House of Representatives, it is still not a mechanism for guarding essential domestic industries against irreparable harm. The Tariff Commission may only find that an "industry" has suffered or is threatened with injury, and the term "industry" is nowhere defined in the bill. Conceivably, "steel" would constitute an industry. The segmenting of industries authorized by present law would not be allowed. Combining tool and fine steels with tonnage steel would effectively deny our industry the consideration which its particular problems merit.

It is also provided that the Commission must find that the injury was produced entirely (rather than "in part" as in present law) by a tariff concession. This change imposes an unjustifiably harsh burden of proof upon the party seeking relief. He must, in effect, prove that no other cause contributed even in small part to his plight. Furthermore the standards to be applied in determining injury are not adequate to provide relief while the industry is still able to make use of it. Finally, the provision for legislative review seems largely ineffective by reason of the need for the affirmative vote of a constitutional majority of both Houses and the failure to insure that a review resolution will obtain a floor vote.

This safeguard machinery would, if properly implemented, insure a prudent trade policy which could permit recognition of the total national interest. They seem to us far preferable to the other relief mechanisms set forth in the legislation before you. The other adjustment assistance provisions are both fiscally questionable and contrary to the established provisions which are directed toward preserving American firms and workers who have suffered injury from importation.

Testimony has been received that the cost of these programs to the Treasury could reach enormity. I am not an economic forecaster and cannot predict with any degree of certainty the extent to which this would be true. Nevertheless, I can make some statements with respect to the steel industry. The American Iron & Steel Institute recently estimated that 40,000 jobs in the steel industry have been lost to foreign competition. If adjustment assistance at 65 percent of average earnings were paid these workers for the basic 52-week period, the cost would run over $200 million.

We stress that the subsidy provisions are not as consonant with our free enterprise system as a selective trade program. The adjustment assistance provisions of H.R. 11970 are throughout infected with the likelihood of Government supervision and control. For example, broad discretion is vested in the executive branch to determine whether or not tariff concessions have caused or threatened serious injury or unemployment; review and act upon proposals for economic adjustment; decide whether or not a firm has developed a sufficient plan to use its own resources for development; require "appropriate" cost sharing; set interest rates; and determine the type and extent of security for financial assistance. Further, if particular firms in an industry are selected for relief whereas others are not, relative competitive advantages and disruptions would occur. It seems to us that, at best, such a grant of authority has no place in trade legislation, but that a reasoned program of import regulation is by far the wiser course.

As I said at the outset, we are not opposed to expanded foreign trade. Yet whatever trade policy is adopted should take full cognizance of the need and provide machinery for protecting and preserving industries such as ours which is threatened with severe injury and is essential to the national defense effort.

IV. THE ILL-FOUNDED OPTIMISM OF THE PROPONENTS OF H.R. 11970 UNDERSCORES THE NEED FOR EFFECTIVE SAFEGUARDS

The radical departure from existing law that the Trade Expansion Act represents necessitates certain risks and serves to underscore the need for the preservation of safeguards for vital domestic industry. These procedures would be essential, even were the broadly stated goals which H.R. 11970 seeks wholly attainable, and even were the overall economic impact clearly to be beneficial. They are more so because of the uncertainty of impact and achievement which infects the bill.

Although sweeping pronouncements by the advocates of H.R. 11970 style it as a solution for the problems of growth rate, unemployment, balance-of-payments deficits, gold drain, and virtually every economic question facing us, the information essential to a full evaluation of these claims has been somewhat beclouded. We suggest, as have many others, that the glorified predictions regarding H.R. 11970 are at best well-meaning speculations, unsupported by fact.

Permit me to discuss briefly some of the reasons why we believe that the goals cited in the preamble of H.R. 11970 are not supported by the arguments made in behalf of the bill.

First, it is contended that the United States has benefited in trade negotiations by obtaining greater tariff concessions than it has given

away. In press release No. 369, June 7, 1962, the State Department announced that in the recent Geneva negotiations, the United States had obtained concessions amounting to $1,575 million for exports while conceding an estimated $1,225.5 million on imports. Yet the estimate on which the latter figure is based takes into consideration only imports from the EEC or the particular GATT country with which each concession was negotiated, and does not include other nations which are entitled to the concession; it substantially understates the value of the concessions made by the United States. Further, the $1,225.5 million figure is computed on the basis of values in the foreign markets whereas domestic port-of-entry values actually average a conservatively estimated 15 percent above those of foreign markets. Taking these factors into account, it appears that the concessions granted are, in fact, significantly in excess of those we received.

Second, the Secretaries of Commerce and Labor allege that approximately 4 million jobs are dependent on foreign trade, whereas something in the vicinity of a mere 90,000 are liable to injury from increased importation. Although the 4 million job estimate is based on a formal Labor Department report, the diminutive 90,000 figure is not so founded. In fact, we have no idea of the source or accuracy of this key figure and the supporting information used by the Labor Deportment seems unreliable. The Labor Department report which undertakes to estimate jobs lost as a result of imports in 1960 indicates that competitive imports of all products of primary metal industries were $570.8 million based on foreign value plus a 17-percent factor. Since this figure was less than imports of steel mill products alone (foreign value, $506 million, plus 17 percent equals $592 million) we looked further.

The official Census Bureau report of imports, FT 110 for 1960, shows the following, in millions of dollars, foreign values:

	Millions
Iron and steel making war materials	$346.0
Steel mill products	505.5
Iron and steel manufactures	124.8
Ferric-alloys, ores, and metals	174.7
Aluminum and manufacturers	206.6
Brass and bronze manufactures	56.2
Copper and manufactures	401.6
Lead and manufactures	92.6
Zinc and manufactures	74.6
Total	1,982.6

When the 17 percent is added, the total becomes $2,319.6 million.

It is evident that this total includes some unknown amount of products advanced beyond the stage of primary metal products, but it is also evident that the great bulk of the total is of primary ores and metals, iron ore, steel, aluminum, copper, lead, and zinc. How then could the Labor Department report that imports of primary metals were only $570.8 million?

It becomes clear that the finding is based on certain assumptions which seem to us unwarranted. Imports are divided into two classes, "competitive" and "supporting," and supporting imports were disregarded in arriving at the competitive import figures. Next, in the category of "supporting" imports were included all raw material and

semimanufactured imports which supply more than 75 percent or less than 5 percent of U.S. consumption. Further, imports, even within these percentage figures, are supporting if they are considered essential to U.S. industry, exemplified by petroleum, iron ore, and softwood lumber. On such a basis, since total U.S. imports are under 5 percent of total U.S. consumption, the Department might well have said that there are no competitive imports whatever. Although such a statement would be absurd, we submit that it is equally unreliable to make such assumptions on a narrow base as on a broader one. And the "supporting" import category is utilized not only to reduce the estimate of jobs which might be lost to exports but to increase the number supplied by imports.

Third, the Under Secretary of State testified before the House Ways and Means Committee to the effect that the Common Market and the United States have about the same level of tariff protection. He said the EEC tariff on industrial products averages 5.7 percent and that the comparable figure for the United States is 7.1 percent (hearings on H.R. 9900, p. 639).

We studied the Commerce Department tabulation on which the Under Secretary based his statement. We noted that it omitted chemicals on which the Common Market tariffs are high. On the other hand, it included the products which are not produced in significant quantities in the Common Market and which are imported in large quantities duty free. Thus, to get a low EEC tariff average the tabulation included oilseeds, crude rubber, raw cotton, wool, jute, and other vegetable fibers, iron ore and nonferrous ores, crude petroleum, and precious stones.

Now these are not industrial products. They are primary products that are the raw materials for the Common Market industries. Their inclusion substantially reduces the average level of EEC tariffs, which average is then styled as relating to industrial products.

Fourth, in February the opening sentence of a Commerce Department press release said "Dollar volume of exports of steel mill products from the United States in 1961 ran ahead of imports for the second year in a row" (BD-62-67, Feb. 26, 1962). As a matter of fact, the volume of imports of steel mill products in 1961 ran ahead of exports for the third year in a row. Of course the Department makes a technical justification for the quoted statement—they were talking about dollars, even though they used the word "volume" which connotes quantity, not value. But this justification is still inaccurate because the dollars of imports referred to are the values of the goods in the countries of export which, of course, are much lower per unit than the U.S. values of competitive steel.

Most other countries, including the EEC, value imports on a c.i.f. port of entry basis. The United States values imports on a foreign basis, usually the mill or factory abroad. If the United States were to follow the EEC practice, our statistics would make a fairer showing of trade balances.

Statistical argumentation of this nature makes us uncertain that the bill will attain its goals and fearful of its impact. Presentations of that sort hardly appear to be of the class of information which will assist Congress to fully deliberate and determine the turning point

issue now before it. In addition the vulnerability of administration statistics suggests a free trade bias so strong as to underscore the need for more adequate congressional checks.

Yet despite the uncertainties of attainment, the present bill cloaks the executive branch with unprecedented authority to reduce tariffs and diminishes the powers of Congress in the trade area to an all-time low.

V. RECOMMENDATIONS

We of the tool and fine steel industry would recommend that, as a minimum, the following changes be made in H.R. 11970:

1. The national security clause should be strengthened.
2. Congressional review of negotiated trade agreements should be provided. Both this review and review of Presidential refusal to take action on escape clause recommendations should be able to override Presidential action or failure to take action by simple majority vote of one House acting on a privileged resolution.
3. The escape clause provision should be amended as to definition of industry and criteria of injury so that it comports with present law.
4. The peril point provisions of existing law should be retained.
5. The subsidy involved in the adjustment assistance provisions should be stricken from the bill.

We must emphasize that we are not against free trade so long as it is not unfair trade, but regret that in our opinion present conditions prevent the attainment of such an ideal. Until such time as wage and working standard and fiscal and monetary conditions improve, vital American industries are entitled to protection.

(The appendix to Mr. Potter's statement follows:)

APPENDIX

PARTICIPATING COMPANIES

Allegheny Ludlum Steel Corp.
Armco Steel Corp.
Bethlehem Steel Co.
Braeburn Alloy Steel Corp.
The Carpenter Steel Co.
Columbia Tool Steel Co.
Crucible Steel Co. of America
Eastern Stainless Steel Corp.
Firth Sterling, Inc.
Jessop Steel Co.
Jones & Laughlin Steel Corp.
Joslyn Stainless Steel Division
Latrobe Steel Co.
Republic Steel Corp.
Sharon Steel Corp.
Simonds Saw & Steel Co.
Universal-Cyclops Steel Corp.
Vanadium-Alloys Steel Co.
Vulcan-Kidd Steel Division
Washington Steel Corp.

The CHAIRMAN. Thank you very much.

Senator Curtis.

Senator CURTIS. Is domestic production actually shrinking as imports increase?

Mr. POTTER. Domestic production has decreased; yes, sir.

Senator CURTIS. Decreased or increased?

Mr. POTTER. Has decreased.

Senator CURTIS. As imports have increased?

Mr. POTTER. As imports have increased.

Senator CURTIS. How many jobs do you say you can trace to loss of production?

Mr. POTTER. How many jobs did I say in the statement—40,000 jobs?

Senator CURTIS. You have already lost?

Mr. POTTER. Yes; in the overall steel industry. In our own industry, the tool- and fine-steel industry, we have estimated that 2,000 jobs have been lost as the direct effect of imports, and another 2,000 jobs have been lost as a result of products imported in their finished form.

Senator CURTIS. If imports continue do you expect the same pattern of employment?

Mr. POTTER. I see no reason to see any change at the present time. It will be a continual decrease in employment.

Senator CURTIS. You spoke of national defense provisions. How do specialty steel products fit into defense, and why are they so strategic?

Mr. POTTER. Tool steels are used primarily for the making, shaping, and forming of other metals, so there is nothing that could be made for the Defense Establishment that does not have to be made with one form or another of tool steel as a tool, shaping tool, cutting tool, or a forming tool.

Because of the peculiar specialty nature of the tool steel business, with their infinite capacity for making relatively small batches of high-quality materials, it is the Defense Department that looks to the tool steel industry to develop these specialty products in order to have us attain further goals in the missile and rocket field.

For instance, it is the tool steel industry that has developed steel products for high-temperature bearings that go on supersonic aircraft. It is the tool steel industry with their specialized melting techniques for manufacturing very clean steel, free from occlusions, that has been in the forefront for the development of steels for missile casings and rocket skins.

Senator CURTIS. That is all, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Potter.

The committee will adjourn until 10 o'clock tomorrow morning.

(By direction of the chairman, the following is made a part of the record:)

THE PIPE FITTINGS MANUFACTURERS ASSOCIATION,
New York, N.Y., July 26, 1962.

Subject: Statement on opposition to H.R. 11970.

Hon. HARRY F. BYRD,
Chairman Senate Finance Committee, Senate Office Building, Washington, D.C.

DEAR SENATOR BYRD: On behalf of the Pipe Fittings Manufacturers Association I would like to present our views in respect to the Trade Expansion Act of 1962, bill H.R. 11970, presently being considered by your committee.

I am enclosing copies of the statement we filed with the House Committee on Ways and Means when this bill (then H.R. 9900) was being considered by that committee. Additional copies are available if needed.

We feel that the changes in H.R. 11970 over its predecessor, H.R. 9900, are not significant and therefore our original views are still valid.

It is requested that this statement be made a part of the printed record covering the hearings held by your committee on this subject.

Thank you for your review and consideration.

Respectfully submitted.

LESTER W. BENOIT, *Secretary-Treasurer*

STATEMENT IN OPPOSITION TO H.R. 9900 SUBMITTED ON BEHALF OF THE PIPE FITTINGS MANUFACTURERS ASSOCIATION, NEW YORK, N.Y.

THE PIPE FITTINGS MANUFACTURERS ASSOCIATION,
New York, N.Y., March 21, 1962.

Subject: Statement in opposition to H.R. 9900.

Mr. LEO H. IRWIN,
Chief Counsel, Committee on Ways and Means, New House Office Building, Washington, D.C.

DEAR SIR: This statement in opposition to H.R. 9900 is submitted on behalf of the Pipe Fittings Manufacturers Association. The manufactured products with which the association's 32 members are concerned include malleable iron and gray cast iron pipe fittings, malleable iron unions, brass fittings and unions, cast brass solder fittings, pipe hangers, and steel pipe couplings.

That segment of our membership which produces malleable iron pipe fittings has had 14 years' experience in operating under a 50-percent reduction in import duty on its product. Therefore, for illustrative purposes under this statement, and as one base for opposition to H.R. 9900, the impact of this 50-percent reduction on this segment of our industry will be cited. It is believed that such impact is typical of what has occurred already with respect to products, employment, and capital in numerous other industries. That will become the experience of many additional industries, should the provisions of H.R. 9900 be enacted.

The producer-members of this association manufacture over 90 percent of all malleable iron pipe fittings produced in the United States. As set forth herein, the availability of this product is essential to the national security.

It is requested that this statement be made a part of the printed record covering the hearings held by your committee on this subject.

Thank you for your review and consideration.

Respectfully submitted.

LESTER W. BENOIT, *Secretary-Treasurer.*

STATEMENT IN OPPOSITION TO H.R. 9900

SUMMARY

H.R. 9900 is opposed

Opposition to H.R. 9900, and the opinions herein expressed, are based, among other things, on the facts set forth in the detailed statement, and include an experience of 14 years' operation under a 50 percent reduction in tariff rates, together with a knowledge of the administration of the relief sections under existing trade laws.

Among the reasons for opposition to H.R. 9900 are the following:

(*a*) Insofar as stated purposes relate to the domestic economy, such purposes, in substance, will not be achieved. We do not believe that the increase in bona fide exports will be commensurate with the injury to our domestic economy covered by the further imports from low-wage countries.

(*b*) Failure to attain such purposes in the domestic area will weaken the capabilities of the United States to carry out its stated purposes in other areas.

(*c*) Across-the-board, or basket-type reductions are inequitable and unnecessary. Undue hardship is created for selected industries. Rate changes, either up or down, should be base on a product-by-product and industry-by-industry application. For example, substantially all malleable iron pipe fittings produced in European Common Market areas are not interchangeable with malleable iron pipe fittings produced domestically. Neither will U.S. fittings meet the Common Market area specifications to any extent. However, under "most favored nation provisions," reductions granted the Common Market area could be made use of by Japan to further preempt the U.S. market.

(*d*) It should be a basic objective to assure that the United States, as the primary arsenal of all free nations, shall have the industrial base it needs if war should come.

(*e*) Neither gross national product nor job opportunities will be increased, or will taxes be created to meet urgent fiscal needs, out of training programs for unemployed, or from applying financial "oxygen" to defunct corporations. The "health" of the existing industries should be sustained.

(*f*) The administration of relief provisions under existing trade and tariff acts does not lend confidence to sound and equitable benefits being derived under

the provisions contained in H.R. 9900. The benefits or assistance proposed under H.R. 9900 are uncertain both as to determination and application.

A policy in the national interest

Believing that it is more constructive to state not only what we oppose but also what we are for, there is submitted as a part hereof, under exhibit A, a proposed trade policy in the national interest. That policy is commended for your consideration.

Why imports gain

Taking advantage of the 50 percent reduction in import duty, importers dominate the domestic market due to lower production costs, including a labor cost of 85 percent below domestic labor costs. Imports compete in the domestic wholesale market at more than 30 percent under prices of domestic manufacturers. In this product, approximately 75 percent of the total cost is labor. Efficiency cannot bridge this labor-cost gap.

Impact on other industries

That the experience in this industry is common with that of other industries where the labor cost for the product is significant, is proven by the facts set forth in a study which appears in the Federal Register of February 5, 1962, page 834. This study compares, by product categories, 1951 export-import volume with 1960 export-import volume.

Experience under a 50 percent reduction in import duty

The malleable iron pipefittings segment of this industry has operated for 14 years under a 50 percent reduction of import duties. Other reductions have been in effect on other products which have been imported for end use in competition with this product. For illustrative purposes under this statement, and as one base for opposition to H.R. 9900, the impact of such reductions are herein cited.

A concern for national security

Malleable iron pipefittings are essential to national security. The product is an integral factor in sustaining the $50 billion annual domestic construction industry, including shipbuilding.

In the event of attack, importers might be either unwilling or unable to remain a source of supply. Under these conditions, what then would sustain the vitally essential construction industry? To whom would the citizens of the United States look for shelter, as well as protection to health and general welfare?

Who are these producers

A majority of the 14 producers of malleable iron pipefittings have less than 500 employees. They are located in nine different States. Eleven are in communities having a population of under 18,000. The majority have been in this business for over 60 years. Facilities utilized are largely special purpose. The majority of the plant workers have a seniority of over 15 years.

Impact of imports

(*a*) About 61 percent of the domestic market has been lost, with corresponding reduction in industry employment.

(*b*) Some 85 percent of the U.S. export market has been lost.

(*c*) Domestic manufacturers who produced approximately 35 percent of the domestic production have discontinued such operations. Included were two of the industry's largest producers, each of whom had manufactured malleable iron pipefittings for over 100 years.

(*d*) The major factor causing the foregoing impact has been imports of direct or competitive products, as to either quantity or price. Said imports were made possible by the 50 percent reduction in import duty on direct products and by varying reductions on other products.

STATEMENT

Introduction

Since January 1, 1948, the import duty rate on malleable iron pipefittings, a major segment of our industry, has been 22½ percent ad valorem, compared to a prior rate of 45 percent.

Thus, this segment of our industry is in a position to form a judgment regarding H.R. 9900, based upon 14 years of actual experience in the marketplace, during which period a 50 percent reduction was in effect. From this experience

the adverse further effects which will be certain from the additional reductions and provisions proposed under H.R. 9900 become obvious.

Through its members, as well as its appropriate association representatives, this industry has given, for a period of years, thoughtful consideration to, and has taken aggressive action on, tariff and foreign trade policies. Therefore, informed opinions are made possible.

This industry is well aware of the fact that its own disastrous experience since 1948, under an import duty reduction of 50 percent, is typical of a broad segment of all U.S. industry. It is in common with substantially all products involved in an import-export relationship where the total unit cost includes a significant labor content. This condition applies not only to preemption of domestic markets by imports, but also to the closing of export markets.

In full support of the foregoing comments we refer you to the comprehensive comparison, by product categories, of 1951 export-import volume with 1960 export-import volume as recorded in the Federal Register of February 5, 1962, page 834. Had such study been expressed in product units, rather than dollars, the alarming situation disclosed would have been even further underscored. This study was prepared from official data published by the U.S. Department of Commerce.

Before outlining specific reasons for opposition to H.R. 9900, comment will be made on (a) significance of malleable iron pipefittings industry, and (b) impact of 1948 import duty reductions on malleable iron pipefittings industry. Comment is also included as to why the existing conditions are a cause for national concern.

Significance of malleable iron pipefittings industry

Malleable iron pipefittings are used in new and maintenance construction, including shipbuilding, and as component parts for equipment and products in industry. Construction constitutes the major market.

Measured in pounds of malleable iron pipefittings for each 1,000 square feet of construction put in place, the comsumption demand from year to year has been consistent, except during wartime periods, when such demand more than tripled. This was due to diversion of more critical materials, such as copper and brass, which are ordinarily competitive, to urgently needed wartime requirements.

Hence, availability and production of these pipefittings, of a quality and specification fully meeting domestic standards, is essential to the expansion and maintenance of the $50 billion annual domestic construction industry, to shipbuilding, and to national security, including shelter, health, and welfare of the citizens.

This industry has an importance to national security, and as an integral component of construction, greatly exceeding any relative quantity and value reference. For example, each dollar of volume in malleable iron pipefittings sustains 1,000 times its volume in the construction industry.

The majority of the 14 producers in this industry each have less than 500 employees. Eleven of the plants are located in communities having a population of less than 18,000. The majority of these producers have been in business more than 60 years.

Geographically, the plants of these 14 manufacturers are located—4 in Pennsylvania, 2 in Ohio, 2 in Rhode Island, and 1 in each of the States of Alabama, California, Connecticut, Illinois, Michigan, and Wisconsin.

The facilities comprising the over $40 million reproductive capital investment of the industry are largely special purpose, and cannot be, except in minor part, economically converted to other production uses.

The majority of the workers in the plants comprising this industry have a length of service of more than 15 years.

Impact of 1948 import duty reduction on malleable iron pipefittings industry

As has been shown, new and maintenance construction constitutes the preponderant market for malleable iron pipefittings. Based on U.S. Department of Commerce data, which is expressed in 1947–49 constant prices, the 1961 volume of construction averaged 171, compared with a base of 100 for the 1947–49 period.

In contrast, and based upon millions of pounds, the annual average of malleable iron pipefittings shipped by domestic plants in 1961 averaged 67 compared with its 1947–49 base of 100. When compared with the current construction rate of 171, the 67 rate reflects a 61 percent loss in volume for pipefittings. Because employment bears a direct relationship to pounds produced, it is factual to state that employment has been reduced to 39 percent.

The major contributing factor to this 61 percent loss in jobs was imports, in terms of either quantity or price. Such imports were comprised of not only

malleable iron pipefittings but also of other competitive products, such as copper and copper alloy pipe and tube, and certain cast brass plumbing products.

Pipefittings are purchased only when there is a specific construction or component need. Unlike consumer goods, increased volume is not created by lower prices. Imports reduce the potential need for domestic produced fittings, and related employment, in direct proportion to the pounds of production lost.

The number of ports of importation increased from 5 in 1953 to 19 in 1961. Great Lakes-seaway shipments are already creating further import competition.

In terms of pounds shipped into the domestic market, imports of malleable iron pipefittings, by periods, have been as follows:

Imports as average annual percent of domestic market

Period:	
1948–52	Less than ½ of 1 percent.
1953–55	Under 2 percent.
1956–58	4.5 percent.
1959–61	8.47 percent.

As this summary shows, the rate of imports has doubled when each 3-year period is compared with the prior period. How long can any industry survive under such a trend?

Due to several internal conditions, including money and time needed to establish facilities, imports of this product from Japan were not an important factor until about 1956. Since that time over 95 percent of such imports have been from Japan.

That such export business is not vitally essential to the Japanese economy, or to Japanese-United States relations, is clearly proven by the fact that such exports have equalled less than 3 percent of the total production in Japan of all malleable cast iron products. This statement is based upon official data released by the Government of Japan.

The fittings imported from Japan have sold, and are currently selling, in the domestic wholesale market, at prices averaging more than 30 percent below the average price of domestic producers. In 1957, our industry filed, and prosecuted until denied in 1960, a claim for relief under the antidumping section of existing trade laws.

In this product approximately 75 percent of the total cost content is labor. Base rates paid by U.S. manufacturers average $2.52 per hour, exclusive of fringe benefits, which add an additional 60 cents per hour. Comparative labor costs in Japan are less than 15 percent of these domestic costs. For the most part foreign plants have been modernized. Variation in labor and labor related costs is the controlling element in costs as well as in price competition.

During the past 10 years there has been a steady and substantial increase in the import of copper and copper-alloy pipe and tube for plumbing and certain cast brass plumbing products. These products, which are competitive to pipefittings, have further caused loss of domestic and export markets, and disruption of prices for such pipefittings.

For example, for the years 1947–49, tube for plumbing imported averaged annually only 11,000 pounds. For the years 1958–60, this same product was imported at an annual average rate of 48.2 million pounds.

Compared with the export volume which was attained for the 4 years ended December 31, 1953, U.S. producers have now lost 85 percent of the average export market. Since U.S. producers cannot compete in the domestic market due to the labor cost advantages held by foreign producers, it is obvious that export markets cannot be retained in competition with these same foreign producers.

What has been the result of this impact of the 1948, 50-percent import duty reduction on productivity of U.S. producers of malleable iron pipefittings?

(*a*) Some 61 percent of the domestic market has been lost, with corresponding reduction in industry employment.

(*b*) About 85 percent of the U.S. export market has been lost.

(*c*) Manufacturers who were producing approximately 35 percent of the domestic production have discontinued such operations. This included two of the largest producers in the industry, each of whom had manufactured malleable iron pipefittings for over 100 years.

(*d*) The major factor causing the foregoing impact has been imports of direct or competitive products, as to either quantity or price. Said imports were

made possible by the 50-percent reduction in import duty on direct products and by varying reductions on other products.

A cause for national concern

If the trend of these imports is permitted to continue, it is clearly indicated that such imports will destroy the entire domestic and export market for malleable iron pipefittings.

When production facilities and production costs, exclusive of labor, are reasonably comparable, and when labor content is 75 percent, it is not realistic to allege that improved production efficiency could bridge a labor cost gap of 85 percent, as has been here shown.

Such preemption would weaken the industrial base of the United States for national security. It would move essential industrial capacity away from domestic locations. Domestic employment, on this product, would be entirely wiped out.

In the event of war, such importers might be either unwilling or unable to remain a source of supply. Even if willing, air, missile, or submarine activity could prevent shipping, even if the ships were available.

Under such conditions, what then would sustain our vitally essential construction industry, an industry to which citizens must look for shelter, health, and welfare, not to mention defense.

Can the United States afford to create and permit this jeopardy to its national security?

Proposals contained in H.R. 9900 are opposed

Opposition to H.R. 9900, and the opinions herein expressed, are based, among other things, on the facts set forth in the detailed statement, and include an experience of 14 years operation under a 50-percent reduction in tariff rates, together with a knowledge of the administration of the relief sections under existing trade laws.

Among the reasons for opposition to H.R. 9900 are the following:

1. Title I, in addition to naming the bill and stating its effective date, describes its purposes.

Insofar as those stated purposes relate to the domestic economy, it is believed that such purposes will not, in substance, be achieved. Failure to attain such purposes in the domestic area will weaken the capabilities of the United States to carry out its stated purposes in other areas.

2. Title II grants to the President 5-year authority to eliminate any tariff of 5 percent or less, and to cut to a maximum of 50 percent any other tariff agreements negotiated with any foreign country. In addition special authority is granted to eliminate tariffs for three categories of products in agreements negotiated with the European Economic Community.

We are opposed to across-the-board or basket-type reductions. Rate changes, either up or down, should be based on product-by-product and industry-by-industry analysis, along with consideration of all pertinent factors both domestic and foreign. We oppose use of United Nations criteria.

For example, let's review a product factor.

It might be assumed that under the provisions of H.R. 9900 some new opportunity would be created for domestic manufacturers of malleable iron pipe fittings to export to the European Common Market areas. Likewise, the conclusion might be that increased imports of malleable iron pipe fittings might be received from the European Common Market countries.

Neither conclusion would be correct. The reason is that both the methods of manufacture and the product specifications are quite different in the United States from the European countries. The resultant products are neither comparable nor interchangeable, except to a nominal extent.

Hence, any lowering of tariffs under such circumstances would be without benefit to either party. However, under the most-favored-nation policy, we would be further delivering the U.S. market to those foreign countries who already have made such disastrous inroads in destroying domestic production capabilities and markets.

We do not believe the national policy with respect to the containment of communism or the assistance of underdeveloped areas, through foreign aid, or trade agreements, should be achieved by treating a basic domestic industry, such as the malleable iron pipe fittings industry, or any other, as expendable.

In the development of a national policy it should be a basic objective to make certain that the United States, as the primary arsenal of all free nations, shall have the industrial reserve it needs if war should come.

Neither the experience of veteran American employees, nor the capital which supports the jobs for those employees, should be sacrificed.

The national objective should be shared by the whole Nation, through appropriate broad measures, equitably applied.

3. Title III relates to "adjustment assistance."

Since H.R. 9900 devotes some 37 pages, out of a total of 61 pages, to this section, it would seem reasonable to conclude that the provisions contained therein are among the more important of the entire proposed bill.

We do not believe that either gross national product or job opportunities will be increased, nor will taxes be created to meet urgent present and accrued fiscal demands, out of training programs for unemployed, or from applying financial "oxygen" to defunct corporations.

The American way would seem to call for a program which would assure the survival of the industries involved, together with maintenance of the jobs, at known skills, for the workers.

We regret that the administration of relief provisions under existing trade and tariff acts does not lend confidence to equitable benefits being derived from the extensive changes now proposed.

The benefits or assistance proposed under H.R. 9900 are uncertain both as to determination and application.

A proposed trade policy in the national interest

Believing that it is more constructive to state not only what we oppose but also what we are for, there is attached hereto and made a part hereof, as exhibit A, a proposed trade policy in the national interest.

We suggest that the principles therein set forth would constitute a framework around which a sound and equitable trade policy could be established.

It is urged that any bill brought out by the Ways and Means Committee be under the open rule, to facilitate amendments and full discussion by both Houses of the Congress.

EXHIBIT A

A PROPOSED TRADE POLICY IN THE NATIONAL INTEREST

The strength of the U.S. economy is basic to our national security, and that of the free world. Policy designed to promote growth in one sector of the economy must also insure against harm to other sectors.

Foreign economic policy is expressed initially by the Congress. It is developed, however, by the Executive under the authority of the trade agreements legislation. Without enforcible safeguards to prevent harm to our internal economy, the development of policy to promote exports can exceed, and has exceeded, the limits intended by Congress. Excessive imports fostered by tariff concessions can weaken or destroy important sources of internal economic strength represented by investment, national income originating in production, and employment in domestic industries. The losses may exceed any gains realized by increased exports.

The safeguards previously specified by the Congress in the trade agreements legislation have proved to be unworkable because the executive department has not allowed them to work. Peril point findings are superficially made, because of the thousands of product categories placed on the proposed offer list, and often ignored; the escape clause is made impotent by Executive frustration (relief in only 13 out of 130 cases), and the national security provision made a mockery (relief in only 1 out of 21 cases).

The administration has stated its intention of seeking an unprecedented grant of power from Congress to make sweeping tariff reductions. Its spokesmen have announced that this power, if granted, will be used to promote a growth in U.S. exports through negotiated across-the-board tariff reductions which they concede will injure some domestic industries and workers vulnerable to imports.

Instead of using the tariff-reducing authority selectively to bargain for increased export opportunities for American goods for industries which require such outlets, the Executive has made wholesale reductions in thousands of tariff classifications at a time in repeated negotiations under GATT to carry out political objectives, or to secure more favorable treatment for the industries of other countries, such as Japan, instead of American industry.

Since World War II the United States in five massive negotiating sessions under GATT has reduced its tariffs by 70 percent, ostensibly to secure reciprocal concessions from other countries. The increased access for U.S. exports paid

for by these tariff concessions has been denied by other countries through discriminatory practices restricting the imports of U.S. goods. Provisions of U.S. law and trade agreements empowering the Executive to counteract such discrimination have not been invoked. Instead, the Executive is now asking for new tariff-reducing authority in order to pay once again for the same commitments by other countries to admit U.S. exports on terms as favorable as accorded other countries.

In view of the administration's frankly stated objectives, it is essential that any new trade agreements legislation enacted by Congress make clear the paramount importance of preserving and fostering growth in our internal economic strength. The cost of any program authorized by Congress for the accomplishment of political objectives, such as strengthening the economies of other countries against communism must be borne by all, and not by certain U.S. industries and workers as "sacrificial lambs."

The following points are essential parts of any new trade legislation; they will provide the balance in national policy which the above considerations require:

1. Preserve U.S. internal economic strength by—

(*a*) Retaining and perfecting the escape-clause procedure so that existing customs treatment must be changed to remedy actual or threatened serious injury suffered by industries or workers in part from excessive imports when there has occurred: (i) A significant decline in the share of the domestic market supplied by domestic products in relation to a representative base period (taking into account a decline in order bookings of long-leadtime industries) and, either (ii) a significant decline, actual or relative, in the domestic price level, or in the net earnings of the domestic industry, with respect to the products like or competitive with the imports; or (iii) a decline in employment, a loss in wages due to shortened work periods, or a decline in wage rates, either actual or relative to wages paid in other industries of the same general class.

When either of these criteria (that is, i plus ii, or i plus iii) for action is met, the Tariff Commission must recommend, as a minimum, an increase in duty equal to the difference between the landed cost of the imports and the wholesale price of the comparable domestic products, or to recommend an import quota which will restore the ratio of imports to domestic consumption existing during the base period. The Commission's recommendations shall take effect within 60 days unless either House by majority vote concurs in a recommendation by the President that for good cause shown they not be made effective.

(*b*) Retaining and perfecting the peril point procedure so that there will be excluded from the Executive's power to lower tariffs the products of U.S. industries and workers who would be injured by such action, as determined by the Tariff Commission under criteria similar to those in the escape clause, described above.

2. Promote growth in the U.S. economy by—

(*a*) Requiring mandatory action by the Executive to accomplish by negotiation or by proclamation an adjustment of imports of products like or competitive with those of a domestic industry to the ratio to domestic consumption of such imports during a representative post-World War II base period when it is found by the Tariff Commission (on application by the affected industry) that coincident with an increase in imports above the base period ratio to domestic consumption, the domestic industry has suffered, in comparison with the base period, a decline in its rate of growth in investment, earnings, sales, employment, or wage payments due in part to the effect of the excessive imports on the industry;

(*b*) Excluding from the Executive's power to negotiate new tariff concessions products of U.S. industries which have suffered or would suffer a decline in rate of growth in investment, earnings, sales, employment, or wage payments if imports were to be increased by an amount exceeding the share of domestic consumption held by imports during the base period.

3. Promote U.S. exports by—

(*a*) Enforcing U.S. rights under existing trade agreements to secure the full benefit of concessions previously bargained and paid for by U.S. tariff concessions but curtailed or nullified by exchange controls, import license restrictions, quotas, bilateral agreements, or other devices;

(*b*) Mandatory action by the Executive under existing law and trade agreement provisions to secure the removal of foreign import barriers which in fact discriminate against U.S. goods whether the subject of trade agreement concessions or not;

(*c*) Negotiating new trade agreements with countries which impose no discriminatory barriers against U.S. exports, and which give the United States the full benefit of concessions previously granted;

(*d*) Suspending most-favored-nation treatment from nations imposing discriminatory barriers against U.S. exports, or denying to the United States the full benefit of concessions previously granted to the United States.

STATEMENT OF THE BUTTON DIVISION OF THE SOCIETY OF THE PLASTICS INDUSTRY, INC., CONCERNING H.R. 11970, SUBMITTED BY EDWIN C. BRODERSON

The Society of the Plastics Industry, is a corporate trade association organized under the membership corporation law of the State of New York. The button division, is one of the functional divisions of the society and is comprised of those engaged in the manufacture of buttons and button blanks from plastic materials. The society is also filing a statement on behalf of all of its members. Although the button division concurs with the position as set forth in the society's general statement, it wishes to make this separate filing because of the division's concern over the import situation as that affects buttons and button blanks manufactured out of plastic materials.

At the outset, the button division concurs with and supports the expressed purpose of H.R. 11970 of stimulating the economic growth of the United States and of maintaining and enlarging its foreign markets through trade agreements which afford mutual benefits with foreign countries.

Although the button division notes that there has been some improvement in H.R. 11970, as a result of the House Ways and Means Committee's consideration of the original bill, H.R. 9900 (for example, the addition of a provision permitting the President to raise the rates of duty by 50 percent above the July 1, 1934, levels or to impose additional import restriction, such as quotas), the button division is of the opinion that there is still little evidence of a congressional intent to the effect that in administering this act the President should strive to secure truly reciprocal benefits. It would also appear reasonable and prudent to include language evidencing a congressional intent that drastic tariff cuts should not be made on articles where import levels are already at a high level and are continuing to increase without such further drastic duty cuts, as is the case with buttons.

The concentration of attention in the bill to adjustment assistance to industries and employees which might suffer as a result of large tariff reductions indicates that the Congress anticipates that the drastic tariff-cutting provisions provided for may have a severe impact on domestic industry and labor. Instead of permitting possible undue reliance on the adjustment assistance provisions of the bill, it would seem more appropriate to set forth, in more detail, the congressional intent as to how such situations might be avoided. This could be done by enlarging upon the instances where the Congress believes the President should either raise the rates of duties or impose additional import restrictions, such as where import levels on a given commodity are already at a high level and are continuing to rise even under the present duty levels. For example, the import of imitation pearl buttons, principally from the Far East, has risen from 396,709 gross in 1955 to 4,351,967 gross in 1961. In such a situation, it seems hardly logical that a further 50-percent reduction in duty on buttons would serve to increase or stimulate foreign trade in view of the already steady increase of imports of this commodity under the current rates. Rather, such a drastic reduction would only serve to adversely affect the domestic industry.

In summary, the Button Division of the Society of the Plastics Industry, Inc., respectfully requests that in its further considerations of this legislation the Congress should insure that there is sufficient and adequate language in the bill to clearly establish a congressional intent that the President in administering it should seek truly reciprocal trade benefits and should do so without incurring serious damage to segments of the economy, by not making tariff reductions where the import levels are already at a high level.

PITTSBURGH CHEMICAL CO.,
Pittsburgh, Pa., August 2, 1962.

Hon. HARRY FLOOD BYRD,
Senate Office Building, Washington, D.C.

MY DEAR SENATOR BYRD: With reference to the trade bill (H.R. 11970) now before the Senate Finance Committee, I would like to request that you consider certain amendments to the bill.

The passage of this bill in its present form represents future economic threat against the existence of the organic chemical business in the western Pennsylvania area. Our studies of the foreign chemical operation indicate that basic wage rate differentials cannot be met without tariff protection. I am attaching a booklet [1] based on a report by Arthur D. Little, Inc. of Cambridge, Mass., to the Synthetic Organic Chemical Manufacturers Association, which gives supporting summary information on the results of their study. Candidates for Governor of Pennsylvania of both political parties have publically recognized that employment is the biggest problem in Pennsylvania.

Attached are the amendments we consider essential to H.R. 11970. I would appreciate your serious consideration of these amendments.

Very truly yours,

D. J. MACLENNAN,
Vice President and General Manager,
Industrial Chemicals Division.

1. Establishment of safe tariff limits by the Tariff Commission after the necessary hearings. Any action of the President in trade negotiations deviating from the recommendations of the Trade Commission must be explained to Congress.
2. Tariff adjustments be made only on a product or article basis and not on broad category groupings.
3. Items essential to national security should be listed by the Defense Department after appropriate hearings and reserved from tariff negotiations.
4. Concessions negotiated with one country or group of countries should not be automatically extended to other countries.
5. Retain the escape clause provisions of the existing law and eliminate adjustment assistance provisions of H.R. 11970.

REICHHOLD CHEMICALS, INC.,
White Plains, N.Y., August 1, 1962.

Subject: H.R. 11970.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

MY DEAR SENATOR BYRD: With reference to the present hearings before the Senate Finance Committee for testimony on H.R. 11970, commonly known as the foreign trade bill, the Manufacturing Chemists' Association, Inc. has already pointed out that there are many different views amongst the members of that association. This is understandable if you keep in mind the many types of chemical products made in the United States. Some are unique and proprietary products, some are commodity-type products of very heavy specific gravity which do not lend themselves to transoceanic transportation, some are commodity type chemicals of lower weight and higher value in which foreign manufacturers can absorb transportation expenses, and still others are based on raw materials in which one or the other country or continent may have clear advantages.

Reichhold Chemicals, Inc. has domestic sales of aproximately $110 million per annum. The management of Reichhold Chemicals, Inc. is internationally minded, having established licensees and affiliates all over the world since 1934, such licensees and affiliates producing (not consolidated) sales of another approximately $80 million per annum. Consequently this company is not following any isolationist trend, but likes to see the one world idea gain momentum, at least one Western World which by its very achievements will persuade many others in the world to follow free men's activities. We feel we must say this lest we may be misunderstood in our concern about drastic tariff reductions, if not elimination,

[1] Booklet made a part of the committee files.

for some of the principal chemicals which Reichhold Chemicals, Inc. produces in plants with very substantialy capital investment in this country.

The products which we manufacture are all organic chemicals, with the exception of color pigments. Aside from the numerous products known as synthetic resins and chemicals, we manufacture some large volume chemicals such as U.S.P. phenol, phthalic acid anhydride, and maleic acid anhydride.

While the Manufacturing Chemists' Association has already drawn your attention to the picture emerging from the report edited by Arthur D. Little, Inc., in Cambridge, Mass., namely, that many elements of the U.S. chemical industry are losing their advantage over foreign competitors, we would like to bring to your attention that the management of this company was quite shocked to see the results given in said report.

While those results are quoted by the Manufacturing Chemists' Association as showing the emergence of dangerous competition from abroad, close studies in comparison with our own trading experience have shown us that those results are far from giving a picture as drastic as it is in reality. This is due in part to the international trade relations having changed rapidly since the edition of this report, and in part is due to unfamiliarity with certain trade conditions in contrast to calculating conditions by engineers and chemists, however able and capable they are.

U.S.P. PHENOL

In U.S.P. phenol, of which Reichhold Chemicals, Inc., produces some more than 10 percent of the production capacity in this country, the said report uses as a cost reference for U.S. phenol production a process for which one or two plants are presently under construction in the United States. Not one such plant is actually on stream, and consequently nobody has had actual experience with the production costs in such plants. Even if they would come near the expected results, they would represent costs in just one of the very latest methods and would not represent by any means the average costs in the total U.S. phenol industry. This, by the way, is in contrast to the figures calculated for other chemicals which had endeavored to present a picture of the mean costs in the U.S. industry.

Even by calculation, however, and this has been confirmed with Arthur D. Little, Inc., today's market conditions would not permit byproduct credits they have used for the calculation of phenol costs because such byproducts would bring considerably lower returns in the market today. This alone would bring the costs for such a U.S. phenol plant up from 5.6 to 7 cents per pound.

Another point for correction is that the U.S. costs for phenol were based on benzene—an important raw material—at a considerably lower cost than those entered in the calculation for European or Japanese manufacturers. Actually, the world market prices equalize this important chemical raw material all over the world, oftentimes even at somewhat lower figures abroad than in this country. In the case of phenol, a Japanese manufacturer of that chemical was listed with production costs almost as low as the United States, in spite of the fact that benzene was used in the calculation for such a Japanese manufacturer at a cost 40 percent higher than the present world market price. This, by the way, would drop the cost of phenol manufactured in Japan under the process in question by another 1.4 cents. Already a clear-cut tremendous advantage to a Japanese manufacturer emerges, and similar conditions apply to the listed European manufacturers.

Our own import and export experience compels us further to reduce drastically the expenses for transportation, insurance, etc., of phenol from Japan below those listed in the aforementioned report—the same, incidentally, as similar figures listed for other chemicals from Europe. We know that such expenses amount to no more than 2.75 cents, rather than the 3.6 cents as used in calculating the impact of products imported from Japan.

Summarizing the results of just a quick look at the reported figures will show, therefore, that the average manufactured costs in the United States for phenol are higher than the optimum plant of the future, that even the costs of a future U.S. plant will be at least 1.4 cents higher than reported, that the costs of the next lowest (Japanese) foreign manufacturer will be 1.4 cents lower than reported, and that the transportation expenses from Japan would be 0.9 cents per pound lower than reported.

At any rate, our practical experience is that in no foreign country can U.S.P. phenol, produced in the United States, be sold at anywhere near the American market price for phenol, even after the market price has dropped almost 25 percent during the last year, and this is the practical reason why we look with the greatest possible concern at the practical and not calculated costs of American manufacture in competition with foreign market prices for phenol, once they would reach the U.S. market without any tariff at all.

PHTHALIC ACID ANHYDRIDE

Phthalic acid anhydride, of which Reichhold Chemicals, Inc., produces also approximately 10 percent of the present estimated production capacity in the United States of 750 million pounds. The costs for this chemical commodity for U.S. manufacture has been calculated to represent the mean average cost of the American industry. There probably is a lot of higher cost capacity on stream in this country, and there are probably some very few, somewhat lower cost plants on streams. Consequently, and unlike the case of phenol, we will not claim that the costs used for phthalic anhydride are based on future hopes.

As to the principal raw material—naphthalene—we must, however, say that the figures used in that report have become obsolete by developments in the market. While it is true that coal-tar naphthalene is sold by U.S. manufacturers for 5.25 cents per pound, this is of course not the high-grade material from which phthalic anhydride can be produced at the high efficiency used in that report. Such (treated) raw material would cost 1 cent per pound more.

Conversely, the raw material figures used in Europe have become considerably lower priced. They are listed between 4 cents and 5.1 cents for the principal produces in Western Europe, and suffice it to say that any quantity of European naphthalene can be purchased at the eastern seaboard of the United States for 4 cents—after ocean freight, insurance, and European inland freight have been paid. From this you may draw your own conclusions what actual raw material prices are available in Europe, and we will only say that those European raw material prices would reduce the calculated costs for phthalic anhydride in the principal European manufacturing countries by 1.25 cents as compared to the report.

The expenses used for bringing phthalic anhydride of European manufacture to the American market have again been erroneously overstated. We are quite familiar with the fact that European phthalic anhydride can be brought from Europe to the eastern seaboard of this country for 1 to 1.25 cents, and not 2.76 cents, the figure used in the report. This would again reduce the cost of foreign material in the U.S. market by 1.5 cents per pound. These are important differences, Senator, when compared to the U.S. market prices of 14 cents delivered at any customer's plant.

We know that for 9 to 9.25 cents large quantities of European phthalic anhydride can be purchased on the eastern seaboard of the United States, for we have to buy it. We have to buy it for use in resins exported to South America and the Far East, because we can obtain a drawback of duty for the phthalic anhydride thus reexported after being used in the manufacture of synthetic resins. Without such low-price European material we could not think of competing in foreign countries with our resins against low price Dutch and German competition, and even at that we have often to export at next to no profit just to keep our name before the trade.

We also know the impact of foreign phthalic anhydride appearing on the North American Continent without duty, because Reichhold Chemicals (Canada), Ltd., a subsidiary of Reichhold Chemicals, Inc., was compelled to shut down its phthalic anhydride plant outside Montreal since it could not compete with its costs against imported phthalic anhydride which may enter the Dominion of Canada without duty. We are careful businessmen, Senator, and we left no stone unturned to continue the manufacture of phthalic anhydride in Canada, but all our calculations ended in the fact that it was cheaper to import phthalic anhydride, and suffer the loss of unabsorbed depreciation and taxes for our plant put in mothballs (and that means lost wages for employees), than to continue manufacture of phthalic anhydride.

This explains our concern for the day that foreign phthalic anhydride can enter the United States with a greatly reduced duty, or zero duty.

MALEIC ACID ANHYDRIDE

In maleic acid anhydride, Reichhold Chemicals, Inc., has a capacity of a little less than 10 percent of the entire U.S. manufacturing capacity.

Maleic anhydride was not a subject of the Arthur D. Little, Inc., report, and we shall therefore not go into greater details. Suffice it to say that maleic acid anhydride is sold all over Europe for 60 percent of the American market price, or even somewhat less, and it is necessary to mention that the price of U.S. maleic anhydride has been reduced drastically over the last few years, from 26 to 16.5 cents, as a result of excess manufacturing capacity in the United States.

We realize that some segments of American industry are important to the Nation's economy, and others are less so. We also know that importance can be measured by many yardsticks, and, for instance, dependence upon foreign manufacturing sources is one which must be considered, besides number of employees and capital investment. We realize that even some segments of U.S. manufacture may have to be sacrificed to the cause of "one Western World." We are not presumptuous enough to say where such sacrifices, if necessary, have to be made, but we feel that your committee, which is charged with making such choice, ought to be given the facts as one medium-size manufacturer sees them in his day-to-day business experience.

Very truly yours,

STEFAN H. BAUM, *Executive Vice President.*

U.S. SENATE,
COMMITTEE ON LABOR AND PUBLIC WELFARE,
August 4, 1962.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The senior Senator from Connecticut (Mr. Bush), for himself and other Members, has submitted amendments to H.R. 11970, the proposed Trade Expansion Act of 1962, which were printed in the Thursday, August 2, 1962, issue of the Congressional Record, beginning at page 14371.

It is my understanding that Mr. Eugene L. Stewart, of the law firm of Hume & Stewart, Washington, D.C., will testify before the Committee on Finance on August 8 in support of the amendments submitted by Senator Bush. I am informed that he will represent chemical firms producing synthetic fiber materials or the basic chemical ingredients of such materials.

Among the firms he represents are at least seven major corporations having nine plants in the State of West Virginia. I have received communications from their officials expressing concern about provisions of H.R. 11970 and urging careful consideration of the recommendations to be included by Mr. Stewart in his testimony.

The chemical industry in West Virginia is perhaps our healthiest economic stabilizer. We would be in extreme difficulty if there should be an erosion of the vitality of this industry. It is incumbent, therefore, that I accord careful study to the recommendations which will be made by Mr. Stewart in its behalf. I have confidence that my colleagues who are members of the Committee on Finance will be attentive to and will evaluate in a careful and equitable manner the testimony he will present.

At a subsequent date, I anticipate having an opportunity and a responsibility to discuss this subject in more detail with you and other colleagues.

Sincerely,

JENNINGS RANDOLPH.

STATEMENT OF THE SOCIETY OF THE PLASTICS INDUSTRY, INC., CONCERNING H.R. 11970 SUBMITTED BY JEROME H. HECKMAN

The Society of the Plastics Industry, Inc., a corporation organized under the membership corporation law of the State of New York, is a trade association composed of members who supply raw materials, process or manufacture plastics

or plastics material, who engineer or construct molds or similar accessory equipment for the plastics industry, and who engage in the manufacture of plastics machinery. The society was incorporated in 1937, was formed for the purpose of assembling and disseminating scientific, engineering and other information on plastics. With the approach of the war its scope was broadened to include cooperation with the Government in the solution of plastics problems of its military and allied departments and generally to advance the application and use of plastics. The society now has approximately 2,500 members in the United States, including companies representing an estimated 90 percent of the total dollar volume of the domestic plastics industry.

The society includes among its members a large percentage of the molding and fabricating concerns of the country; substantially all of the companies engaged in producing plastics materials from which the finished parts are molded, fabricated, laminated and otherwise formed into finished articles.

It also numbers among its membership a large proportion of the organizations producing the machinery used in the various fabricating processes. A list of the principal types of members represented in the society is as follows: raw material manufacturers; compression molders; injection molders; extruders; reinforced plastics manufacture vacuum formers; miscellaneous molders; laminators; fabricators; film processors and machinery manufacturers.

The proposed Trade Expansion Act of 1962 (H.R. 11970) expresses the purpose of stimulating the economic growth of the United States and of the maintaining and enlarging its foreign markets through trade agreements which afford mutual benefits with foreign countries. The Society of the Plastics Industry endorses the broad principles implied in this stated purpose and affirms the concept that increased trade among the nations of the free world can be mutually beneficial.

The society notes with concern, however, that the stated purpose of affording mutual trade benefits with foreign countries differs considerably from the principle of exchanging reciprocal benefits. In fact, references to reciprocity in the provisions of the bill are conspicuously vague except as it applies to agricultural and forestry commodities. On the other hand, the bill enables the President to reduce U.S. duties in order to obtain "benefits." These may be rendered largely illusory by virtue of other remaining restrictions to mutual trade such as quotas, levies, and taxes. The magnitude of the tariff cutting authority delegated by Congress to the President under the provisions of H.R. 11970 are such as to justify clearly expressed statements in the bill that truly reciprocal benefits and equalization of tariffs will be forthcoming for the products of U.S. industries in foreign trade. In the past this has not always been the result and today the signs that our domestic industries may not withstand disparate bargaining are many.

The unprecedented grant of authority extended to the President under H.R. 11970 carries with it few guidelines or principles which would indicate the will of Congress in this broad delegation of its powers. Without exploring at this point the potential magnitude of disruption which could result from the hasty or ill-advised application of these powers by any President, the society repectfully suggests that specific statements of principles be included in the bill together with provisions that the use of Presidential authority satisfies them.

It is noteworthy in our opinion that two-thirds of the language of the bill is applied to title III—Tariff Adjustment And Other Adjustment Assistance. The need for such prolonged and detailed descriptions covered in this section arise from the administration's recognition that the drastic tariff cutting provisions outlined under title III may have severe impact on U.S. domestic industry and labor. This aspect provokes some very sobering thoughts.

First, the presence of such complete detail devoted to combating the consequences of the tariff-cutting authority gives the Chief Executive the freest possible hand in sacrificing American businesses and its employees for what, no doubt, is hoped will produce more than offsetting benefits to the segment which survives. It may be that the President and his advisers will always be right in their estimates of the effects of drastic tariff cutting on U.S. businesses but the results of such procedures may be slow in manifesting themselves. The mere presence of authority to provide such vast assistance to hurt industries and their unemployed people is in itself an invitation to free and easy tariff cutting without particular regard for the consequences.

Second, various provisions for aid to industry and for employee workers necessitated by import injury or for other reasons already exists. For industry it exists in present legislative procedures and is proposed by means of tariff

increasing provisions under section 201 of title II in H.R. 11970. For unemployed worker provisions already exist within their States to give financial unemployment assistance whether layoffs are caused by imports or not.

Third, the nature of the stipulations under the adjustment assistance proposals in the bill are such as to discourage aggressive enterprise in businesses and to encourage abuses in a Federal unemployment dole.

The society suggests that erasure of the adjustment assistance portion of the bill will encourage more careful administration of the practically unlimited potentials in its tariff cutting provisions and will discourage further opportunities for the distribution of Federal funds where other means already exist.

The Society of the Plastics Industry respectfully proposes that a trade bill of the scope of H.R. 11970 should, in its high aims and purposes of furthering the economy of the United States and the expansion of nondiscriminatory trading in the free world, be truly reciprocal, be expressive of the intent of Congress and in fact be able to accomplish these things without risking serious damage to the economy of the Nation.

STATEMENT OF JOHN M. FOX, EXECUTIVE VICE PRESIDENT OF UNITED FRUIT CO.

My name is John M. Fox, and I am executive vice president of the United Fruit Co., a New Jersey corporation with its headquarters in Boston, Mass. I make this statement to express my company's support of H.R. 11970.

Since its incorporation in 1899, the principal activities of the United Fruit Co. have consisted of the production and purchase of tropical produce, the shipment of such produce to northern markets of consumption, and its marketing in those countries. In the case of the preponderating North American trade, we provide the ocean transportation largely in our own vessels, chartering outside tonnage as and when necessary. In addition to moving our own products to market, this fleet engages in the transportation of general cargo in foreign commerce for the shipping public. In short, the United Fruit Co. is primarily engaged in the production and marketing of tropical agricultural products and in the steamship business.

It will be self-evident that international trade is our lifeblood. As exporter, importer, and ocean carrier equally, we are wholly dependent upon it for existence. After 63 years experience, we know the importance of such trade, not only to private merchants, traders, and shipping interests, but also to the economy and prosperity of the countries of import and export. Indeed, we firmly believe that the future course of international trade will in large part determine both the future of the United States and its economy and the future of the free world and its civilization.

Having been conceived and nutured in this philosophy, we have supported the Reciprocal Trade Agreements Act and its extensions and renewals. In 1962, however, we believe that this is not enough to meet the economic and political challenges which now face us. These include such increasing signs of danger at home as our unfavorable balance of payments, the drain upon our gold reserves, the core of chronic unemployment, and the dwindling of our rate of industrial growth.

Far more momentous, however, are the challenges overseas: The miraculous success of the European Common Market, and its almost limitless future potential, have forever changed the patterns of world trade and the position of the United States as a trading nation. The explosive increase in the number of the world's new nations, and the simultaneous demand to share in the fruits of the 20th century asserted by the undeveloped and underdeveloped countries, both new and old, around the globe, present both an obligation and an opportunity without precedent. The United States must act to meet the one and to take advantage of the other, for both political and economic reasons—to protect equally is vital self-interests at home and its role of world leadership abroad. Finally, and overshadowing all else, the global struggle between the free world and international communism shows no sign of abating. Its outcome will determine the future of mankind. No factor will influence that outcome more than the economic strength of the non-Communist nations; and we believe that a drastic expansion of trade between those nations is indispensable to the adequate development of such strength.

In my opinion, and that of my company, H.R. 11970 represents an imaginative and dynamic response to the crucial challenges I have just mentioned. We

endorse its basic objectives wholeheartedly and enthusiastically. We believe that the authority given the President in chapters 2 and 3 of title II holds the possibility of an immeasurable development of our trade with the free nations of the world, and particularly with the all-important European Common Market and the friendly tropical agricultural countries of both hemispheres which need oversea markets so desperately. These basic objectives together seem to us calculated to add new and great vitality and effectiveness to our most essential national programs—the growth of our domestic economy, the cultivation of closer political and economic ties with the free nations of the world, the support of our foreign aid programs, and particularly the Alliance for Progress with our Latin American neighbors, and, beyond all, our ever-present need to develop our security and strength to the utmost in our contest with the Communists for world supremacy.

We feel particularly able to speak with regard to the potential impact of the proposed legislation in Latin America, where our primary agricultural function is performed, where the great bulk of our investment and of our employees are located, and where we have been intimately involved with the local governments and economies since the turn of the century. The agricultural resources of these countries—in terms of available land areas, variety of soil conditions, favorable climate, and an ample supply of labor—are limitless but, with such exceptions as coffee and bananas, virtually untapped. This is, of course, primarily due to the lack of scientific agricultural technologies and modern farm machinery, caused in turn by the lack of local investment capital as well as suitable markets. The dynamics of the free enterprise system dictate the obvious two-pronged solution: increasing industrialization and expanding oversea trade. The former, which is necessarily a gradual and long-range objective, falls within the ultimate goals of the Alliance for Progress, for which we have high hopes. For the latter, section 213 of H.R. 11970 makes much needed and immediate provision in the special authority given the President to open up great new markets for Latin American products by negotiating with the European Common Market a mutual reduction or the elimination of duties on tropical agricultural and forestry commodities. If by this method the vast consumer markets of the Northern Hemisphere can be opened for all the agricultural potential of the Tropics, it will indeed be the start of a new era for our "good neighbors" to the south. The need is great—and so, we believe, are the opportunity and the promise.

I do not pretend to be qualified to appraise the complex and technical administrative and legal provisions of sections 221 through 405 of H.R. 11970, running to almost 75 pages. Taken as a whole, however, the proposed legislation impresses me and my company as an urgently needed and constructive effort to expand the international trade of the United States to the benefit of our domestic economy, our foreign policy, and our national security.

Statement of Textile Fibers Institute, re H.R. 11970, Trade Expansion Act of 1962

Textile Fibers Institute, a trade association with offices located in New York City, has requested permission to appear and testify before the Finance Committee with reference to the above pending legislation. However, the committee was unable to schedule such testimony because of the numerous other witnesses already listed to appear. It was accordingly suggested that this statement be filed for inclusion in the hearing record in lieu of oral testimony.

Textile Fibers Institute favors the enactment of H.R. 11970 with one very important amendment urgently required by the U.S. textile industry if further trade concessions are to be made, after this new legislation is passed, to foreign nations engaged in the export of vast quantities of textiles to the United States.

H.R. 11970 authorizes the President to grant "adjusment assistance" to any U.S. firm or worker adversely affected by any trade concessions made pursuant to the new act. The President is empowered to grant technical assistance, financial assistance, and tax relief to any U.S. company found to be suffering from foreign competition under the new trade program. He is likewise authorized to pay "trade readjustment allowances" to adversely affected workers; to provide counseling, training, and placement services for such workers; and finally, if necessary, to pay these workers a so-called relocation allowance.

As presently drafted, however, the bill fails to afford to firms in the domestic textile industry, which have already suffered materially as a result of competition from abroad, any relief from the antiquated, oppressive, unfair, wholly impractical, and stigmatic domestic labeling rules and regulations, which, in actual practice, compel U.S. textile manufacturers to affix artificial, arbitrary, misleading, and stigmatic labels such as "reprocessed" or "reused" wool to their wool products, while foreign textile products, often vastly inferior to the domestic production, enter American markets and are sold to the American consumer without any like labeling requirements.

Under the present situation, U.S. textile manufacturers must maintain detailed records showing the fiber content of every wool product they make and sell, and these must be kept for 3 years. These records are subject to constant scrutiny by the Government, and a failure to apply the aforementioned stigmatic terminology to otherwise excellent products will subject the manufacturer to prosecution by the Federal Trade Commission.

Foreign manufacturers, however, obviously cannot be compelled by the United States to keep records such as those referred to above. Thus, no such records are available, and even if they were, they would not be subject to scrutiny by the U.S. Government, and the United States would be powerless to commence the same type of enforcement proceedings against the manufacturers located in Japan, Italy, or England.

The result, therefore, is obvious. The American manufacturer must label his products containing wool in accordance with the U.S. regulations and requirements. The foreign manufacturer, on the other hand, is free from scrutiny and enforcement, and thus there is no effective way to compel him to apply the same labels to his goods.

Consequently, American products, forcefully stigmatized "reprocessed" or "reused," are compelled to compete directly with lower priced foreign products containing identical or inferior fibers, but bearing no stigmatization whatever. In fact, not only are these foreign products free from these negative labeling requirements—but they are also affirmatively described or labeled with glamorous or exotic terms such as "Imported woolens from France" or "Fine imported woolens from Italy, England, Scotland" or the like.

In the final analysis, therefore, the U.S. wool-labeling requirements, allegedly aimed at preventing unfair competition, have, in fact, subjected the American textile industry to grossly unfair and deceptive competition from abroad. The American consumer, whose interest supposedly rests at the heart of labeling requirements, is the real loser. He is almost compelled by the labeling itself to bypass superior, honestly labeled, but stigmatized, U.S. products, in favor of cheaper foreign products, falsely, deceptively, and glamorously labeled as aforesaid.

Furthermore, it is a proved fact that reclaimed wool, for many uses and for many textile products, is just as good or perhaps superior to the so-called virgin fiber. It is likewise true that, during hearings conducted in 1957 by the U.S. House of Representatives Interstate and Foreign Commerce Committee, the National Association of Wool Manufacturers, the Wool Manufacturers Council of the Northern Textile Association, and the National Retail Dry Goods Association all testified that it is scientifically impossible, in finished textile products, to distinguish between virgin and reclaimed fibers. A little later, before the Senate Commerce Committee, a written report of the U.S. Testing Co. was read into the hearing record, which stated:

"There is no analytical method for determining the percentage of reprocessed or reused wool in textile materials. In fact, the types of wool cannot be determined either quantitatively or qualitatively."

Thus, when certain manmade fiber manufacturers proposed to Congress in 1957 and 1958, during the hearings on the Textile Fiber Products Identification Act, that textile fibers other than wool (cotton, nylon, rayon, orlon, dacron, etc.), be subjected to the same stigmatic "reprocessed" or "reused" labeling requirements as those provided for wool, Congress refused to go along, and categorically rejected the proposal. The Textile Fiber Products Identification Act, therefore, does not contain any stigmatic labeling requirements, and no textile fiber product covered by this act, passed in 1958, is required to be labeled as containing anything but the fibers themselves. Thus, no natural fiber and no manmade fiber covered by that recent law is subject to any stigmatization whatsoever.

Consequently, as regards domestic competition among various textile fiber products, only those products containing wool must be labeled, by law, as "reprocessed" or "reused." The end result is that American textile products con-

taining wool are not only subjet to unfair competition from abroad, but they are also subject to unfair, discriminatory competition from textile products composed of other natural or manmade fibers produced in the United States.

CONCLUSION

In 1960, over 19 million square yards of wool fabric with a value not over $1.25 per pound were imported into the United States. During the same year, 4.5 million square yards of wool fabric over $1.25 but not over $2 per pound were imported from foreign sources. These imports were reduced in 1961 by reason of high duties imposed on these low-priced categories. A lowering of tariff barriers under the new Trade Act undoubtedly will again open the door to these low-priced wool fabric imports, and again, they will flood into the American markets.

Clearly, the American textile industry will require assistance in the form of relief from the unjust, unnecessary labeling conditions referred to hereinabove if it is to have any hope of competing with this vast influx of wool fabric from abroad. Such relief, of no cost whatever to the American Government or taxpayer, will be available only if the Trade Expansion Act is amended as follows to provide this essential, just, competitive right to the U.S. textile industry:

PROPOSED AMENDMENT

After subsection (c), page 36, line 14, section 313, add a new subsection (d) as follows:

"(d) In addition to any other technical assistance which might be available under this section and notwithstanding any other provision of law, during the period this Act is effective, no firm engaged in the United States in the manufacture, production, or sale of wool or textile products containing wool, which are competitive with wool or textile products containing wool imported into the United States from any foreign country, shall be required to stamp, tag, label, brand, or identify such wool or the wool fiber content of its products with any descriptive term other than 'wool'."

Indeed, as the attached copy of letter, written by President (then Senator) Kennedy on June 12, 1957, indicates, such amendment is wholly in accord with the President's personal position on this very subject.

U.S. SENATE,
Washington, D.C., June 12, 1957.

JOHN T. LODGE & CO., INC.,
Watertown, Mass.

DEAR SIRS: Thank you very much for your wire opposing H.R. 469 and expressing support of H.R. 5605, the proposed Textile Fiber Products Representation Act.

I can assure you that I am not in favor of any labeling legislation that discriminates against reprocessed wool. I realize that the use of such term stigmatizes good fabrics to the detriment of manufacturers and consumers alike. You may be certain that I will oppose discriminatory legislation when the matter comes to the Senate floor.

I appreciate your interest in contacting me and am happy to have your comments.

With every good wish,
Sincerely yours,

JOHN F. KENNEDY.

E. I. DU PONT DE NEMOURS & CO.,
August 2, 1962.

Re H.R. 11970, Trade Expansion Act of 1962.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance, U.S. Senate, Senate Office Building, Washington, D.C.

DEAR SENATOR BYRD: In view of the fact that the Senate Committee on Finance is holding public hearings currently on the above-named bill, E. I. du Pont de Nemours & Co. wishes to convey its views to the committee and respectfully requests that they be made a part of the record of the hearings.

The Du Pont Co. is a manufacturer of chemicals and allied products, with 88,000 employees, 229,000 stockholders, 1961 sales of $2.2 billion, and 78 plants in 27 States. In 1961, we exported from this country $192 million of goods, and, in addition, sold abroad $176 million of goods manufactured in plants located in 11 foreign countries.

We recognize that the United States must face the foreign trade problems brought about by the evolution of the European Common Market, and we recognize in H.R. 11970 an effort to meet this responsibility. However, while the stated purposes of the bill are praiseworthy, we must conclude that these purposes will not be achieved without modification of the proposed legislation. In short, while we endorse the objectives of H.R. 11970, our support of the bill is contingent upon the enactment of at least four important amendments, as follows: (1) legislation to require and provide qualified advisers from industry during negotiations, (2) true reciprocity in negotiations, (3) strengthening of peril point and escape clause procedures, and (4) elimination of adjustment assistance.

The proposed legislation grants unprecedented discretionary power to raise and lower tariffs within specified limits. Seldom in American history has the legislative granted such authority to the executive. We believe, however, that the principal issue before the committee is the administration of this act and necessity for safeguards adequate for our industry and the Nation's welfare. Economies in the free world, notably in the United States, Japan, and in the new and evolving EEC, are in transition. For Du Pont and the chemical industry in this country, we foresee a decline in exports, whereas the changes stirring in the EEC countries portend an expanding export potential. Until the growing industrial strength of the EEC can be fully tested against this country's competitive potential. we believe that your committee should provide adequate checks and balances for future trade negotiations.

In addition to the improvements which have been effected in H.R. 11970, we urge the enactment of the following four amendments:

1. Qualified advisers from industry should be required and consultation with them should be made mandatory during negotiations, as well as in the prenegotiating studies. It is evident that the extraordinary grant of powers in this bill could allow extensive damage to domestic industry. Our experience has been that negotiators for other countries have been better equipped than our own in analyzing the effect of proposed changes on their domestic industries. Detailed knowledge of our own industries is particularly important in the complex chemical industry, where there is a great multitude of products and intermediates and a high degree of interdependence between them.

2. True reciprocity in negotiations with the European Common Market under the dominant supplier authority should be required through tariff reductions traded on like products or categories. EEC recipients of U.S. concessions on particular products should be required to admit such goods from Asia, Latin America, and Africa with liberality equivalent to that accorded by the United States under the favored nation's clause.

3. Strengthening of peril point and escape clause provisions by use of the existing law.

4. Elimination of adjustment assistance provisions of the bill. These provisions duplicate assistance and services under present laws, provide an undesirable cushion for unskillful negotiations, and provide for the workers involved an entirely inadequate substitute for useful work. If the Congress is disposed to change unemployment benefits, it should be done through amendment of existing unemployment legislation.

The growing pressures on the U.S. balance of payments position have, in the past few years, highlighted the need for effective steps to expand the country's favorable balance of trade. We recognize that this is one of the considerations inherent in H.R. 11970. When one measures, however, the present role which the U.S. chemical industry plays in this favorable trade balance against what we expect its future role will be, you will appreciate our concern over the enactment of new trade legislation without the safeguards recommended.

In 1961, our country's trade balance was $3.2 billion, the difference between commercial exports aggregating $17.7 billion and imports aggregating $14.5 billion. This is the largest plus item in the balance of payments account. As little change as 10 percent decrease in exports and 10 percent increase in imports can reduce it to zero and precipitate thereby monetary and economic crises of great magnitude.

In 1961, the chemical industry had exports of $1.7 billion and imports of $0.4 billion, a net of $1.3 billion. Thus the chemical industry alone contributed 40 percent of the total favorable trade balance. The Du Pont Co. showed a favorable balance of $158 million in 1961, approximately 5 percent of the country's total.

Large favorable trade balances in the chemical industry are relatively recent and principally a development of the post-World War years. We believe that they have resulted from special factors principally: (1) Technical product advantages achieved by U.S. industry in the period of the war and immediate postwar years when research in Europe was at very low ebb due to the interference of the war and reconstruction; (2) mass economies of U.S. industry because of large-scale production made possible by the bigger market available in the United States as compared to those available in Japan or in individual countries in Western Europe; (3) local demand, particularly in Europe, has been greater than local manufacturing capacity can supply. Our chemical industry has been able to sell into a commercial vacuum and can continue to do so only until local manufacturers increase their capacity to meet local demand. On the import side, we have been sheltered to some extent from greater imports by lack of foreign manufacturing capacity. In those few areas where excess capacity exists, imports into the United States have grown substantially, amounting in some cases to 10 percent to 15 percent of the total domestic market. As manufacturing capacity abroad increases, we would expect a simultaneous decrease in our exports and an increase in our imports to the detriment of the industry trade balance.

The advantages so far held by our industry lie in size and advanced technology of our manufacturing plants.

The future causes us serious concern. First, the creation of the European Common Market has provided market opportunities for foreign manufacturers comparable in size to those in the United States, and consequently big enough to support the construction of plants equal in size and operating efficiency to ours. Such plants are in production, both in Japan and Western Europe, and many others are under construction.

Secondly, American technology is largely available to foreign manufacturers, and construction costs abroad are lower, with consequent smaller unit investment. Many United States engineering and construction firms, as well as those in Japan and Western Europe, will build plants anywhere in the world comparable to those in the United States. Although about half of the Du Pont Co. sales arise from products developed by research and which were first introduced commercially within the past 25 years, a review of our current situation indicates that competitive processes satisfactory for the manufacture of nearly 90 percent of our product output are available to our foreign competitors.

Thirdly, the lag in foreign research has been entirely overcome. Our competitors abroad are now devoting equal manpower and at lower cost to these efforts, and there is every reason to believe that they are now on a par with us in the ability to produce important technical advances in the chemical and allied field.

It is clear that we are in the process of losing the advantages of size and advanced technology which have contributed so importantly to the chemical industry's favorable balance of trade of recent years.

A striking illustration of the progress being made by European chemical manufacturers in increasing their productivity may be found in the annual reports of two leading German chemical companies, Bayer and Hoechst. Over an 8-year period, ending in 1960, total manpower costs, including fringe benefits, for these German companies decreased from 22 to 20 cents per dollar of sales. The Du Pont Co.'s manpower costs increased in the same period from 25 to 31 cents per dollar of sales. Even in 1960, our German competitors had an 11-cent-cost advantage for manpower on every dollar of sales.

It is for these reasons, in view of the present and future status of our industry's balance of trade, in light of the Nation's continuing balance-of-payments problems, and to preserve the health and prosperity of our industry, that we urge extreme caution and moderation in trade legislation. If for other than economic reasons, tariff reductions should be deemed to be a desirable national policy, it is critically important that machinery in the proposed bill be provided so that the facts as to the consequences, including the effect on our industry's present favorable balance of trade, will be fully available to the negotiators.

CONCLUSION

In summary (*a*) we agree that the advent of the EEC requires trade legislation; (*b*) while we support the stated purposes of H.R. 11970, our support of the bill is contingent upon the enactment of the four amendments outlined above; and, (*c*) the implications of trade legislation and its administration on our industry's trade balance, and hence the country's balance-of-payments problem, should be carefully weighed by your committee.

Sincerely,

CRAWFORD H. GREENEWALT, *President*.

(Whereupon, at 12:50 p.m., the committee adjourned, to reconvene at 10 a.m., Thursday, August 9, 1962.)

TRADE EXPANSION ACT OF 1962

THURSDAY, AUGUST 9, 1962

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

The committee met, pursuant to recess, at 10 a.m., in room 2221, New Senate Office Building, Senator Harry F. Byrd (chairman) presiding.

Present: Senators Byrd, Kerr, Gore, Talmadge, Williams, Carlson, and Curtis.

Also present: Elizabeth B. Springer, chief clerk; and Serge N. Benson, professional staff member.

The CHAIRMAN. The committee will come to order.

The committee is very glad to have Senator Javits, of New York, as its first witness.

You may proceed.

STATEMENT OF HON. JACOB K. JAVITS, U.S. SENATOR FROM THE STATE OF NEW YORK

Senator JAVITS. Thank you, Mr. Chairman.

Mr. Chairman, as a Senator, I would not take the committee's time—because I could make my point on the floor—except I have to propose for the committee's consideration a number of amendments, and I hope my colleagues will give them consideration. Hence, my appearance before the committee in support of those amendments.

Mr. Chairman, the statement which I have before me and which I will summarize, which is before the committee, and which I ask to be made a part of my testimony, outlines in some detail the eight amendments which I propose to the committee. And I would just like to run through those briefly if I may.

First, let me say, Mr. Chairman, that I support, strongly, the objectives of the Trade Expansion Act. The changes which I am suggesting and which I hope will have the committee's considered judgment, are designed to improve the ability of the act to serve the foreign and domestic economic policy aims of the United States. By way of credentials, Mr. Chairman, I might state that I had a 2-year term as chairman of the Subcommittee on Foreign Economic Policy of the House Foreign Affairs Committee when I served there, and that I have been, for the last 4 years, Chairman of the Economic Committee of the NATO Parliamentarians Conference, an international body of parliamentarians of all the NATO countries, in which we have gone into these questions in greatest detail on many occasions.

In addition, I should say, stating it as a fact, that foreign economic policy has been throughout my congressional service one of the principal matters with which I have been concerned.

I testified on the trade bill before the House Ways and Means Committee, and I am very gratified that a number of the recommendations which I made to that committee are incorporated in the House bill, which is before this committee.

Mr. Chairman, the first amendment is a very basic one, and would give authority for the President to eliminate tariffs on a mutual basis with all fully developed countries or areas of the free world, provided that the most substantial concessions are made on the products of the strongest U.S. industries.

We give a standard of judgment in the amendment as to what is a fully developed country. It is based on the output per worker engaged in manufacturing, and on the extent of the industrialization of the country as compared with that of the United States.

The amendment does not deal with agricultural commodities.

Now, the reason for the amendment is that the bill, as designed, is essentially a bill freeing our hands very materially for dealing with the European Economic Community.

We think, Mr. Chairman, that there is an overconcentration on the European Economic Community for several basic reasons, and one is that the whole administration plan presumes the fact that the United Kingdom will actually join in the European Economic Community.

That is, I feel, a reasonable hope or expectation, but it certainly is not an accomplished fact.

A little later in my statement I will develop other reasons why the development of this bill, pretty definitely on the theory of an arreement with the EEC, is limiting it and, in my opinion, basing it upon a condition which is unnecessary and which may prove to deprive the legislation of its principal objective. Therefore, the amendment which I am urging would free the hands of the President to deal not with a set of countries which is specifically named—that is the EEC—but with all fully developed industrialized countries and in relation to the strongest producers. We think this is far more apposite to the purpose.

The CHAIRMAN. Senator, could I interrupt you?

Senator JAVITS. Yes.

The CHAIRMAN. You are discussing amendment A now?

Senator JAVITS. Yes.

The CHAIRMAN. I was interrupted. I would like a clearer definition by what you means by the most substantal concessions are made to the products of the strongest U.S. industries.

Senator JAVITS. There we have in mind—as a matter of fact, the text of the amendment is annexed, and perhaps the best plan would be to read it:

> Provided that the more substantial concessions shall be made on products of industries which the President determines to have the greatest demonstrated capacity and potential for export expansion and the greatest growth potential and highest productivity.

That is the definition in the amendment itself.

Then we define a fully developed country or area to mean, one—that is, where we could make a 100-percent concession, if that was the

President's judgment, such as the European Economic Community or any other foreign country or area or any group of such countries or areas operating as a customs union or free trade association—which the President has, by Executive order, designated as a fully developed country or area.

So that would be amendment No. 1, and I will make a brief comment on that a little later.

Senator CARLSON. May I inquire on that?

It is your thought in this amendment to give additional protection to the smaller industries or "worker industries" if I may use that term?

Senator JAVITS. Yes. I think the idea would be to lay on the most heavily, in terms of the trade negotiations, with the industries which have the greatest potential for competition.

Really, the thrust of my amendment would make this a bill which would emphasize concessions in the areas in which we are best able to compete.

The CHAIRMAN. When you use the word "strongest" you mean strongest in wealth or strongest in what?

I mean, it seems to me the weaker companies that are competing need more protection than the strongest.

Senator JAVITS. Well, Senator Byrd, the definition we have is not "the richest," but the companies with the greatest demonstrated capacity and potential for export expansion in our country.

The CHAIRMAN. Does that mean only the big strong companies would get this protection?

Senator JAVITS. No; they wouldn't get that.

The CHAIRMAN. Or the small weak companies?

Senator JAVITS. Senator Byrd, that is the converse of Senator Carlson's question.

My idea is that the main trades in terms of reduction of tariffs would relate to the products of these so-called strong and large producing companies, taking more of the emphasis off the weaker companies which have the least possibility for export expansion.

The CHAIRMAN. Well, the weaker companies, you say, get the most substantial concessions.

Would the weaker companies get less concessions than the stronger companies?

Senator JAVITS. No.

We are talking about the products of those companies and the tariff concessions we would make. We would make the greatest tariff concessions in areas where we had the greatest export potential, and the lesser concessions, in term of tariffs, for merchandise coming into the United States competing with industries which had the lesser export potential.

The CHAIRMAN. You are not speaking of the financial strength of the companies?

Senator JAVITS. No; I am not.

The CHAIRMAN. The amendment uses that language and I would suggest that you clarify it somewhat. You make the impression on me that you want to give the most substantial concessions to the strongest companies.

The word "strongest" is usually considered to be financial strength.

Senator JAVITS. Well, Senator Byrd, I do not use the word "strongest" companies. The words of the amendment which are before——

The CHAIRMAN. That is in your language in your proposed amendment A?

Senator JAVITS. Well, the recital as to what the amendment says does not use the words of art which are used in the amendment. I read the word of art.

The CHAIRMAN. In other words, the explanation is not exactly in accordance with the amendments?

Senator JAVITS. With the words themselves. I read to the committee——

The CHAIRMAN. I don't want to interrupt you, but I wanted to clear that up.

You don't want to give the strongest companies protection and do nothing for the weakest companies?

Senator JAVITS. Of course. Senator Byrd, there are two answers there. One is that my definition is not based upon financial strength but is based upon the greatest export potential—and that is the language of the amendment, "the greatest demonstrated capacity and potential for export expansion."

Second, that we are talking about concessions on imports which would compete in this country with the products of those companies.

May I go on?

The CHAIRMAN. Yes, Senator.

Senator JAVITS. The second amendment would give congressional directions to the President to shape the nature of U.S. concessions in negotiations with fully developed countries or areas in such a way as to obtain the extension of most favored nation treatment to the less developed nations.

Also we would give directions to the President to utilize his negotiating authority in order to bring about the establishment of special arrangement for the orderly expansion of markets for the exports of the less developed nations.

There are two thoughts in that amendment, Mr. Chairman: One is that we would use the most-favored-nation theory as an element in our negotiations instead of either not dealing with it at all or taking it for granted.

We ourselves are obliged to extend the most-favored-nation treatment, and we do extend most-favored-nation treatment, to all of whom we have such a commitment, even though we negotiate the concession—that is, a concession in terms of our own tariffs—with only one country.

On the other hand, we have no assurance, and we require in this act no assurance, that the country with whom we are negotiating a concession will extend most-favored-nation treatment to others.

Now, this cannot be done obviously on a product-by-product basis, because it just may not do us much good on that basis.

But I think it is important to introduce the idea into this legislation that an element of our negotiations with another nation will be what that nation is going to do itself in respect of the most favored nation clause, as it administers it, and I think, whether the committee adopts my concept of how to handle this or takes up one of its own—I think this is perhaps one of the most useful things that I could lay before the committee: the idea of making an element in our negotiations that which the country with which we are negotiating

is going to do about its own most favored nation treatment of other countries, especially newly developing countries, because the big problem, if I may just emphasize that point, is that we will take an inordinate amount of the new and nascent manufactures, let us say, of newly developing countries because this is our bent, these are the terms of our leadership, and we will fail to utilize the leverage of these negotiations in order to get our trading partners to carry some of that load.

Now the most marked example which, of course, is before us now is the case of Japan, where the United States—and these figures have been adduced to the committee before—and the United Kingdom are taking by far the greatest proportion of Japanese exports, and, notwithstanding their new-found prosperity, the European Economic Community and other European countries are still essentially, by quota plans and other means, barring Japanese imports, and, because it is so essential to retain Japan in the role of the free, the burden is cast upon us. Therefore, the thrust of this amendment would be to direct the President to utilize his negotiating authority not only in respect of concessions between ourselves and the country with which we are negotiating but also in respect of the way in which that country, the country with which we are negotiating, will be using its most favored nations treatment of other countries in accepting products from them.

If I may just pass on then to the third amendment.

Senator GORE. Mr. Chairman, could I ask a question?

The CHAIRMAN. Senator Gore.

Senator GORE. Senator Javits, you will recall that in the few years we served together in the House, and now in the Senate, you and I have been consistent supporters of the international trade program of our country. Both of us support, in the main, the pending proposal. But I have been considerably concerned as to the appropriateness of the most favored nation clause, which was excellent, in my opinion, as long as our trade was with a group of individual nations and as long as legislation dealing with our international trade had to be fashioned to fit that pattern. Today we face a situation which differs from the past.

Today we face the Common Market. This introduces a bilateral quality into free world trade which did not exist at the time you and I became enthusiastic supporters of the reciprocal trade program.

I think this requires some very careful consideration.

In view of the bilateral nature of our trade with this large trading bloc, I would solicit the benefit of your views as to the most favored nation clause.

Senator JAVITS. The Senator is very kind and what he say is, of course, true.

I have always, as he has, been an enthusiastic supporter of this program for many years, and, of course, the Senator has the great honor of being from the same State as the great Secretary of State who was the father of this program, Cordell Hull.

Really, my proposal to the committee is very heavily designed to focus the committee's attention on the problem even more than on my solution. My solution is a compromise. I had originally thought of proposing an amendment which would give us, as well as those

with whom we negotiated, complete flexibility in respect of the most favored nations clause.

As a matter of fact, if my recollection is correct, I actually proposed that, when I testified before the House Ways and Means Committee. I have not gone that far in the amendments suggested to this committee. I have gone half the distance, because I felt that for us to abandon the most favored nation clause in its pure form would be a very considerable wrench in our policy programs which we ought not to take and would not be prepared to take at this stage without some experience under this new concept of very full negotiating authority of the President with an essence of congressional control, and also because of the fact that it is so interwoven in all our relationships, the GATT relationship, and other trade relationships which we have.

It is perhaps even a postulate in a number of the security and defense agreements which we have and is, though perhaps not expressed, the economic base for them.

For example, we have them in the Pacific, with the Philippines and with Japan. I did not wish to be so reckless as to propose an abandonment by us in this bill of the requirement that we obey the most favored nations principle.

So, I went half the way, in giving the President directions that in the negotiations we contract as much as we consider, as the President considers proper and feasible of most favored nations treatment from those with whom we are negotiating, and that is the extent to which I have gone in the amendment I have proposed.

But what I would like to say to my colleague, what I hope to have done and what I hope the committee will very seriously consider, is, as it were, to bring to the attention of the committee the fact of this most favored nations principle because of our world role which is so critically important to use. For example, to be hardheaded and practical, whatever business we do with the EEC may not measure up to—that is in exports—may not measure up to the business we can do with the other countries, if we see the EEC doors open to us, unless they are not shut to these other countries. That is the thrust of the idea I am laying before the committee.

I am doing this in the hope that it will stimulate our thinking and also give a sense of direction to the instructions in this bill that we are giving to the President.

Senator GORE. Thank you.

Senator JAVITS. I thank my colleague.

The third amendment which I propose, Mr. Chairman, is an expression of the sense of the Congress that the President should enter into agreements with all of our trading partners for the submission of annual reports to an organ of the General Agreements on Tariffs and Trade on the progress achieved in raising wage and living standards.

The bill which is before the committee makes no provision for orderly checks on the improvement of working conditions and on the intentional or unintentional practices of certain foreign countries which subsidize their exports through artificially depressed wages in export industries.

Mr. Chairman, again I am hoping to fix the attention of the committee upon a problem, and then to suggest a technique which need

not necessarily be the technique chosen by the committee, or even an optimum technique, in order to deal with it.

The problem upon which I would like to focus the attention of the committee is the often charged unfair competition in foreign trade resulting from depressed wage scales, and the manifold difficulties upon which—that is, depressed wage scales in other countries—and the manifold difficulties, upon which thick books have been written of setting a standard according to which you can enforce a higher wage scale, because of the differences, for example, in fringe benefits and social security payments in other countries, and living standards, and so forth, and so forth.

So that again, as a first step, is a way in which this might be done to begin with, by requiring as an element of our negotiations, at least an agreement to disclose according to the famous theory of the white light of publicity—at least an agreement to disclose the progress which is being made, if any, in raising living standards and improving wage scales by those with whom we make these trade agreements.

That, at least, would be a first step in the direction of seeking to bring about some better relationship, a fairer relationship, between our own wage and salary scales and those of other countries in the world, because that is so important in respect of this question of exports.

So again, Mr. Chairman, my hope is to focus the attention of the committee upon a problem and give my solution but without being brash enough to claim that this is the best solution.

The fourth amendment is again an effort to focus the committee's attention on a problem and that is the problem of patents, copyrights, and registered trademarks.

The amendment specifies that infringements of U.S. patents, copyrights, and registered trademarks will be considered as actions unjustifiably restricting U.S. commerce and as the cause for retaliatory measures by the United States.

This is not—what this does is to bring yet another category of actions into the term "unjustifiably restricting U.S. commerce."

There are other actions in the law which are so defined, and this would bring in the action of infringing U.S. patents, copyrights, and registered trademarks as another one of those actions against which we would have the right to retaliate.

The bill which is before the committee deals with such actions in general terms and specifically names only international cartels, even though infringements of U.S. patents and other rights have demonstrably interfered with our ability to export and have led to damage to our domestic markets.

So, again, I focus the attention of the committee upon the problem of the infringements of patents, copyrights, and trademarks and indicate a way, again, I repeat, not necessarily the optimum way—it may not be in the opinion of the committee—in which to make some progress toward dealing with what I consider to be without question a serious problem.

The next amendment would terminate as of June 30, 1974, authority to certify firms and workers as eligible for trade adjustment assistance.

Also, earlier termination of such authority by concurrent resolution of both Houses of the Congress is provided. The bill before the com-

mittee has no provision for termination of the adjustment assistance program either in terms of time or by congressional action.

Now, Mr. Chairman, this is the first amendment of my own series which goes to the other of the two basic principles of all of these amendments.

The first set of amendments deals with the exercise of the negotiating power of the United States, and those four amendments I have explained.

The remaining amendments go to forms of congressional authority and control over the program in view of the fact that I favor a program which does give the President so much authority.

I might say with some pride that I was early among those who urged a form of congressional veto for that reason. I felt it was essential, if we wanted the Congress to vote the President such broad authority—and I think it is essential in the national interest that he should have it—that the Congress retain residual control.

I would like to say just one word about this concurrent resolution.

It is by now, I think, quite well accepted as being a proper exercise of legislative authority and also, I believe, that the general opinion is that it is valid under the Constitution.

There was some question about that at one time. It has been much debated and argued. But I believe usage, and there has been rather considerable usage of the concurrent resolution technique, has now settled that question.

The sixth amendment would require that the President submit a detailed report on expenditures and commitments made under the trade adjustment assistance program in connection with the annual report which is required on the administration of the entire Trade Expansion Act.

The bill before the committee does not specifically require an accounting for the funds which are authorized on a virtually open-end basis for the adjustment assistance program.

I think that amendment is self-explanatory.

The seventh amendment would require the Tariff Commission to keep up to date and to publish every 5 years the so-called "Summaries on Tariff Information."

Now, the bill before the committee does not specify the continued publication of these summaries which have not been published since 1948.

We are informed that this deprives industry, and researchers generally into the facts and figures on these matters, of easy access to very important material. The representation is most insistent and so I have taken the liberty of at least raising the question before the committee. I had actually the physical books to show the committee but I don't happen to have them right here on the table but I think the committee is well aware of the physical publication of thes summaries.

The final amendment which I have the honor to propose to the committee, with Senator Jennings Randolph of West Virginia as a cosponsor, calls for the establishment of a council of advisers which will be composed of representatives of major industry, agriculture, and labor groups, under the chairmanship of the special representative for trade negotiations, who is provided for in the bill, in order

to provide information on trade and economic conditions to U.S. trade negotiators.

What it will do in practical effect will be to give by law access by the representatives of the private sector so that they may reach and talk with our trade negotiators before negotiations are concluded, rather than being kind of separated from them by kind of a wall which we understand has been the practice, even though industry has had occasionally liaison officers on the scene. Incidentally, I might say that of all the amendments I have proposed this has aroused the most enthusiasm because apparently it is a very real problem when you get down to the practicalities of trade negotiation.

I shall conclude my statement very briefly, Mr. Chairman.

First, as to the major point I have made of not restricting these negotiations in their broadest aspect to the EEC, I would just like to give the committee two figures on why overconcentration on the EEC countries is not justified.

It ignores the fact that our exports to other fully developed countries such as Canada, Australia, and Sweden, which may itself become a member of the EEC but has not yet—that they amount to more per year than our exports to the EEC countries.

Our exports to the EEC countries in 1961 were $3.5 billion.

Our exports to these other fully developed industrialized countries were $4.2 billion. These are all 1961 figures. So, there is no adequate reason for tying the hands of our negotiators in dealing with these countries any more than in dealing with the EEC.

As a matter of fact, effective U.S. bargaining power with EEC, whatever may be its eventual composition—and we certainly hope the United Kingdom enters—would be diminished if the United States were unable to negotiate for the broadest possible concessions with other nations as well and indeed at the same time.

In addition, any such restriction does not take account of the shifts in export trade which result from the fact that this is not a static world. We may be doing very much more business with others, perhaps even new countries, that would industrialize than we would be with the EEC countries.

So for all of those reasons we would hope that the authority which is essentially focused on the EEC would be broadened to include all fully developed countries.

Then, as to my amendments with respect to opening up the markets of the EEC and other industrialized countries to nations like Japan and new countries coming into the industrial area, I think the figures that I mentioned with respect to Japan are most illuminating.

In 1961 the United States provided a market for more than $1 billion of Japanese exports, five times as much as was taken by the EEC countries.

Since 1956, that is in those 5 years, the U.S. imports from Japan increased by $500 million, whereas the EEC country imports from Japan increased by only $100 million, one-fifth as much.

In the case of Latin America, for example, where you are dealing with tropical commodities, like coffee, let us remember that many of the European countries now maintain very high internal taxes on coffee. Indeed, it has been estimated that if the European countries treated the import of coffee as we do, considering their new level of

prosperity, they could consume $100 million more coffee a year—and think of what that would do for Brazil and other coffee-producing nations. I see no reason why in these negotiations this should not be in the forefront of our consideration, and why it should not be made a factor in the negotiation.

The point is that it doesn't pay to be mawkish with these things and this is a little iron in our vertebrae that I am talking about now.

In the case of Latin America, over the past 5 years, the United States has taken an average of $3.8 billion of Latin American exports annually, more than twice as much as has been taken by the countries of the European Economic Community, and I think this is an extremely important aspect of our situation.

I have explained pretty thoroughly I think the reason I suggest an annual report to GATT, the General Agreement on Tariffs and Trade as to labor standards and living conditions, and I might point out that the idea of the kind of international agreement of the kind I have described was suggested by the AFL-CIO delegation from the United States at a meeting of the Trade Union Section of the European Productivity Agency in March 1960. I believe it also reflects the interest of the proposals made by George Meany, President of the AFL-CIO, in his testimony before this committee on July 24.

I have already explained in some detail my concept of the protection which we ought to bargain for our patents, copyrights, and trademarks.

My statement explains my reason for choosing June 30, 1974, as a termination date for adjustment assistance and giving congressional power to terminate by concurrent resolution, and the statement spells out why the dates that I have chosen are the proper dates.

Now, as to the amendment with respect to the representation of industry, agriculture, and labor at trade negotiations, I would like to state that the U.S. negotiators at international trade conferences have not had the full benefit of the detailed knowledge on trade and economic conditions available to appropriate representatives of the private sector of our economy.

It is necessary, in order to achieve the best utilization of this knowledge in the implementation of U.S. trade policy, to provide an officially recognized status to representatives of domestic economic groups so that they may have access to our negotiating personnel.

On the other hand, it is also necessary to recognize that our negotiators cannot be subjected to heavy pressure from special domestic interests right on the inside of their negotiations without running the danger of weakening our position as against the foreign negotiators.

Therefore, a careful balance has to be kept, and it is for this reason that I have suggested that particularly chosen representatives be given official status as members of a Council of Advisers and that the extent of their access to our negotiators be subject to the supervision of the Special Representative for Trade Negotiations to be appointed by the President.

Mr. Chairman, I conclude upon this note: The world stands on the threshold of an era in which the economic power of the United States and of the industrialized nations of the free world can be utilized for the realization of those human aspirations for dignity and a life of decency and opportunity which have motivated mankind through centuries of poverty and degradation.

They can be used to repel the mortal threat of communism to this dignity and these aspirations. It is our proud destiny as a Nation that we are entrusted with the leadership of freemen as the world crosses the threshold of opportunity.

I am fortunate indeed to testify to these hopes and objectives as a representative of a State, and as the resident of a city which have accepted with confidence the economic challenges involved.

In particular, the port of New York has over the past 15 years invested almost $700 million in facilities for the handling of our Nation's trade with the world.

It is estimated that one-fourth of the personal income generated in the port and its metropolitan area results from foreign trade—and this vital interest is being furthered by new projects and new ideas.

Among them is the dramatic plan for a great world trade center on the island of Manhattan. This in itself is a $270 million project to which Austin Tobin, of our New York Port Authority, testified before this committee.

It is in this spirit that I submit my testimony on the Trade Expansion Act. The future of my city, my State, our Nation and, I think, the whole world, the hopes of freedom—for freedom of men and women everywhere—are deeply involved in the success of this program and I believe the bill should be reported favorably—and I hope with consideration of and perhaps adoption of a fair portion of the amendments which I have proposed to the committee.

Mr. Chairman, I have a specialized matter which will take about 2 minutes to present in connection with this bill, and with the Chair's indulgence I would prefer to stop now, if there are any questions on my statement, and then lay this specialized matter before the committee.

May I then have my statement, my amendments, and a summary printed as part of my remarks?

The CHAIRMAN. Without objection.

Senator JAVITS. Thank you very much.

(The material referred to follows:)

The following is the testimony of Senator Jacob K. Javits on the Trade Expansion Act of 1962 (H.R. 11970) before the Senate Committee on Finance on Thursday, August 9, 1962.

Mr. Chairman, distinguished members of the committee, I appear before you in strong support of the objectives of the Trade Expansion Act.

I believe, however, that several important changes in this proposed legislation are necessary in order to improve its ability to serve the foreign and domestic economic policy aims of the United States. I should like, therefore, to present for your consideration a series of amendments in the hope that at least some of the principles which they are intended to serve will be incorporated in the bill reported out by this committee. I introduced these amendments on August 7 and they are lying on the table until August 10.

SUMMARY OF PROPOSED AMENDMENTS

First I should like to present a brief outline of the proposed amendments:

Proposed amendment A:

Authority for the President to eliminate tariffs on a mutual basis with all fully developed countries or areas of the free world, provided that the most substantial concessions are made on the products of the strongest U.S. industries. The determinations made by the President in designating fully developed countries or areas shall be based on output per worker engaged in manufacturing and on extent of industrialization—both as compared with the

United States. Agricultural products which are dealt with separately in H.R. 11970 are excluded from this authority.

H.R. 11970 authorizes tariff elimination only with the European Economic Community (EEC), and limits it to categories of products in which the United States and the members of the EEC account for 80 percent or more of world exports.

Proposed amendment B:

Congressional directions to the President to shape the nature of U.S. concessions in negotiations with fully developed countries or areas in such a way as to obtain the extension of most-favored-nation treatment to the less-developed nations. Further, directions to the President to utilize his negotiating authority in order to bring about the establishment of special arrangements for the orderly expansion of markets for the exports of the less developed nations.

H.R. 11970 provides for no directions on the use of negotiating authority for the purpose of getting the fully developed nations to share with the United States the burden of providing markets for the developing nations.

Proposed amendment C:

Expression of the sense of the Congress that the President should enter agreements with all of our trading partners for the submission of annual reports to an organ of the General Agreement on Tariffs and Trade (GATT) on the progress achieved in raising wage and living standards.

H.R. 11970 makes no provision for orderly checks on the improvement of working conditions and on the intentional or unintentional practices of certain foreign countries which subsidize their exports through artificially depressed wages in export industries.

Proposed amendment D:

Specification that infringements of U.S. patents, copyrights, and registered trademarks will be considered as actions unjustifiably restricting U.S. commerce and as cause for retaliatory measures by the United States.

H.R. 11970 deals with such actions in general terms and specifically names only international cartels, even though infringements of U.S. patents and other rights have demonstrably interfered with our ability to export and have even led to damage of our domestic markets.

Proposed amendment E:

Termination on June 30, 1974, of authority to certify firms and workers as eligible for trade adjustment assistance. Also, earlier termination of such authority by concurrent resolution of both Houses of the Congress.

H.R. 11970 has no provision for termination of the adjustment assistance program, either in terms of time or by congressional action.

Proposed amendment F:

Requirement that the President submit a detailed report on expenditures and commitments made under the trade adjustment assistance program in connection with the annual report which is required on the administration of the entire Trade Expansion Act.

H.R. 11970 does not specifically require accounting for the funds which are authorized on a virtually open-end basis for the adjustment assistance program.

Requirement that the Tariff Commission keep up to date and publish at least every 5 years the "Summaries on Tariff Information."

H.R. 11970 does not specify these "Summaries" which have not been published since 1948, depriving industry and academic researchers of easy access to important material.

Proposed amendment H:

Establishment of a Council of Advisers, composed of representatives of major industry, agriculture, and labor groups, and chaired by the Special Representative for Trade Negotiations, in order to provide advice and information on trade and economic conditions to U.S. trade negotiators.

H.R. 11970 does not appear to provide the status for representatives of the private sector which is necessary for the best utilization of the know-how available with respect to such parts of the U.S. economy as are directly affected by international trade agreements.

The vastly increased importance of foreign trade to the domestic and foreign policies of the United States requires a truly new departure from the trade program which has served this Nation well for nearly three decades but which now no longer measures up to the U.S. and world economic situation.

I believe that legislation which will determine our trade policy for the future should not be based on past or current patterns of commodity trade, but must take account of the underlying factors of developing productivity and economic growth in the free world. Neither should it contain provisions which, in effect, will limit the full application of our bargaining powers to negotiations with only one group of countries—those in the EEC. We must be able to utilize the great leverage inherent in the market opportunities offered by our domestic economy in order to further the economic integration of the free world. This means an assertion of U.S. leadership in the application of trade and other economic policies to the raising of living standards throughout the free world, and to the attainment of free world objectives.

In this connection, I should like to touch upon a specific provision of H.R. 11970 which may have the unintentional effect of limiting the full effect of U.S. bargaining power in obtaining relief from foreign restrictions against U.S. exports. Section 252, "Foreign Import Restrictions," requires that the President shall "refrain from negotiating the reduction or elimination of any United States import restriction * * * in order to obtain the reduction or elimination of any * * *" unjustifiable foreign import restrictions. It seems to me that this provision could have the effect of preventing the total application of U.S. bargaining power in the course of extremely complicated, multilateral international trade negotiations. Therefore, I hope that the word "negotiating" in the provision cited above would not be applied in its literal sense. Instead, I suggest that it be only so interpreted as to prevent the consummation of an agreement wherein the United States extends a trade concession for the sole purpose of obtaining the removal of some unjustifiable restriction against our exports.

AUTHORITY FOR THE MUTUAL ELIMINATION OF TARIFFS ON ALL ITEMS WITH ALL FULLY DEVELOPED FREE WORLD NATIONS

"I believe that the authority contained in H.R. 11970 should be broadened for the following reasons:

1. Overconcentration on the EEC countries ignores the fact that, while our exports to the EEC amounted to $3.5 billion in 1961, our exports to other fully developed countries as Canada, Australia, and Sweden—the last of which may or may not become a member of the EEC—amounted to $4.2 billion. There is no adequate reason for tying the hands of our negotiators in dealing with these trading partners any more than in dealing with the EEC. As a matter of fact, effective U.S. bargaining power with the EEC—whatever its eventual composition—would be diminished if the United States were unable to negotiate for the broadest possible concessions with other nations.

2. Limitation of tariff eliminating authority to categories in which the United States and the EEC account for 80 percent or more of the world export trade does not take account of the rapid and substantial shifts in the composition of world trade which we can expect in the coming years of free world economic revolution. Nor does it take into account the probability that various items within those categories should be subject to negotiations with other nations which are our principal suppliers.

3. Both of the above conditions expose the United States to the danger of being unable to negotiate for the meaningful removal of trade barriers with any nation or group of nations, until the United Kingdom becomes a member of the EEC, or if the EEC for some reason decides to shut us out while its own members continue the reduction and removal of trade barriers among themselves.

The amendment which I propose is designed to avoid the pitfalls of the limitations imposed by H.R. 11970.

At the same time it provides for policy guidelines on the types of U.S. products which should be the subject of the most substantial concessions—namely the products of industries which have the greatest potential for growth and export expansion. Further, the provision that a determination by the President to designate a country or area as fully developed shall have been in effect at least 180 days before a trade agreement is entered into should prevent the issuance of such a designation for short-term political reasons instead of on the basis of economic fact.

DIRECTIONS FOR THE UTILIZATION OF NEGOTIATING AUTHORITY IN ORDER TO BRING ABOUT AN ORDERLY EXPASION OF MARKETS FOR THE EXPORTS OF NEWLY DEVELOPING NATIONS

It is of the greatest importance to the success of U.S. economic and political foreign policy aims that the fully developed countries or areas share with the United States the burden of providing export markets for the developing free world nations. This burden has been carried so far to a large extent by the United States alone. The continued "Western" orientation of countries such as Japan is threatened by the restrictive practices against their exports which prevent them from entering the great markets of Western Europe. Similarly, Latin American exports to Europe are discouraged as a result of preferential treatment accorded by the EEC to its associated oversea territories—largely in Africa—and continuing high internal taxes on coffee, tea, and other tropical products which discourage their consumption.

In 1961, the United States provided a market for more than $1 billion of Japanese exports—five times as much as the EEC countries. Since 1956, U.S. imports from Japan increased by $500 million; EEC country imports from Japan increased by $100 million. Over the past 5 years, the United States has taken an average of $3.8 billion of Latin American exports annually—more than twice as much as the EEC countries.

The two parts of the amendment which I propose for the utilization of U.S. bargaining power in trade negotiations in order to bring about the orderly expansion of exports from the developing nations are designed to complement each other. First, they are intended to bring about the multilateralization of most-favored-nation treatment by directing the President to take into consideration, in giving a trade concession to a fully developed country or area the extent to which such a fully developed country or area gives most-favored-nation treatment to the less-developed nations. Secondly, the President is directed to work for multilateral, special arrangements which will encourage those exports from the developing nations which will find stable and growing markets in the fully developed areas with a minimum of economic dislocation and a maximum of economic benefit to such markets.

ANNUAL REPORT TO GATT ON LABOR CONDITIONS AND LIVING STANDARDS

International trade should serve to raise living standards in all parts of the free world. This end is frustrated by export subsidization through the exploitation of labor or the artificial suppression of wages.

The surveillance and prevention of such conditions in international trade and the promotion of its real objectives are the responsibility of all trading nations. This should be recognized by the contracting parties to GATT, and in this also the United States must assert its leadership.

The amendment I propose is designed to facilitate the escalation of international labor standards by expressing the sense of the Congress that the President should negotiate an agreement with all of our trading partners whereby they would report annually to an organ set up under GATT on—

(a) The progress achieved in improving working conditions in industries, the products of which have been subject to trade-agreement concessions; and

(b) The general raising of living standards.

The idea for such an international agreement was suggested by the AFL-CIO delegation from the United States at a meeting of the trade union section of the European Productivity Agency in March 1960. I believe that it also reflects the intent of the proposals made by Mr. George Meany, president of the AFL-CIO, in his testimony before this committee on July 24.

U.S. PATENTS, COPYRIGHTS, AND TRADEMARKS

It is doubtful that the problem of patents, copyrights, and trademarks, has ever been meaningfully considered in the context of our trade policy. Yet, infringements of these U.S.-held rights have materially interfered with our ability to export and have even resulted in the U.S. Government's purchase, under the statutory requirement to buy at the lowest price, of foreign goods made according to pirated patents.

Therefore, I believe that specific mention of these rights would serve a useful purpose in legislation which will be the basis for U.S. trade policy.

TERMINATION AND CONTROL OF ADJUSTMENT ASSISTANCE

A program to assist in the adjustment of businesses and workers to economic changes which will result from an expansion of U.S. trade is essential to the success of U.S. foreign trade policy. Nonetheless, I believe that such a program of adjustment assistance must be subject to the strictest possible congressional supervision and control. Furthermore, it must not be permitted to continue beyond the period of its usefulness, lest it become an instrument for political abuse and subsidization. Therefore, I propose—

1. A June 30, 1974, termination date for the authority to certify firms and workers as eligible for adjustment assistance. This date sets a reasonable limit to the program. It allows for the establishment of injury from imports resulting from the last stage of tariff reductions which go into effect 5 years after a trade agreement which might be made just before the June 30, 1967, termination date of the President's negotiating authority. It also allows for an additional 2 years.
2. Congressional power to terminate the authority to certify eligibility for adjustment assistance through concurrent resolution by both Houses. Neither this method of termination nor the termination date would result in the cancellation of commitments already made with respect to the extension of adjustment assistance to any person or business.
3. Strict reporting requirements on expenditures and commitments made under the adjustment assistance program. This provision is designed to permit close congressional oversight on the use of adjustment-assistance funds and would enable the Congress and the public to obtain a better perspective on the real implications of the trade program in terms of the domestic adjustments which ensued.

I believe that a useful purpose would be served by the publication of up-to-date information by the Tariff Commission in the "Summaries on Tariff Information." In connection with the adjustment-assistance program, as well as in connection with our trade negotiations, it is essential that the Congress and the public be able to follow, closely, the implementation and results of U.S. trade policy.

REPRESENTATION OF INDUSTRY, AGRICULTURE, AND LABOR AT TRADE NEGOTIATIONS AND IN THE FORMULATION OF TRADE POLICY

I believe that U.S. negotiators at international trade conferences have not had the full benefit of the detailed knowledge on trade and economic conditions available to appropriate representatives of the private sector of our economy. It is necessary in order to achieve the best utilization of this knowledge in the implementation of U.S. trade policy, to provide an officially recognized status to representatives of domestic economic groups so that they may have access to our negotiating personnel.

On the other hand, it is also necessary to recognize that our negotiators cannot be subjected to heavy pressure from special domestic interests right on the inside of the negotiations without running the danger of weakening our position as against the foreign negotiators. Therefore, a careful balance must be sought in giving representatives of domestic economic interests access to our negotiators.

For this reason, I suggest that these representatives be provided with an official status as members of a Council of Advisers and that the extent of their access to our negotiators be subject to the supervision of the special representative for trade negotiations provided for in H.R. 11970. Furthermore, congressional oversight should be provided for by the ex officio membership on the Council of the congressional delegates to negotiations.

CONCLUSION

The world stands on the threshold of an era in which the economic power of the United States and of the industrailized nations of the free world can be utilized for the realization of those human aspirations for dignity and a life of decency and opportnuity which have motivated mankind through centuries of povetry and degradation. They can be used to repel the mortal threat of communism to this dignity and these aspirations. It is our proud destiny as a nation that we are entrusted with the leadership of free men as the world crosses the threshold of opportunity.

I am fortunate indeed to testify to these hopes and objectives as a representative of a State, and as the resident of a city which have accepted, with confidence, the economic challenges involved. In particular, the port of New York has, over the past 15 years, invested almost $700 million in facilities for the handling of our Nation's trade with the world. It is estimated that one-fourth of the personal income generated in the port and its metropolitan area results from foreign trade—and this vital interest is being furthered by new projects and new ideas. Among them is the dramatic plan for a great world trade center on the island of Manhattan. This in itself is a $270 million project.

It is in this spirit that I submit my testimony on the Trade Expansion Act of 1962. The future of my city, my State, and our Nation, and the hopes and freedom of men and women everywhere are deeply involved in the success of this program, and I believe it should be reported favorably.

[H.R. 11970, 87th Cong., 2d sess.]

AMENDMENTS Intended to be proposed by Mr. JAVITS (for himself and Mr. RANDOLPH) to the bill (H.R. 11970) to promote the general welfare, foreign policy, and security of the United States through international trade agreements and through adjustment assistance to domestic industry, agriculture, and labor, and for other purposes, viz:

On page 3, beginning with line 21, strike out all through line 14, on page 6, and insert in lieu thereof the following:

"CHAPTER 2—SPECIAL AUTHORITY WITH RESPECT TO FULLY DEVELOPED COUNTRIES FOR AREAS

"SEC. 211. BASIC AUTHORITY.

"(a) The President may, in carrying out any trade agreement with fully developed countries or areas, issue proclamations as to articles or categories of articles without regard to the limitation expressed in section 201(b) (1): *Provided*, That the more substantial concessions shall be made on products of industries which the President determines to have the greatest demonstrated capacity and potential for export expansion and the greatest growth potential and highest productivity.

"(b) As used in this chapter, the term "fully developed country or area" means (1) the European Economic Community, and (2) any other foreign country or area, or any group of such countries or areas operating as a customs union or free trade association (other than any country or area described in section 231) which the President has, by Executive order, designated as a fully developed country or area: *Provided*, That such an Executive order shall have been in effect for at least 180 days prior to the entering into of any trade agreement with respect to which the provisions of subsection (a) are applicable. In making any such designation the President shall consider the output per worker engaged in manufacturing and the extent of manufacturing activity in the country or area to be considered for such designation, as compared to such output and the extent of such activity in the United States."

On page 6, line 15, strike out "(e)" and insert "(c)".

On page 6, lines 20 and 21, strike out "European Economic Community" and insert in lieu thereof "fully developed countries or areas".

On page 7, strike out lines 12 through 15, and insert the following:

"(3) the fully developed countries or areas have made a commitment with respect to duties or other import restrictions which is likely to assure access for such article to the markets of such countries or areas".

[H.R. 11970, 87th Cong., 2d sess.]

AMENDMENTS Intended to be proposed by Mr. JAVITS (for himself and Mr. RANDOLPH) to the bill (H.R. 11970) to promote the general welfare, foreign policy, and security of the United States through international trade agree-

ments and through adjustment assistance to domestic industry, agriculture, and labor, and for other purposes, viz:

On page 20, between lines 12 and 13, insert a new section as follows:

"SEC. 253. UTILIZATION OF AUTHORITY TO ENTER INTO TRADE AGREEMENTS.

"It is the sense of the Congress that the President should utilize the authority conferred by section 201(a) to negotiate an agreement under which all countries receiving trade concessions pursuant to trade agreements entered into, and all contracting parties to the General Agreement on Tariffs and Trade, report annually to the appropriate organ established pursuant to said General Agreement on the progress achieved in (1) improving working conditions in those industries the products of which have been subject to such concessions, and (2) raising living standards in those countries or areas which are dependent on such industries."

On page 20, line 13, strike out "253" and insert "254".
On page 20, line 15, strike out "254" and insert "255".
On page 21, line 18, strike out "254" and insert "255".
On page 21, line 22, strike out "253" and insert "254".
On page 22, line 4, strike out "255" and insert "256".
On page 22, line 15, strike out "256" and insert "257".
On page 24, line 13, strike out "257" and insert "258".

[H.R. 11970, 87th Cong., 2d sess.]

AMENDMENTS Intended to be proposed by Mr. JAVITS (for himself and Mr. RANDOLPH) to the bill (H. R. 11970) to promote the general welfare, foreign policy, and security of the United States through international trade agreements and through adjustment assistance to domestic industry, agriculture, and labor, and for other purposes, viz:

On page 20, between lines 12 and 13, insert a new section as follows:

"SEC. 253. UTILIZATION OF AUTHORITY TO ENTER INTO TRADE AGREEMENTS.

The authority conferred by section 201(a) shall, subject to the provisions of this title, be utilized by the President—

"(1) so as to base any concession made by the United States substantially on the effectiveness of such a concession in obtaining the extension of any concession made by fully developed countries or areas to the United States to all other countries or areas which are not referred to in section 231; and

"(2) in any trade agreements entered into pursuant to such authority, so as to establish special arrangements (including the lowering of tariffs on specified quantities of products and the rendering of marketing and servicing assistance) to aid in the development of stable and growing markets in fully developed countries or areas for the products of other countries or areas which are not referred to in section 231 with a minimum of economic dislocation and a maximum of economic benefit to such markets."

On page 20, line 13, strike out "253" and insert "254".
On page 20, line 15, strike out "254" and insert "255".
On page 21, line 18, strike out "254" and insert "255".
On page 21, line 22, strike out "253" and insert "254".
On page 22, line 4, strike out "255" and insert "256".
On page 22, line 15, strike out "256" and insert "257".
On page 24, between lines 12 and 13, insert the following:

"(8) The term "fully developed country or area" means (A) the European Economic Community, and (B) any other foreign country or area, or any group of such countries or areas operating as a customs union or free trade association (other than any country or area described in section 231) which the President has, by Executive order, designated as a fully developed country or area. In making any such designation the President shall consider the output per worker engaged in manufacturing and the extent of manufacturing activity in the country or area to be considered for such designation, as compared to such output and the extent of such activity in the United States."

On page 24, line 13, strike out "257" and insert "258".

[H.R. 11970, 87th Cong., 2d sess.]

AMENDMENT Intended to be proposed by Mr. JAVITS (for himself and Mr. RANDOLPH) to the bill (H.R. 11970) to promote the general welfare, foreign policy, and security of the United States through international trade agreements and through adjustment assistance to domestic industry, agriculture, and labor, and for other purposes, viz:

On page 19, line 18, strike out "tolerance of international cartels" and insert in lieu thereof "infringements of United States patents, copyrights, or registered trademarks, or tolerance of such infringements or of international cartels".

[H.R. 11970, 87th Cong., 2d sess.]

AMENDMENT Intended to be proposed by Mr. JAVITS (for himself and Mr. RANDOLPH), to the bill (H.R. 11970) to promote the general welfare, foreign policy, and security of the United States through international trade agreements and through adjustment assistance to domestic industry, agriculture, and labor, and for other purposes, viz: On page 33, between lines 12 and 13, insert a new section as follows:

SEC. 303. TERMINATION OF AUTHORITY TO ISSUE CERTIFICATES OF ELIGIBILITY.

(a) No certification of eligibility shall be issued under section 302 with respect to any firm or group of workers after June 30, 1974, or such earlier date as the Congress may be concurrent resolution prescribe.

(b) The termination of the authority to issue certifications of eligibility, as provided in subsection (a), shall not affect the eligibility of any firm or worker to apply for or to receive adjustment assistance pursuant to a certification of eligibility duly issued prior to the date of such termination.

[H.R. 11970, 87th Cong., 2d sess.]

AMENDMENT Intended to be proposed by Mr. JAVITS (for himself and Mr. RANDOLPH) to the bill (H.R. 11970) to promote the general walfare, foreign policy, and security of the United States through international trade agreements and through adjustment assistance to domestic industry, agriculture, and labor, and for other purposes, viz:

On page 75, line 5, after the period insert the following: "Such report shall also show the amount of funds which have been appropriated pursuant to sections 312(d) and 337 and have been expended or committed for each type of adjustment assistance authorized by chapters 2 and 3 of title III."

[H.R. 11970, 87th Cong., 2d sess.]

AMENDMENT Intended to be proposed by Mr. JAVITS (for himself and Mr. RANDOLPH), to the bill (H.R. 11970) to promote the general welfare, foreign policy, and security of the United States through international trade agreements and through adjustment assistance to domestic industry, agriculture, and labor, and for other purposes, viz: On page 75, between lines 21 and 22, insert the following:

(d) The Tariff Commission shall bring up to date and publish, at intervals of not to exceed five years, the "Summaries of Tariff Information."

[H.R. 11970, 87th Cong., 2d sess.]

AMENDMENT Intended to be proposed by Mr. JAVITS (for himself and Mr. RANDOLPH) to the bill (H.R. 11970) to promote the general welfare, foreign policy, and security of the United States through international trade agreements and through adjustment assistance to domestic industry, agriculture,

and labor, and for other purposes, viz: On page 16, between lines 10 and 11, insert the following:

(c)(1) The Special Representative for Trade Negotiations shall appoint a Council of Advisers which shall consist of not to exceed fifty appointive members to be selected from the major organizations in the United States representing industry, agriculture, and labor. In addition, the congressional delegates to negotiations, selected pursuant to section 243, shall, during any period in which they are accredited members of a United States delegation to any negotiation under this title, serve as ex officio members of such Council. The Special Representative shall serve as chairman of such Council. Members appointed to such Council, while attending meetings or otherwise engaged in the performance of their duties as members of the Council, shall be entitled to receive compensation and reimbursement as provided in section 401(3), and the provisions of section 1003 of the National Defense Education Act of 1958 (20 U.S.C. 583) shall apply to such members.

(2) Members of the Council of Advisers shall give advice and counsel with respect to products of direct interest to them to members of any United States delegation to negotiations under this title, and to the United States delegates to any other international meeting dealing with modifications of existing trade restrictions. The Special Representative for Trade Negotiations shall provide mmebers of the Council with such information with respect to such negotiations and meetings as he determines will enable such members to fully and effectively discharge their functions under this subsection.

SUMMARY OF AMENDMENTS TO THE TRADE EXPANSION ACT OF 1962 (H.R. 11970) PROPOSED BY SENATOR JAVITS

Proposed amendment A would authorize the President to eliminate tariffs on a mutual basis with all fully developed countries or areas of the free world, provided that the most substantial concessions are made on the products of the strongest U.S. industries. The determination by the President of what is a fully developed country or area shall be based on output per worker engaged in manufacturing and on the extent of industrialization. Agricultural products which are dealt with separately in H.R. 11970 are excluded from this authority.

Comment: H.R. 11970 authorizes tariff elimination only with the European Economic Community (EEC), and only in categories of products in which the United States and the members of the EEC account for 80 percent or more of world exports. I believe that this concentration on the EEC and on present or past levels of international trade has three serious disadvantages: (1) While the EEC members remove trade barriers among themselves, the United States could be left in the position of being unable to do so with any nation, if the EEC decides to shut us out or if the United Kingdom does not become a member of the EEC. (2) Effective U.S. bargaining power with the EEC, whatever its composition, would be diminished, if the United States were unable to negotiate for the broadest possible concessions with other nations. (3) Shaping negotiating authority to existing trade patterns places artificial and often unrealistic constraints on our negotiators, who must bargain for future benefits in the context of rapidly changing international economic conditions. The proposed amendment is designed to free U.S. trade policy from overdependence on the EEC and from criteria patterned on a bygone era of world trade.

Proposed amendment B would direct the President to shape the nature of U.S. concessions to fully developed countries or areas in such a way as to obtain the extension of most-favored-nation treatment to the less developed nations from the fully developed ones.

Would direct the President to utilize his negotiating authority in order to bring about the establishment of special arrangements for the orderly expansion of markets for the exports of the less developed nations.

Comment: H.R. 11970 provides for no directions on the use of authority for the purpose of getting the fully developed nations to share the burden of providing markets for the developing nations—a burden which the United States has been carrying to a large extent alone. The two parts of this proposed amendment are designed to accomplish this either through a multilateralization of most-favored-nation treatment or through special arrangements on a multilateral basis—

Proposed amendment C would express the sense of the Congress that the President enter into agreements with all our trading partners for the submission of annual reports to an organ of the General Agreement on Tariffs and Trade (GATT), on the progress achieved in raising wage and living standards.

Comment: This proposed amendment is designed to facilitate the escalation of international labor standards and to place greater pressure on exporting nations to refrain from subsidizing their exports through artificially depressed wages. This idea was suggested by the AFL-CIO delegation to a meeting of the trade union section of the European Productivity Agency in March 1960. It also reflects the principle of proposals made by George Meany, president of the AFL-CIO, in his testimony before the Senate Finance Committee on July 24, 1962.

Proposed amendment D would specify infringements of U.S. patents, copyrights, and registered trademarks as actions unjustifiably restricting U.S. commerce and as cause for retaliatory action by the United States.

Comment: It is doubtful that the problem of patents, etc., has ever been considered in a meaningful way in the context of our trade policy. Yet, infringements of these U.S.-held rights have materially interfered with our ability to export and have even resulted in the U.S. Government's purchase, under the statutory requirement to buy at the lowest price, of foreign goods made according to pirated patents.

Proposed amendment E would provide for a termination date for the certification of firms and workers eligible for adjustment assistance and would provide for such termination through concurrent resolution of the Congress.

Comment: H.R. 11970 has no such provision for termination and no such congressional control. I believe that the termination date of June 30, 1974, provides for a reasonable limit to the program. It allows for the establishment of injury from imports resulting from the last stage of tariff reductions under agreements made up to the June 30, 1967, termination date of the President's negotiating authority, plus 2 additional years. Furthermore, it seems to me that congressional control should be more firmly established than is contemplated by the open-end authority for expenditures in the present bill.

Proposed amendment F would require the President to submit a detailed report on expenditures and commitments under the adjustment assistance program, in connection with the annual report on the administration of the entire Trade Expansion Act now required by H.R. 11970.

Comment: This proposed amendment is designed to permit stricter congressional oversight on the expenditure of adjustment assistance funds and would enable the Congress and the public to obtain a better perspective on the real implications of the trade program in terms of domestic adjustments.

Proposed amendment G would require the Tariff Commission to keep up to date and publish at least every 5 years the "Summaries on Tariff Information."

Comment: These "Summaries" have not been published since 1948 and, even though the data is kept current in the Tariff Commission files, it is difficult for students of trade policy and for industry to obtain this data which is vital to their research.

Proposed amendment H would establish a Council of Advisers, composed of representatives of major industry, agriculture, and labor groups. Its Chairman would be the Special Representative for Trade Negotiations provided for in section 241 of H.R. 11970. Congressional Delegates to negotiations would be ex officio members of the Council. Any or all members of the Council with a direct interest in an article under negotiation would have such access to U.S. negotiators as is determined by the Special Representative to be necessary to give advice and information to the negotiators. Members of the Council would receive a per diem allowance while serving.

Comment: H.R. 11970 does not appear to provide the status for representatives of the private sector, necessary for the best utilization of the detailed knowledge of trade and economic conditions which these representatives dispose of. I believe that this proposed amendment would give them the necessary status without subjecting our trade negotiators to undue pressure from special interests.

The CHAIRMAN. The Chair will see that your amendments are brought before the committee.

Senator JAVITS. I thank the chairman.

Now, Mr. Chairman, if there are no further questions on my statement, I would like to call the attention of the committee to a matter

which is agitating the New York fur importing community, and I do wish—in deference to all of these interests which are involved—to lay the facts before the committee in an authoritative way for the committee's judgment.

It will be recalled that the law today gives the President direction—not authority, but direction—to place an embargo on the importation of various types of fur—I won't bother naming all of them—ermine, fox, kolinsky, marten, and so on, including mink, by the way, which are the products of the U.S.S.R. or Communist China.

It is claimed on the part of the industry—and I emphasize that I am testifying as a Senator from New York laying before the committee views of my constituents. I am not in the position to pass upon the complete validity of these views but I do hope the committee will in fairness—and I think it is only fair—very carefully examine the question and get the views of the departments and its own experts on the subject. I think it is only fair to these people.

It is claimed that what has happened has been that American fur producers have not been helped particularly—aside from mink, there is little production of these furs in this country—by the fur embargo. But what has happened is that New York City has lost its fur market to London because of the embargo provision.

As the bill passed the House, section 11 of the Trade Agreement Extension Act which is the section concerned, was retained.

Now the question is, What will we do about it here?

I have thought the matter over and would like to lay before the committee a suggestion—again only as a suggestion. I have no intention of making this a fighting cause, whatever I may do about the other amendments which are of a totally different character. This suggestion would result, if the committee thought well of it, in giving the President discretion—aside from imports from Communist China which would continue to be embargoed by law—to impose or not to impose an embargo on fur imports, in a selective way, from the Soviet Union where we still do some nonstrategic trade.

We have, for example, mink farmers in New York and I am certainly not anxious in any way to interfere with their markets, and, therefore, there is need for giving the President a flexible discretion.

But if the President did have such discretion, and would exercise it based upon the facts and figures on particular furs, it is the belief of the whole New York fur market that it would bring back New York as the fur center, with resulting great benefits to employment and commercial turnover and we would not yield this whole business to London, as is claimed by the New York fur industry.

In that respect, I ask unanimous consent, Mr. Chairman, that the various telegrams from elements of the fur industry which make these representations to me, may be made a part of my remarks as well as the text of section 11 and the suggested amendment to which I have referred.

The CHAIRMAN. Without objection.

Senator JAVITS. Thank you very much.

The CHAIRMAN. Thank you very much, Senator Javits.

(The telegrams referred to follow:)

NEW YORK, N.Y., *August 8, 1962.*

JACOB K. JAVITS,
Senate Office Building, Washington, D.C.:

Our association consists of 100 fur manufacturing members. Will you please try your best that section 257 from the trade bill be eliminated because it causes hardships to our members and also unemployment to labor and we think it is removing the fur center from New York to London.

UNITED FUR MANUFACTURERS ASSOCIATION,
PHILIP CHRISTIE, *President.*

NEW YORK, N.Y., *August 8, 1962.*

Hon. JACOB K. JAVITS,
U.S. Senate, Washington, D.C.:

The Master Furriers Guild of America, Inc., a nationwide association of retail furriers in taking a position on trade bill No. 11970 section No. 257 wishes to go on record and state that we favor the free flow of goods between all nations without restrictions.

MASTER FURRIERS GUILD OF AMERICA, INC.,
LEE K. THORPE,
President,
LEO JAFFEE,
First Vice President,
JOSEPH PALANKER,
Board Chairman,
LOUIS KROLL,
Treasurer,
IRVING SEGALL,
Executive Director.

NEW YORK, N.Y., *August 8, 1962.*

Hon. JACOB JAVITS,
Senate Office Building, Washington, D.C.:

We respectfully urge your support of the elimination of clause prohibiting the continued embargo of certain Russian furs now contained in foreign trade bill section 257 as being most injurious to the international fur market in New York City. Although we handle very little Russian fur we back free importation of all furs, as, because of this embargo, New York City has lost the role of the leading international fur market.

FUR BROKERS ASSOCIATION.

NEW YORK, N.Y., *August 8, 1962.*

Hon. JACOB K. JAVITS,
Senate Office Building, Washington, D.C.:

Furriers Joint Council of New York representing 8,000 workers in fur manufacturing urge lifting of embargo (sec. 257 of trade bill) on Russian skins. World trade center for furs is shifting to London, England, where embargo does not exist. This situation further imperils American fur industry which for past number of years has been in poor condition. Lifting of embargo would give great impetus to revival of fur industry in the United States which in New York City employed 25,000 workers. Trust that you will give this matter fullest consideration.

FURRIERS JOINT COUNCIL OF NEW YORK,
GEORGE STOFSKY, *Manager.*

NEW YORK, N.Y., *August 8, 1962.*

Senator JACOB JAVITS,
Senate Office Building, Washington, D.C.:

On behalf of the members of our union engaged in the fur dressing and dyeing industry we urge that you do everything possible to bring about the elimination of section 257 from the trade expansion bill. This section continues the

embargo on seven Russian fur skins. During more than a decade that it has been in effect this embargo has had a most harmful effect upon the employment and earnings of the members of our union and upon the industry as a whole. The processing of some of these skins provided employment for a large section of our membership. Our industry has gone through a severe crisis. We feel very strongly that removal of this embargo will have a salutary effect upon the employment and earnings of the workers and upon the position of the industry generally.

HENRY FONER,
President,
LYNDON HENRY,
Secretary-Treasurer, Joint Board, Fur Leather Machine Worker's Union-Amalgamated Meat Cutters & Butcher Workmen of North America (AFL-CIO).

TRADE AGREEMENTS EXTENSION ACT OF 1951, AS AMENDED

IMPORTATION OF CERTAIN FURS PROHIBITED

SEC. 11. The President shall, as soon as practicable, take such measures as may be necessary to prevent the importation of ermine, fox, kolinsky, marten, mink, muskrat, and weasel furs and skins, dressed or undressed, which are the product of the Union of Soviet Socialist Republics or of Communist China.

AMENDMENTS Suggested by Mr. Javits to the bill (H.R. 11970) to promote the general welfare, foreign policy, and security of the United States through international trade agreements and through adjustment assistance to domestic industry, agriculture, and labor, and for other purposes, viz:

On page 26, between lines 19 and 20, insert the following:

(*f*) Section 11 of the Trade Agreements Extension Act of 1951 is amended by—

(1) striking out "the Union of Soviet Socialist Republics or of"; and

(2) inserting before the period a comma and the following: "and the President shall, if he determines such action to be necessary or desirable taking into consideration the interests of the national security and the needs of domestic industry, apply such measures to similar articles which are the product of the Union of Soviet Socialist Republics".

On page 26, line 20, strike out "(f)" and sert "(g)".

The CHAIRMAN. The next witness is Senator John Tower, of Texas.

Senator Tower, we are very happy to have you, sir, and you may proceed.

STATEMENT OF HON. JOHN G. TOWER, A U.S. SENATOR FROM THE STATE OF TEXAS

Senator TOWER. Thank you very much, Mr. Chairman.

I don't presume to come before this committee as an economist nor as an expert in the field of foreign trade but simply as one who is sensitive to the effects of trade policy on certain segments of our domestic economy, and as a political scientist and theoretician in the area of the exercise of governmental power.

I would like to thank you, Mr. Chairman, for the opportunity to appear before this distinguished committee and to express some opinions and to present certain data pertaining to the trade bill.

I would like to discuss first an amendment sponsored by a bipartisan group led by Senator Bush, joined by Senators Allott, Bennett, Capehart, Hickenlooper, Hickey, Saltonstall, Thurmond, and myself.

Mr. Chairman, it cannot be disputed that H.R. 11970 would greatly increase the power of the President to reduce tariffs.

For the first time in history an American President would be given the power by the Congress to eliminate duties entirely.

The four sections of the bill which contain this unprecedented power will, when taken in combination, I am informed, empower the President to put products competitive with a large part of our industrial, agricultural, mining, and fishing industries products on the free list.

It also seems to me that there could be no real dispute over the fact that H.R. 11970 would greatly weaken the peril point and escape clause safeguards.

If it is not intended to weaken those safeguards, there is no practical necessity for new provisions to be set forth in this bill. Competent technicians in the field have pointed to the elimination of the Tariff Commission's obligation to find the actual extent to which existing duties can be reduced without causing serious injury.

So far as the language of the bill itself is concerned, I am unable to see how the duty which would be substituted for that which I have just described, namely, the Commission's duty to notify the President of the probable economic effect of the modification of duties, can be as specific or helpful to the President as the existing procedure.

If, as was suggested by Secretary Hodges, the peril point procedure is unworkable, I am at a loss to know how this committee and the Congress have been able in the 1951, 1955, and 1958 extension acts to create, improve, and extend that procedure without ever becoming aware that it was unworkable.

Furthermore, Members of the Congress were advised by the President in March of this year of his action in relation to the peril point findings made by the Tariff Commission as a preliminary to the Dillon round of tariff cuts.

The President's message discusses rather extensively the findings which the Tariff Commission made on thusands of individual article.

The President was unhappy with the fact that the Commission found that a further reduction in duty could not be made on articles on which U.S. exports accounted for approximately 48 percent of the aggregate export value of all the articles on the public list.

The striking thing to me is that the President's agents in negotiating at Geneva directed their attention, first, as Congress intended in creating the peril points to those articles where the Commission found that the full reduction in duty allowable by law could be made without causing a threatening serious injury.

When this stage of the negotiating work was accomplished it was apparent to the President's agents that still further concessions were required in order to secure an advantageous agreement.

At that point, according to the President's report to the Congress, the President's agents made a careful analysis of the articles on which the Commission found that a further reduction in duty would cause serious injury.

These agents selected the items which they believed to be the least sensitive of that group of sensitive items.

Concessions were then offered to the Common Market on these items and an agreement was secured which the President himself described as "highly advantageous to the United States."

Mr. Chairman, I find no fault with this procedure. By the President's own testimony the existence of the peril point findings resulted in his agents' taking an approach to negotiations which insured that as few of the sensitive items as possible were placed in negotiations.

Most important of all, the results achieved under this procedure were described as highly advantageous for this country.

In the State of Texas many economic groups are seriously concerned about the effect on their business activities and on the economy of the State, if the existing duties on the products competitive wih their production were to be eliminated under the special Common Market authorities in this bill or even to be reduced by 50 percent under the general authority of the bill, without the most careful preliminary screening of the probable results of such action.

I believe that the peril point procedure has been proven to be workable by its use in four successive trade agreement negotiations and by the results which have been achieved under its guidelines.

We should not junk the machinery of investigation and findings under these circumstances.

Enactment of H.R. 11970 without amendments to restore our traditional safeguards would, I believe, constitute another blow to the confidence of the business community in Texas, and I believe it would have the same effect elsewhere in our nation.

We have a large stake in Texas in a more sensitive approach to the selection of articles for tariff negotiation than is provided for in the bill.

I have collected data showing the employment losses in manufacturing industries in Texas during the period 1954–58, and the losses in employment nationally in those businesses 1954–60, together with an indication of the magnitude of the adverse shift in balance of trade in the products of these industries which occurred during those periods.

This study shows that from 1954 to 1958 Texas lost 6,142 workers in these manufacturing industries while the Nation as a whole lost 216,741 workers' jobs in those industries from 1954 to 1960.

While this was occurring the balance of trade in the products of those industries shifted adversely to the United States by some 2.2 billion. This resulted from a drop in exports of 201 million, and an increase in imports of 2 billion in the products of those industries.

It is not my position that the poor employment performance of these industries, which account for about 25 percent of manufacturing employment in Texas, was due entirely to the rise in imports and the decline in exports.

The data do indicate, however, that these industries, characterized by a stagnant or declining employment, are under heavy pressure from adverse foreign trade developments.

Further elimination of duties is not going to halt or moderate the increased import trends shown for these industries.

What I have had to say about the peril-point procedure applies with even greater emphasis to the changes which H.R. 11970 would make in the escape clause. I am not myself a technician in escape-clause law and procedures, but I have confidence in the analysis of the changes which have been made for me by technicians.

The bill obviously repeals the existing escape clause and the criteria set forth in the existing escape clause by which the Tariff Commission is to determine the existence or threat of serious injury from imports.

While the words "serious injury" are retained in section 351 of the bill, the language in subsection (d)(4) of that section sets forth a much more extreme set of economic circumstances which must exist before a finding of injury can be made than is required under the present law.

Instead of directing the Commission's attention to such factors as a downward trend of production, employment, prices, profits, or wages in the domestic industry as in the present law, the bill would require the Tariff Commission to give attention to such hallmarks of economic disaster as idling of productive facilities, inability to operate at a profit, and unemployment or underemployment.

Speaking for Texas, let me say I do not wish for our Government's approach to tariff negotiations to be geared to the toleration of economic distress under any such guidelines.

There are other negative aspects about the escape provisions of this bill. Chief among these is the right of the President as an alternative to tariff adjustment to grant loans, tax relief, and technical managerial assistance to firms, and a Federal level of unemployment compensation to groups of workers in industries injured by imports.

If the committee approves and the Congress enacts this bill with such alternatives intact it will provide a clear mandate to the President to use the authority of the bill in such a way as to intend injury to all but the most highly automated mass-production industries of the country.

While the latter are important to the economy, they do not fill the entire employment needs of the Nation, of its States, or of the thousands of communities as economic well-being is geared to the solvent operation of plants, mills, farms, fishing fleets.

Texas has its great seaport of Houston and many busy ports with somewhat specialized missions in foreign trade such as Galveston, Beaumont, Port Arthur, and Brownsville.

Texas has an obvious interest in foreign trade, but the existence of these ports and our interest in foreign radios do not blind us to the economic reality of many industries, sectors of agriculture, mineral extraction, and fisheries which contribute importantly to the employment and economic well-being to our State and Nation cannot survive under conditions of total free trade.

May I say at this point, Mr. Chairman, that philosophically, like most southerners, I am a free trader. However, under present conditions when our production costs are well above competitive levels, we can't exist with the free-trade situation.

One need not be a conservative, whatever that term may mean in the political area, to suggest there is a place in national policy for balance and moderation.

The genius of our democratic system includes our ability to reconcile opposing viewpoints and opposing economic interests in a constructive middle course which would carry our nation forward to attainable goals in economic trade while preserving, consolidating, and building on our internal economic strength so vitally important to our domestic economy.

These thoughts lead me to urge with all vigor that the committee favorably consider and adopt the amendments to H.R. 11970 which I have co-sponsored with Senator Bennett and Senator Bush of this committee and other Senators.

These amendments restore and clarify the meaning of the peril point and escape clause; they lay down clear-cut objectives for the administration in the attainment of expanded foreign markets for our export industries, they express determination of the United States that our most-favored-nation policy not operate blindly to the detriment of the United States through the unyielding intransigence of our trading partners who decline to grant similar benefits to third countries such as the countries of Asia.

Above all, these amendments provide clear guidelines and definite procedures leading to an informed President making findings of fact based upon a public record that the policies expressed by the Congress in the legislation will actually be met in each and every use of delegated authority.

Mr. Chairman, I should like to present for the record statistical data reflecting worsening balance of trade in 1960 as compared with 1954, concerning key industries in my State of Texas and I would like to ask unanimous consent that this material be made a part of the record of these hearings.

The CHAIRMAN. Without objection the insertion will be made.

(The insertion referred to follows:)

TEXAS INDUSTRIES WITH EMPLOYMENT LOSSES, STATE OR NATIONAL, AND WORSENING EXPORT-IMPORT BALANCES, 1954, 1958 AND 1960

NOTES

Industries selected are all those for which data were available in the sources which, in addition to showing a worsened balance of trade in 1960 as compared with 1954, also experienced a decline in employment in the State for 1958 as compared with 1954 and/or a decline in employment in the entire United States for 1960 as compared with 1954. Comparable State employment data for 1960 are not available.

SOURCES

Department of Commerce, Bureau of the Census: 1958 Census of Manufactures, General Summary Subject Report MC58(1) and Area Reports MC58(3); 1960 Annual Survey of Manufactures, "General Statistics for Industry Groups and Selected Industries," MC60 (AS)-1; "U.S. Commodity Exports as Related to Output, 1958"; "U.S. Commodity Exports and Imports as Related to Output, 1958"; U.S. Exports of Domestic and Foreign Merchandise," Report FT-410, and "U.S. Imports of Merchandise for Consumption," Report FT-110, 1954, 1958, 1960.

METHODOLOGY NOTE

Because of the revision of the standard industrial classification system, employment and value added data for both 1958 and 1954 were taken from the 1958 Census of Manufactures. This decreased to some extent the industries eligible for inclusion in these comparisons because a number of three- and four-digit industries are shown in the 1958 census with no historically comparable figures. Particularly at the State level, data for individual industries may not be disclosed because of the confidentiality rule thus making it impossible to apply to 1954 census data the "bridge" tabulations showing the correlation between the old SIC and the new.

Adjusted value added data are shown for 1958; for 1954, figures for the United States as a whole represent adjusted value added and those for each State, unadjusted value added. Unadjusted value added is obtained by subtracting the cost of materials, supplies and containers, fuel, purchased electric energy, and contract work from the value of shipments for products manufactured plus

receipts for services rendered. Adjusted value added also takes into account (*a*) value added by merchandising operations (that is, the difference between the sales value and cost of merchandise sold without further manufacture, processing, or assembly,) plus (*b*) the net change in finished goods and work-in-process inventories between the beginning and end of the year. The latter is a more comprehensive measure of the net production of goods and services by establishments defined as primarily manufacturing.

For 1960, employment data have been obtained from the 1960 Annual Survey of Manufactures which is based on reports from about 60,000 manufacturing establishments selected out of a total of almost 300,000. This sample includes all large manufacturing establishments, which account for approximately two-thirds of all manufacturing employment, and, in varying proportions, the more numerous medium- and small-sized establishments. The estimates obtained vary from the totals that would have resulted from a complete canvass but, for most industries, the relative magnitude of the sampling variation is no greater than 1 percent.

For all years, export and import data have been compiled on the basis of a classification system developed by the Bureau of the Census which related the import (schedule A) and export (schedule B) commodity codes to the 1957 standard industrial classification. Because each of these commodity classifications has been created independently and to serve a different purpose, a number of variances occur when an attempt is made to compare individual industries. For this reason, the relationships shown for a number of three-digit industries and even for some of the two-digit industries should be considered as approximations rather than precise comparisons of exports and imports with output and employment. Nevertheless, these estimates are sufficiently valid to make accurate comparisons between years since the method of tabulating the data has been consistent for all years included.

TEXAS

	Employment		Value added (thousand dollars)		Foreign trade (thousand dollars)		
	State	United States	State	United States	Exports	Imports	Balance
201 Meat products:							
1954	14,981	311,366	92,996	1,938,307	204,557	232,129	−27,572
1958	15,202	311,758	100,763	2,499,233	194,022	389,349	−195,327
1960		306,867		2,663,375	271,188	394,208	−123,020
Difference, 1960 compared with 1954	221	−4,499	7,767	725,068	66,631	162,079	−95,448
207 Candy and related products:							
1954	1,469	80,425	8,726	609,853	45,634	40,622	5,012
1958	1,687	80,010	12,045	749,066	24,759	43,850	−19,091
1930		78,729		832,243	35,169	51,615	−16,446
Difference, 1960 compared with 1954	218	−1,696	3,319	222,390	−10,465	10,993	−21,458
208 Beverages:							
1954	8,545	213,387	78,232	2,468,333	38,584	163,086	−124,502
1958	9,126	206,197	101,915	2,835,661	40,238	234,677	−194,439
1960		211,193		3,197,914	38,804	284,994	−246,190
Difference, 1960 compared with 1954	581	−2,194	23,683	729,581	220	121,908	−121,688
220 Textile mill products:							
1954	8,636	1,027,802	33,754	4,605,985	378,007	353,712	24,295
1958	7,275	901,677	33,587	4,857,638	327,421	440,249	−112,828
1960		901,530		5,613,457	326,558	627,131	−300,573
Difference, 1960 compared with 1954	−1,361	−126,276	−167	1,007,472	−51,449	273,419	−324,868
238 Miscellaneous apparel:							
1954	1,422	64,333	4,589	268,847	1,319	21,894	−20,575
1958	1,343	60,026	5,462	306,277	1,141	30,920	−29,779
1960		65,433		320,566	1,159	41,490	−40,331
Difference, 1960 compared with 1954	−79	1,100	873	51,719	−160	19,596	−19,756
240 Lumber and wood products:							
1954	20,739	645,936	76,368	3,241,606	107,836	400,614	−292,778
1958	17,159	581,302	78,571	3,176,613	134,090	440,255	−306,165
1960		595,969		3,457,555	179,693	530,125	−350,432
Difference, 1960 compared with 1954	−3,580	−49,967	2,203	215,949	71,857	129,511	−57,654

TEXAS—Continued

	Employment		Value added (thousand dollars)		Foreign trade (thousand dollars)		
	State	United States	State	United States	Exports	Imports	Balance
242 Sawmills and planing mills:							
1954	11,260	341,350	38,168	1,610,410	66,683	281,502	−214,819
1958	8,596	278,003	32,462	1,341,127	77,306	289,771	−212,465
1960		280,999		1,495,703	105,786	341,081	−235,295
Difference, 1960 compared with 1954	−2,664	−60,351	−5,706	−114,707	39,103	59,579	−20,476
290 Petroleum and coal products:							
1954	40,926	183,339	465,985	2,240,876	614,505	284,638	329,867
1958	42,945	179,166	592,723	2,518,424	536,388	686,168	−149,780
1960		168,334		3,201,312	476,059	648,682	−172,623
Difference, 1960 compared with 1954	2,019	−15,005	126,738	960,436	−138,446	364,044	−502,490
314 Footwear, except rubber:							
1954	2,607	230,255	6,988	988,379	14,559	10,354	4,205
1958	2,216	226,831	7,641	1,145,916	13,431	32,697	−19,263
1960		227,688		1,221,132	9,399	53,069	−43,670
Difference, 1960 compared with 1954	−391	−2,567	653	232,753	−5,160	42,715	−47,875
317 Purses and small leather goods:							
1954	157	37,547	537	163,747	2,675	4,976	−2,301
1958	141	35,610	686	187,287	3,776	8,273	−4,497
1960		38,521		208,741	5,398	12,030	−6,632
Difference, 1960 compared with 1954	−16	974	149	44,994	2,723	7,054	−4,331
324 Cement, hydraulic:							
1954	2,602	39,769	44,966	525,667	6,577	1,760	4,817
1958	2,689	41,127	62,100	724,771	2,975	9,682	−6,707
1960		38,762		740,903	1,134	10,307	−9,173
Difference, 1960 compared with 1954	87	−1,007	17,134	215,236	−5,443	8,547	−13,990
371 Motor vehicles and equipment:							
1954	6,610	685,273	65,877	6,137,653	1,224,634	52,326	1,172,308
1958	6,004	577,188	84,935	6,750,675	1,249,310	535,138	714,172
1960		694,542		10,119,055	1,240,625	597,456	643,169
Difference, 1960 compared with 1954	−606	9,269	19,058	3,981,402	15,991	545,130	−529,139
390 Miscellaneous manufacturing:							
1954	9,620	614,644	45,600	3,909,238	546,076	320,258	225,818
1958	5,978	571,434	65,929	4,754,260	395,332	261,280	134,052
1960		588,174		5,273,331	396,225	694,229	−298,004
Difference, 1960 compared with 1954	−3,642	−26,470	20,329	1,364,093	−149,851	373,971	−523,822
391 Jewelry and silverware:							
1954	310	47,930	652	302,058	11,946	93,455	−81,509
1958	461	41,867	2,884	323,316	19,338	109,022	−89,684
1960		42,349		373,644	29,464	127,302	−97,838
Difference, 1960 compared with 1954	151	−5,581	2,232	71,586	17,518	33,847	−16,329
Total, above industries:							
1954	115,550	3,866,274	917,093	25,946,365	3,167,729	1,871,039	1,296,690
1958	109,408	3,509,885	1,138,030	29,172,618	2,905,676	3,071,568	−165,892
1960		3,649,533		35,419,711	2,966,614	3,880,237	−913,623
Difference, 1960 compared with 1954	−6,142	−216,741	220,937	9,473,346	−210,115	2,009,198	−2,210,313
Total, all industries:							
1954	410,364	15,345,491	3,501,706	117,032,326	12,160,193	5,546,961	6,613,232
1958	466,404	15,393,766	5,045,159	141,270,297	14,128,001	7,725,919	6,402,082
1960		16,124,061		163,230,807	15,753,320	9,912,611	5,840,709
Difference, 1960 compared with 1954	56,040	478,570	1,543,453	46,198,481	3,593,127	4,365,650	−772,523

Senator TOWER. Mr. Chairman, moving to another phase of the bill, one which is more specific and one which is of vital interest to 30-odd oil-producing States of our Nation, I should like to comment on the national security provisions of the trade bill as it came to us from the House of Representatives.

In review it is astonishing to note that in 1961 oil imports averaged almost two million barrels a day. Total value exceeded $1.6 billion.

Petroleum is now the largest item in our import trade, while at home we have 30 percent of our producing capacity shut in for lack of markets. This is like sending coffee to Brazil or coals to Newcastle.

While our domestic production has stagnated Canadian production is up 30 percent; Venezuela, 20 percent; other Western Hemisphere nations up as much as 60 percent; the Middle East up 60 percent; the Soviet Union up 100 percent.

Only two major nations of the world are capable of producing their own oil need, these are the United States and the Soviet Union. While we are purposely stunting our growth in oil production the Soviet Union is purposely expanding hers.

Between 1950 and 1960 the U.S. production increased 30 percent. The Soviet Union production quadrupled.

In 1945 Russian production was 9 percent of U.S. production. In 1961 it was 46 percent.

In view of Russia's increasing oil production the United States must have the assurance of adequate domestic supplies. Domestic producers must be given the opportunity to participate in future growth of the home market. This is in the interest of national security and to assure adequate reserves.

There has been a continuing decline in activity. In 1956 the domestic industry drilled 56,100 wells. Last year only 46,962 were drilled, which is a decline of 20 percent in just 5 years.

Prorated wells in Texas are limited to only 8 producing days per month and this is no incentive to add new wells.

While total well completions have declined 30 percent from 1956 to 1961, it is even more revealing to note that exploratory wells drilled declined 30 percent during the same period.

Average number of active crews in 1952 was 734. In 1957 it was 580. In 1960, it was 434. This represents a decline of 350 crews or about a 40 percent decline.

We are facing disaster, I think, unless something is done about oil imports. If something is not done about oil imports our industry is going to be destroyed. A lot of people there are who think the best way to preserve oil is not to produce it in this country. What they don't understand is in time of emergency when we need increased production we find that people who know how to find oil and get it out of the ground, how to produce oil, have gone into other fields and we have a shortage of skilled technicians, we have a shortage of equipment needed to do the job.

Mr. Chairman, finally, I would like to call attention to yet another phase of the proposed trade program.

Indeed, I feel we must look at any proposed legislation that delegates responsibility and authority to see whether it provides the proper congressional supervision and oversight.

Members of Congress tend to be more sensitive to the health of an individual domestic industry. I don't believe that the President's trade program accomplished the objectives that are required and includes the proper safeguards for intelligent protection of the American people through their duly elected representatives.

The program suffers in my opinion from this fatal defect.

I don't believe that Congress should give the President such full and uncontrolled power to negotiate trade treaties. With these treaties not subject to congressional review the American people have finally placed themselves in the hands of an all-powerful Executive who can determine a large part of their own economic future with the Congress powerless to interfere.

In this regard I find a statement of more than passing interest placed in the Congressional Record by Senator J. W. Fulbright, chairman of the Foreign Relations Committee on June 27.

Senator Fulbright submitted a statement by Carl Gilbert, Chairman of the Committee for National Trade Policy. In the course of this address Mr. Gilbert said and I quote:

> The Congress might be well advised to establish a permanent committee on international economic policy to watchdog the progress of our trade expansion policy and to insure the coordination of domestic policies with our international objectives.
>
> The President's report to the Congress, if it can become the kind of accounting I suggested it should be, would be reviewed by such a committee. Such a committee, including careful selected representatives of congressional committees with a major interest in this program, with respect to both its trade and domestic adjustments features, could prove most valuable, especially if its staff matched in competence the technicians who staff our negotiating team.

The evidence of recent dealings with the European governments suggest we have not always been successful or even zealous in the protection of American interests.

The former Trade Act, which included peril point relief, provided an escape hatch, often used, but not often enough.

The most extreme actions were restrained by an Executive fearful of both congressional review and the congressional refusal to extend the Trade Legislative Act.

Despite this, no past President has requested or apparently desired anything like the power and authority requested by the present Chief Executive.

I would like to call attention to a Senate joint resolution introduced earlier in this session of Congress. This resolution, Senate Joint Resolution 163, is designed to establish a Congressional Oversight Committee. This Joint Committee on Foreign Trade would be composed of House and Senate Members who are members of the various committees which now have some responsibility and jurisdiction on trade matters.

This resolution is now before the Commerce Committee.

Mr. Chairman, I appreciate the opportunity given me to testify here today. I think that certainly it might be precipitous to act hastily on broad grants of authority to the President to deal with the European Common Market particularly in the light of recent developments in Common Market negotiations with the United Kingdom.

I think unless proper accommodation can be made with the Commonwealth countries it is highly unlikely that the United Kingdom

will enter the Common Market. I think it would bring down Mr. Macmillan's government if he attempted to take Britain into the Common Market without proper accommodation for the Commonwealth countries.

I think perhaps an attitude of wait and see might be good counsel on our part before we hastily devise measures that enable us to involve ourselves in special negotiations with the European Economic Community.

Again, thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Tower.

The amendment introduced by Senator Bush, for himself, you and other Senators will be before the committee at the proper time.

Senator CURTIS. We have a heavy schedule and I will not go into questioning but I do want to say I think you have made a very valuable contribution in this connection.

Senator TOWER. Thank you, Senator.

The CHAIRMAN. The next witness is Mr. Ernest Falk, who will speak in behalf of the U.S. National Fruit Export Council, and also the Northwest Horticultural Council.

Take a seat, please, and proceed.

STATEMENT OF ERNEST FALK, U.S. NATIONAL FRUIT EXPORT COUNSEL, AND NORTHWEST HORTICULTURAL COUNCIL

Mr. FALK. Thank you Mr. Chairman, and members of the committee. Separate written statements have been submitted on behalf of the U.S. National Fruit Export Council, which represents the major part of the export fruit industry of the United States, and on behalf of the Northwest Horticultural Council which represents the apple and pear growers in Oregon and Washington.

I would request that each cf these statements be incorporated into the record and I should like to summarize them.

The CHAIRMAN. Without objection the supplemental statements for both the U.S. National Fruit Export Council and the Northwest Horticultural Council with be printed in the record following your oral testimony.

Mr. FALK. First on behalf of the U.S. National Fruit Export Council. This organization represents more than 80,000 growers from all over the United States, citrus from California, Arizona, Texas and Florida, apples from 27 States, pears from Oregon, Washington and California: grapes from California and prunes from California and Oregon.

The farm value of these crops is estimated at $1.2 billion with a retail value after packing and processing of nearly $4 billion. Approximately $250 million are exported annually. This export market, largely in Europe, has traditionally been a significant outlet for U.S. fresh and processed fruits. It was developed with fruit of superior quality. it has not been a dumping ground for occasional surpluses. Prior to World War II nearly 10 percent of the fresh fruits and 25 percent of the processed fruits produced annually in the United States were exported.

Following World War II, most European countries prohibited or restricted imports of U.S. fruits in order to reserve their limited dollar exchange for products they thought more essential. Many of

these restrictions were continued long after there was any currency shortage justification under the GATT. The result of these nontariff barriers was to negate the benefit of lower duties previously negotiated under the GATT.

The fruit industry submitted statements at earlier hearings on trade agreements legislation. It stressed the need to obtain removal of these barriers to trade in order to make reciprocal trade truly a two-way street. We supported extensions of the Trade Agreements Act even though, for U.S. fruit and fruit products, the act had not worked in the way it was intended, and our products had been discriminated against.

One of the major purposes of the Trade Agreements Extension Act of 1958 was to enable the negotiation of favorable tariffs with the European Economic Community. The recently announced EEC common external tariffs, agreed upon at GATT negotiations, and the provisional Common Market fruit and vegetable policy are a great disappointment to us. Tariffs on important segments of our trade (for example, dried prunes, fruit juices, and canned pineapple) were fixed at higher rates than the average of the duties of the member countries.

This at a time when reductions were supposed to be negotiated. We are also concerned from study of the provisional Common Market fruit and vegetable policy, that the EEC countries intend to continue or indeed increase their nontariff barriers.

The United States must make certain the lower tariffs to be negotiated with the EEC will not be nullified by nontariff barriers and that present unjustifiable foreign import restrictions are removed.

Representations alone, on the part of the United States, have not succeeded in modifying or removing some of these nontariff barriers, despite GATT obligations for their removal. Continuing representations have taken place over the past several years in an endeavor to seek relaxation of quantitative or seasonal restrictions on imports of fresh apples and pears in most Western European countries, on winter grapefruit and processed orange and grapefruit products in the United Kingdom, and on imports of most horticultural products into France.

Despite these, little significant progress has been made.

Since representations alone have not brought about removal or even reductions of these barriers, we must go further.

Section 252 is a big step in the right direction to curb unjustifiable foreign import restrictions.

Subsection (*b*) authorizes the President to withhold the benefit of tariff concessions granted by the United States from a country which maintains nontariff restrictions in a manner inconsistent with provisions of trade agreements, or engages in discriminatory or other acts or policies ujustifiably restricting U.S. commerce.

This authority is limited to action with reference to tariffs which are only one of the concessions or commitments made by members under the GATT; they also agreed to limit quantitative and other restrictions on trade. Section 252 should be broadened to permit the United States to withdraw nonduty concessions, for example, to impose nontariff restrictions.

Under certain circumstances, the suspension or withdrawal of a duty may not be effective to accomplish the desired purpose, but the

imposition of import restrictions could bring about a correction of discriminatory action.

We propose a new subsection in 252(b) which would authorize the President to—

(C) Impose additional import restrictions on the products of such country or instrumentality.

The authority to impose import restrictions, in addition to the authority granted in (A) and (B), with respect to duties, would complete the picture. It would fully implement the apparent intent of this section and serve notice on foreign countries which impose unjustifiable import restrictions that we propose to correct this situation by taking all necessary steps to assure that the United States receives what it has bargained and paid for.

In effect, Congress would grant authority to the administration to take reciprocal action and to use the same means other countries are using, in lieu of the acquiescent policy followed in the past.

Another recommendation is that the United States modify its most-favored-nation policy for tariff concessions. We suggest that tariff concessions be available only to those countries who have tariff agreements with the United States or are members of the GATT. We cannot understand why countries who do not reciprocate with the United States should receive the benefit of our tariff concessions.

Also, we believe that the most-favored-nation policy should be modified so that concessions may be withdrawn from countries that treat us unfairly.

We recognize the danger to trade involved in a mutual withdrawal of concessions. Also, we know that retaliatory measures alone will not guarantee us reasonable success.

But, lack of progress in the removal of these trade barriers has persuaded us that measures stronger than those heretofore used are required if we are to obtain continuing reasonable opportunities to export.

We feel the necessary stronger measures can come only from legislative direction and mandate. Only when foreign countries are convinced that they can no longer successfully take advantage of the United States will they live up to their commitments; reciprocal trade can then become a reality.

Apparently, congressional action is necessary to establish such a firm trade policy.

Without this, we see no reason to grant authority for future tariff reductions.

This concludes the summary of the statement on behalf of the National Export Council.

I should like to summarize the statement of the Northwest Horticultural Council, which represents the apple and pear industry of Washington and Oregon.

We are a member of the U.S. National Fruit Export Council, and endorse the statement submitted by it, but we desire to cover certain additional points not covered in the national statement.

The first is adjustment assistance. We oppose title III. We do not favor establishing special Government programs and machinery at this time to assist in the adjustment of firms and workers affected by reduction of U.S. tariffs. There will be cases in which Government

assistance for adjustment would be appropriate, but there now are a number of Federal programs, some only recently enacted, for assisting economic adjustments. The Federal Government provides financial and technical assistance for small business. The area redevelopment program provides a variety of measures for dealing with the problems of depressed areas.

Legislation enacted this spring provides Federal aid in retraining unemployed workers. We do not regard the adjustment problems likely to result from trade liberalization as being so special as to require different programs.

The higher unemployment benefits provided for workers are not justified, and would provide a source of continuing dispute whether a worker became unemployed because of reduced tariffs or from other causes.

The sad experience of subsidies in agriculture should be a warning to us. The adjustment assistance program could become another subsidy problem.

We believe that a better answer to injury from imports is to retain the present peril point and escape clauses. They seek to prevent serious injury rather than attempt to alleviate the effects, as does title III. We oppose title II, and urge retention of existing peril point and escape clause provisions.

We recommend that the authority and the responsibility for the negotiation and enforcement of trade agreements be transferred from the State Department to another Department or to a new autonomous agency. U.S. policy, adopted, interpreted, and enforced by the State Department, or at least followed under its aegis, has, since World War II, permitted foreign countries to avoid their international commercial obligations.

Apparently it was U.S. policy to sacrifice economic rights to political considerations, to not antagonize countries alined with us in defense of the free world. The proposed delegation of authority and responsibility for trade agreements to another Department or to a new agency would emphasize that the new policy must be followed, and that this act means what it says, and is not just a scrap of paper.

The Northwest apple and pear industry believes in multilateral trade. We have supported the Trade Agreements program, but we insist that trade should be truly reciprocal, not one-sided as in the past. A strong firm policy with Congress retaining control is essential to assure that trade is reciprocal.

A strong firm policy which would give us the access to European markets we are entitled to would be beneficial to the United States, as well as to individual fruitgrowers and their employees on the farm and in the packinghouses.

Additional revenue would accrue to the Treasury from increased taxes. And most importantly, removal of unjustifiable restrictions would help solve U.S. balance-of-payment difficulties.

Exports of U.S. fruit and fruit products could easily be increased by at least $100 million a year if the unjustified restrictions were removed.

Another suggestion: U.S. duties at present fall into two categories:

(1) Most favored nation which includes all countries except Communist dominated; and

(2) Communist countries. We suggest three categories would be better:

(1) Most favored nation;

(2) Countries who do not have trade agreements with the United States or who do not grant us most-favored-nation treatment or do not live up to their commitments; and

(3) Communist countries.

It seems only logical that our friends and business partners should receive consideration for the concessions they grant to us and likewise that non-Communist countries should be entitled to preferential treatment over Communist countries, even though they are not entitled to as favorable treatment as countries who grant us most-favored-nation treatment.

We believe that H.R. 11970 with appropriate amendments, as set forth in our statement, which will strengthen the bill, will be in the best interests of the United States.

I thank you, Mr. Chairman, for this opportunity to appear before you.

The CHAIRMAN. Thank you, Mr. Falk. You have made a very clear and able statement.

(The statements previously referred to follow:)

STATEMENT OF ERNEST FALK FOR THE U.S. NATIONAL FRUIT EXPORT COUNCIL

The U.S. National Fruit Export Council comprises 14 organizations representing the major part of the fruit export industry of the United States. This statement is limited to titles I and II.

SUMMARY

The export market has traditionally been a very significant outlet for U.S. fresh and processed fruits. Approximately $250 million worth are exported annually.

Following World War II most European countries prohibited or restricted imports of U.S. fruits to conserve their limited dollar exchange for products considered more essential. Initially these restrictions were generally justified under GATT, but most of these countries continued to restrict imports after this justification had expired. Most European countries have violated their GATT commitments; many still are not living up to their obligations.

Despite this continued unjustified discrimination against U.S. fruit products, the fruit industry in the past endorsed extension of the Trade Agreements Act. We felt that the principle of multilateral trade was sound in theory and that despite the unjustified discrimination, the United States should continue in the worldwide effort to reduce trade barriers. At the same time we urged that the discriminations against fruit and fruit products should be removed. This discrimination has been recognized by the Congress in reports on this legislation.

Although some barriers have been removed, substantial discrimination has continued and in some instances has been intensified. This is evidenced by the announcement of the recent round of GATT negotiations where the European Economic Community increased the duty on prunes, fruit juices, and canned pineapple; nontariff barriers remain, principally on fresh apples, fresh pears, and some citrus, but also on other fresh and on processed fruits; also the European Economic Community reserved in the provisional Common Market agricultural policy, the right to establish quantitative restrictions and variable levies and other procedures which could be used as barriers to our products.

The fruit industry concluded that it could not support the Trade Expansion Act of 1962 solely on the hope that these abuses would be corrected in the future. We opposed title II unless it was amended to—

(a) Require the President to withdraw concessions from, and to prohibit the President from making further concessions available to any country that unjustifiably nullified or impaired concessions previously granted the United States.

(b) Require limitation of most-favored-nation treatment to those countries which extend similar treatment to the United States.

The Ways and Means Committee incorporated part of (*a*) above in H.R. 11970.

The fruit industry believes that the action of the House was a substantial step in the right direction and that the Trade Expansion Act can be made effective by amendments which will further strengthen H.R. 11970.

We recommend the following amendments:

(1) Amend section 252(b) by changing the period at the end of the subsection (p. 19, line 24) to a comma and adding the word "or" and adding the following subsection:

"(C) Impose additional import restrictions on products of such country or instrumentality."

The proposal is consistent with the intent of section 252 and carries it one step further to a logical and effective conclusion.

(2) Amend section 251 to read as follows: "Except as otherwise provided in this title, any duty or other import restrictions or duty-free treatment proclaimed in carrying out any trade agreement under this title or any predecessor act shall apply to products of ~~all foreign~~ countries *which have tariff agreements with the United States, either directly or through GATT, and are not in the determination of the United States in default thereon,* whether *such products* are imported directly or indirectly."

We heartily support the provisions of sections 102, 201, 242, 251 with proposed amendment, and 252 with the proposed amendment.

SCOPE OF INDUSTRY

The U.S. National Fruit Export Council membership includes: California-Arizona Citrus Industry, California Grape & Tree Fruit League, Canners League of California, Cranberry Institute, Dried Fruit Association of California, Florida Canners Association, Florida Citrus Commission, Florida Citrus Mutual, International Apple Association, National Apple Institute, Northwest Canners & Freezers, Northwest Horticultural Council, Texas Citrus & Vegetable Growers & Shippers, Texas Citrus Mutual. I am the president of the U.S. National Fruit Export Council.

More than 80,000 growers are represented in this membership, in addition to our shippers and processors; the acreage in orchards and vineyards is approximately 3 million, with an aggregate annual production averaging nearly 17 million tons of fruit. The farm value of our crops is estimated at $1.2 billion, with a retail value after packing, storing, processing, transportation, and distribution of near $4 billion. Approximately $250 million of fruit and fruit products are exported annually. Every part of this industry is directly or indirectly concerned with and affected by our foreign trade situation.

In so widespread and diverse an industry, naturally we have a range of views and opinions on many problems. But we are up against one overriding problem in foreign trade. We have joined together to ask the committee and the Congress to reconsider and act upon it.

Our members include producers, packers, and export shippers of citrus and deciduous fruits in the fresh, canned, dried, and concentrated forms. Our export market, largely in Europe, has traditionally been a very significant outlet for U.S. fruits of superior quality; it has not been a dumping ground for occasional surpluses. Prior to World War II, it provided a normal and regular market for almost one-tenth of the fresh fruit and one-quarter of the processed fruit produced annually in the United States. Prior to World War II exports of perennial fruits and fruit products ranked first in the U.S. exports of foods, and third in all agricultural exports, exceeded only by cotton and tobacco.

POST WORLD WAR II DEVELOPMENTS

Following the war, most European countries prohibited imports of U.S. fruits because they wanted to reserve their limited dollar exchange for products they thought more essential.

Over the past 12 years we—the representatives of the fruit industry—have continually sought access to our traditional markets abroad. We have stressed the discriminatory nature of these restrictions, which favored competitors from soft-currency countries, while barring U.S. fruits and fruit products.

When we brought this continuing situation to the attention of the representatives of the Departments of Agriculture and State, they initially reminded us that foreign countries were obligated under the GATT to remove these barriers as soon as their balance-of-payments position warranted. This has been done,

only to a limited extent. As foreign economies have improved, there has been some relaxation of these trade barriers. However, these have usually been applicable to fruits or fruit products not produced by these countries or their dependencies.

CURRENT RESTRICTIONS ON TRADE

At the present time, exports from important segments of the U.S. fruit industry still are sharply limited by 'these quantitative restrictions. In practically every instance these remaining restrictions are designed to protect local growers or producers in dependent or affiliated territories, or to protect bilateral trading arrangements. Most of these discriminate—directly or indirectly—against imports from the dollar area and our Government has been unable or has not seen fit to apply the pressure necessary to get them removed.

The effect of the current import controls of foreign countries on fruit and fruit products from the dollar area is shown graphically in exhibit A hereto attached.

The shortage of dollar exchange no longer provides an excuse for many countries and particularly the industrialized countries of Western Europe to restrict imports of fruits from the United States.

Nevertheless, these non-tariff-barrier restrictions have been continued in violation of their agreement under the GATT. The remaining barriers should be removed now, and resumption of normal commercial relationships should be permitted. Only when these barriers have been removed, will the entire U.S. fruit industry have the opportunity to again compete freely in world markets.

We have consistently and frequently urged the executive branch of the Government to take the necessary steps to accomplish removal of the remaining unjustified and arbitrary trade barriers. Unfortunately, political considerations apparently outweigh the commercial or economic justification for their removal. This situation appears to be getting no better fast. In fact, in some respects it is deteriorating.

THE 1960-61 GATT NEGOTIATIONS

The members of GATT met at a Tariff Conference in Geneva during 1960 and 1961. An analysis of the U.S. negotiations at ATT has been released as Department of State Publication 7349, "Commercial Policy," Series 186, releasd in March 1962. This publication after reviewing some of the negotiation contains the following material:

Principal tariff concessions obtained by the United States from the European Economic Community

Tariff No.	Article (abbreviated description)	Rate of duty		Imports from United States, 1958
		Before agreement	Under agreement	
08.12 C	Prunes	18	16	$5,691,000
20.06 BII	Canned fruit, containing added sugar but no alcohol.	[1] 27	[1] 25	17,430,000

[1] Plus a supplemental duty on added sugar content.

Many other claimed concessions are listed. Under the GATT, the European Economic Community was obligated to establish duties which "shall not on the whole be higher nor more restrictive than the general incidence of the duties and regulations of commerce applicable in the constituent territories prior to the formation of such union" (art. XXIV—5(a)). We recognize that this does not mean that the duty on each individual commodity must be so established. We believe that the Department of State's description of many of these items as tariff concessions obtained by the United States is not realistic nor fair. Actually the U.S. producers and exporters of prunes, canned pineapple, and fruit juices suffered serious losses rather than gained concessions as claimed by the State Department. The bulk of the trade in fruit juices is in orange juice. The duty on 88 percent, by volume, of the orange juice imported into EEC countries was increased; on only 12 percent were the duties slightly lower. There was no real concession on canned fruit. The following table was taken from USDA Foreign Agricultural Service Circular FDAP 4-62.

Import duties of individual member states as of Jan. 1, 1957, compared with European Economic Community Duties—Commodity and EEC number: Prunes 08.12 C

[Duties are ad valorem percentages on a cost and freight basis]

Country:	
West Germany	8
Benelux	8
France	22
Italy	15
Simple average	13
Weighted average [1]	14
EEC common external tariff:	
Proposed rate	18
Final rate	16

[1] Weighted with value of U.S. exports in 1960.

The above shows that the duty on prunes instead of having been reduced, as inferentially claimed, from 18 percent ad valorem to 16 percent was in effect increased from 13 percent or 14 percent to 16 percent. The increases on fruit juices and canned pineapple as distinguished from a claimed reduction are as real but not as readily apparent. The claimed reduction on canned fruit ignores the fact that imports of canned fruits into the European Economic Community countries must bear, in addition to the ad valorem duty, a "supplemental duty on added sugar content." Only Benelux previously had such a sugar-added duty, and it was much lower than the EEC duty. The net result—no reduction as claimed for canned fruits.

CURRENT NONTARIFF BARRIERS

Our greatest concern, however, is with nontariff barriers. Exhibit A hereof is reproduced from "Prospects for Foreign Trade for Fruits, Vegetables, and Tree Nuts" issued by the Foreign Agricultural Service of the U.S. Department of Agriculture, January 1962. It graphically portrays the extent of some of the nontariff barriers. Some of the most significant current import controls affecting U.S. exports of fruits are listed on exhibit B hereto attached.

Time does not permit a complete analysis of these import controls. Representatives of some members of the U.S. National Fruit Export Council have submitted or will submit written statements to the committee with respect to their individual commodities. These will bring out in greater detail the discriminations to which our fruit and fruit products are subjected. Reference has been made only to illustrate the problem which concerns us. It is the fact that the fruit industry has been denied the benefit of concessions heretofore negotiated and paid for. These benefits, lower tariffs, have been negated by nontariff barriers, including quantitative and seasonal licensing restrictions which have sharply restricted and in some instances almost completely prohibited trade. We see no reason for the United States to make future concessions unless there is assurance that the benefits we are to receive will not be taken away as in the past. This assurance can be realized only by firm congressional action.

We propose amendments to sections 252 and 251 which we believe will accomplish this. Section 252 is a big step in the right direction to curb unjustifiable foreign import restrictions. However, the steps that the President is directed or authorized to take should be enlarged to cover an additional area. We propose that section 252(b) be amended by changing the period at the end of the section (p. 19, line 24) to a comma and adding the word "or" and adding the following subsection:

"(C) Impose additional import restrictions on the products of such country or instrumentality."

Two types of concessions or commitments are made under the GATT. These deal with (1) duties, and (2) nonduty restrictions. Under the GATT the contracting parties agree to certain duties. They further agree to limit restrictions on entry. Section 252 as drafted authorizes the President to withhold the benefit of tariff concessions, granted by the United States, from a country which maintains nontariff restrictions in a manner inconsistent with provisions of trade agreements or engages in discriminatory or other acts or policies unjustifiably restricting U.S. commerce. This authority to act with reference to duties covers only one phase. The additional authority to impose import restrictions (other than tariffs) would round out the picture and would advise other countries of

the determination of the United States to insist that other countries live up to their commitments. Under certain circumstances the suspension or withdrawal of a duty may not be effective but the additional imposition of import restrictions could be effective to bring about a correction. In effect, the Congress would be telling the administrative branch to take reciprocal action and to use the same steps other countries are taking in lieu of the acquiescent policy followed in the past.

This recommendation is made because experience has demonstrated that representatives on the part of the United States have not succeeded in modifying or removing some of these nontariff barriers, despite GATT obligations for their removal. We are informed that continuing representations have taken place over the past several years in an endeavor to seek relaxation of quantitative or seasonal restrictions on imports of fresh apples and pears in most Western European countries on winter grapefruit and processed orange and grapefruit products in the United Kingdom, and on imports of most horticultural products into France. Despite these, little significant progress has been made. Hence, representations alone apparently are not capable of securing removal or even reductions of these barriers.

Our second proposed amendment is that the United States modify its most-favored-nation policy for tariff concessions. It is to amend section 251 to read as follows: "Except as otherwise provided in this title, any duty or other import restrictions or duty-free treatment proclaimed in carrying out any trade agreement under this title or any predecessor act shall apply to products of all foreign countries *which have tariff agreements with the United States, either directly or through GATT, and are not in the determination of the United States in default thereon*, whether *such products are* imported directly or indirectly." [Italicized material is proposal.]

We suggest that tariff concessions be available only to those countries who have tariff agreements with the United States or are members of the GATT. We cannot understand why countries who do not reciprocate with the United States should receive the benefit of our tariff concessions. Mexico is a good case in point. Despite increased imports into the United States from Mexico of horticultural products, practically all U.S. imports of horticultural items to Mexico are restricted. At times, these exports have been subjected to embargoes almost without notice. We believe that a country which continues to impose such restraints on trade should not be eligible for the benefits of all concessions made under our trade agreements program.

Also, we believe that the most-favored-nation policy should be modified so that concessions may be withdrawn from individual countries which maintain nontariff barriers.

Because representations alone have proved inadequate to secure access to foreign markets, we believe the Congress must insist that withdrawals of concessions be used as a means to accomplish this end.

We recognize the danger to trade involved in a mutual withdrawal of concessions. Also we know that retaliatory measures involving other products will not alone guarantee us reasonable access to foreign outlets for our products. But lack of progress in the removal of these trade barriers has persuaded us that measures stronger than those heretofore used are required if we are to obtain continuing reasonable opportunities to export our products.

We feel the necessary stronger measures can come only from legislative direction and mandate. If foreign countries are convinced that they can no longer successfully take advantage of the United States they will be forced to live up to their commitments and reciprocal trade can become a reality. Apparently congressional action is necessary to establish such a firm trade policy.

Unless Congress insists upon the foregoing policy, we see no reason to grant authority for future tariff reductions. They should be granted only if the United States will insist that other countries live up to their commitments.

If these unjustified nontariff barriers are removed, great benefits will result, not only to the fruit industry, but also to the United States. Fruit growers and processors as well as their employees in the orchards and plants will benefit. The U.S. Treasury will receive more in taxes, and, most importantly, such action will help the United States out of its balance-of-payments difficulties. Of the total of $250 million exports of fruits and fruit products, $100 million is exported to Europe. Removal of unjustified restrictions would make it possible to double our exports to Europe. This would make a substantial contribution to achieving a more favorable balance of payments.

We have restricted this statement to title I and title II. No inference of approval should be drawn from our failure to comment on title III.

EXHIBIT A

IMPORT CONTROLS OF FOREIGN COUNTRIES FOR COMMODITIES FROM THE DOLLAR AREA[1]

Area and Country	Fresh: Apples and Pears	Fresh: Grapes	Fresh: Citrus	Canned: Peaches and Cocktail	Canned: Pineapple	Canned: Pears and Apples	Canned: Grapefruit Sections	Canned: Citrus Juices	Dried: Prunes	Dried: Raisins	Dried: Other	Walnuts, Almonds and Filberts
Common Market												
Belgium-Lux.	Time	Prohibited	None	None	None	None	None	None	None	None	None	None
France	Irregular	Prohibited	None [2]	Prohibited	Prohibited	Prohibited	Prohibited	Prohibited [3]	None [4]	None	Prohibited [5]	None [6]
Germany, F.R.	Volume + Time	None	None	None	None	Volume + Time	None	None	None	None	None	None
Italy	None	Prohibited	None	None	None	None	None	Prohibited [7]	None	Volume	None [8]	None
Netherlands	None	Prohibited	None	None	None	None	None	None	None	None	None	None
Other Europe												
Austria	Irregular	Prohibited	None	None	None	None	None	None	None	None	None	None
Denmark	Irregular	Irregular	None	None [9]	None	Prohibited	None	Volume	None	None	None	None
Finland	Volume	Volume	Volume	Volume	Volume	Volume	Volume	Volume	None	Volume	None [10]	None
Ireland	Time [11]	None	None	None	None	None	None	None	None	None	None	None
Norway	Time	None	None	None	None	Prohibited	None	None	None	None	None	None
Sweden	Time	None	None	None	None	None	None	None	None	None	None	None
Switzerland	Volume + Time	None	None	None	None	None	None	None	None	None	None	None
United Kingdom	Volume	None	None [12]	None	None	None [13]	Volume	Volume [14]	None	None	None	None
Other Countries												
Japan	Prohibited [15]	Prohibited	Volume [16]	Volume	Prohibited	Volume [17]	Automatic	Irregular	Automatic	Automatic	Automatic [18]	Automatic [19]
Malaya-Hong Kong	None	None	None	None	None	None	None	None	None	None	None	None
Mexico	Irregular	Irregular	Irregular	Irregular	Irregular	Irregular	Irregular	Irregular	Irregular	Irregular	Irregular	Irregular
Venezuela[20]	Automatic	Automatic	Prohibited	Irregular	Irregular	Irregular	Irregular	Irregular	Automatic	Automatic	Automatic	Automatic

[1] Figures and numbers in the table represent the following controls:
- None = No import controls
- Automatic = Imports subject to automatic licensing
- Volume = Imports limited by volume
- Time = Imports limited by time periods
- Volume + Time = Imports limited by volume and by time periods
- Irregular = Imports limited by irregular or arbitrary controls
- Prohibited = Imports prohibited

[2] Oranges from October 21 to June 14 (Volume)
[3] Lemon and grapefruit juice (None)
[4] Natural condition prunes in sacks only
[5] Apricots and figs (in 15kg. cases) (None)
[6] Walnuts (Prohibited)
[7] Grapefruit juice (None)
[8] Excludes consumer packed dates and figs
[9] Fruit cocktail and salad (Volume)
[10] Dates and figs (Volume)
[11] Pears (None)
[12] Grapefruit from October 1 to March 30 (Prohibited)
[13] Apples (Volume)
[14] Lemons (None)
[15] Pears (Automatic)
[16] Lemons (Volume + Time)
[17] Apples (Automatic)
[18] Dates (Prohibited)
[19] Walnuts (Prohibited)
[20] Exchange control restrictions

EXHIBIT B

CURRENT IMPORT CONTROLS MOST SIGNIFICANTLY AFFECTING U.S. EXPORTS OF FRUITS TO EUROPE

1. Citrus fruits

The United Kingdom restrictions on imports of citrus fruit items from the dollar area, for the purpose of protecting the United Kingdom market for British West Indies citrus products, are as follows:

(*a*) *Fresh grapefruit.*—Imports prohibited during the period October 1 through March 31.

(*b*) *Canned grapefruit sections.*—A quota for annual imports established at £450,000, cost, insurance, and freight.

(*c*) *Grapefruit and orange juices.*—A quota for annual imports established at £300,000, cost, insurance, and freight.

These quotas affect imports from the dollar area; imports from all other world producing areas may be made without restriction.

2. Fresh apples and pears

(*a*) United Kingdom imports from Northern Hemisphere producing areas are limited by annual quotas.

(*b*) Belgium, France, West Germany, Austria, Denmark, Ireland, Norway, Sweden, and Switzerland. Imports from the dollar area are prohibited until opening dates are announced—usually after the bulk of indigenous supplies are marketed. Belgium, France, Germany, Norway, and Switzerland authorize imports from other European suppliers while, at the same time, imports from the dollar area may be prohibited. These barriers are reviewed in "Prospects for Foreign Trade for Fruits, Vegetables, and Tree Nuts," January 1962 pages 19–20. Swedish import policies have been relatively liberal, and Ireland does not restrict pear imports.

3. France

Restrictions on imports of fruits are more restrictive in France than in any other Western European country. These restrictions are maintained in order to protect the market for producers in France or associated territories. At the present time, only fresh lemons, fresh grapefruit, fresh summer oranges, lemon juice, grapefruit juice, raisins, and tree nuts (except walnuts) may be imported into France without restriction.

STATEMENT OF ERNEST FALK FOR THE NORTHWEST HORTICULTURAL COUNCIL

I am the manager of the Northwest Horticultural Council which represents growers, packers, and shippers of fresh fruits in the States of Washington and Oregon. This organization is a member of and fully endorses the statement submitted by the U.S. National Fruit Export Council. In addition thereto, we wish to express certain ideas and present factual data with respect to apples and pears.

SUMMARY

(1) The Northwest Horticultural Council has consistently supported the principle of reciprocal trade. Apples and pears have been denied the benefit of concessions negotiated at the GATT, by nontariff restrictions unjustifiably imposed by many foreign countries. We see no reason to further reduce U.S. duties unless foreign governments are required to live up to their international commitments.

(2) We believe that section 252 of H.R. 11970 is a step in the direction of requiring foreign countries to live up to their commitments. The amendment proposed by the U.S. National Fruit Export Council to this section will provide additional leverage to force compliance. The bill as passed by the House authorizes the suspension or withdrawal of lower duties; the amendment proposed by the U.S. National Fruit Export Council supplements this by authorizing withdrawal from foreign countries of access to U.S. markets if they unjustifiably deny us access to their markets.

(3) We support the U.S. National Fruit Export Council amendment to section 251: most-favored-nation principle. Most-favored-nation treatment should be given only to the countries that afford us most-favored-nation treat-

ment. It should be withheld from countries who do not have trade agreements with the United States or who do not live up to their agreements with us.'

(4) We recommend that the authority and the responsibility for the negotiation and enforcement of trade agreements be transferred from the State Department to another department or to a new autonomous agency. U.S. policy, adopted, interpreted, and enforced by the State Department, or at least followed under its aegis, has since World War II permitted foreign countries to avoid their international commercial obligations. Apparently it was the U.S. policy to sacrifice economic rights to political considerations, and not antagonize countries alined with us in defense of the free world. The delegation of the responsibility and authority of trade agreements to another department or to a new agency would emphasize the intent of Congress that a new policy has been adopted and must be followed and that this act means what it says and is not just a piece of paper.

(5) We oppose title III. We believe that retention of the peril point and escape clauses and control by Congress is a better answer to the problem of competing imports. Title III would subsidize business and workers. Existing laws adequately provide for unemployment compensation, retraining of workers, etc. The higher unemployment compensation provided for workers displaced because of imports would be discriminatory and create many new problems. Title III would not work for the fruit industry; the escape clause and peril point provide procedures to prevent undue injury.

(6) We believe in reciprocal trade; we insist that trade should be reciprocal and not one-sided as it has been too often in the past. A strong firm policy, with Congress retaining control, is essential to assure reciprocal trade. We support H.R. 11970 as passed by the House with the hope that amendments proposed by the U.S. National Fruit Export Council and others, which will strengthen the bill, will be adopted.

The Northwest Horticultural Council is composed of the following organizations of fruit growers and shippers in Washington and Oregon:

Washington State Apple Commission.
Winter Pear Industry.
Hood River Traffic Association.
Medford Pear Shippers Association.
Wenatchee Valley Traffic Association.
Yakima Valley Traffic Association.

The Washington State Apple Commission represents all commercial apple growers in the State of Washington. The Winter Pear Industry represents practically all comercial winter pear growers in the States of Washington and Oregon. The last four organizations above listed are composed of growers, packers, marketers and shippers of deciduous fruits in their respective areas. These fruits include apples, apricots, cherries, peaches, pears, plums, and prunes. The Council represents approximately 9,000 growers, who grow practically 100 percent of all apples and in excess of 90 percent of all other deciduous fruits grown commercially in the two States. Thousands of employees are engaged in growing, harvesting and preparing these fruits for shipment.

Northwest apple and pear growers and shippers have long been interested in trade, both export and import. Starting in 1910, they carefully and painstakingly developed export outlets which were an integral and normal part of their marketing program. This was not a surplus disposal or dumping program but a normal marketing activity. We marketed "export specifications" of both apples and winter pears; this comprises varieties planted and grown primarily for export and smaller sizes of other varities.

Small-size apples are preferred abroad, whereas domestic consumers prefer large and medium-size fruit. Since little apples and big apples grow on the same tree, the export market was and is complementary to the domestic market. Consumers abroad had come to appreciate and demand U.S. apples and pears. Reports from the trade in foreign countries and USDA representatives abroad, and the reception given to the small quantity of U.S. fruit exported in postwar years, establish conclusively that there is a market for our fruit in the United Kingdom and Europe, even though many of those countries have increased their production since World War II.

Prior to World War II, about 44 percent of the Pacific coast production of winter pears was exported. Since the war, less than 10 percent has been exported. Prior to World War II, 28 percent of the Northwest crop of apples was exported. Less than 5 percent has been exported since 1947.

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The Northwest is not alone in its exports of apples and pears to Europe. The first American ambassadors to London introduced our apples to that market. Trade developed from the orchards of Virginia, New England, New York and the other eastern States and at a later date from the Northwest. The following table shows the extent of this trade.

U.S. exports of fresh apples to Western European countries, average 1925–29, 1934–38, and annually during the past 4 seasons

[1,000 bushels]

Destination	Average 1925-29	Average 1934-38	Season [1]			1961-62 [2]
			1958-59	1959-60	1960-61	
Belgium-Luxembourg	271	799	4	31	14	135
Finland	65	117	1	59	74	214
France	72	1,238	1	112	3	22
Germany, West [3]	1,659	665	-----------	163	5	145
Iceland	-----------	-----------	41	26	18	41
Ireland	-----------	-----------	29	67	26	184
Netherlands	824	888	10	192	3	251
Norway	164	95	58	59	14	166
Sweden	501	393	37	160	29	361
Switzerland	-----------	-----------	-----------	-----------	-----------	-----------
United Kingdom	8,403	4,261	594	1,097	964	1,523
Other	364	58	-----------	5	-----------	4
Total	12,323	8,514	775	1,971	1,160	3,046

[1] Year beginning July 1.
[2] Through April 1962.
[3] All Germany.

Source: U.S. Department of Commerce; U.S. Department of Agriculture.

The substantial decline in exports to the United Kingdom from 1925–29 to 1934–38 was attributable to the Empire preference established by the United Kingdom. The decline in exports to Germany, during this period, was due to restrictions imposed by Hitler.

Only the markets of the United Kingdom and the Netherlands are open to us without seasonal restrictions. The United Kingdom has a quantitative restriction which covers imports from all Northern Hemisphere producing countries and Argentina. The exports to other European countries have fluctuated in recent years, according to seasonal opening dates. With an average or large crop, entry of U.S. apples has been postponed until late in the season. With a short crop last season, most European countries opened their borders to U.S. apples at an earlier date; this accounts for the increased volume last season. The earlier opening dates were fixed, not to honor their obligations to the United States, but to assure enough fruit in the market so prices to consumers would not get too far out of hand. The earlier opening dates applied only to last season, not to the 1962 crop or future seasons. When European countries reserve the right to unilaterally fix opening dates each season, there is no basis on which we or the importers can plan. Assured continuity of access is essential to a marketing program.

Examination of the foregoing table shows that exports of U.S. apples to the United Kingdom in 1960 (large crop in Europe) were 88 percent of the exports in 1959 (small crops), while our exports to other European countries which have seasonal opening dates were only 21 percent of 1959. This shows, clearly, the effect of delayed seasonal opening dates. The steady increase in exports to the United Kingdom since a Northern Hemisphere quota was established, and seasonal opening dates eliminated, shows there is a demand for U.S. apples, and a market for them, if we are given reasonable access.

Removal of seasonal restrictions, and excessive duties in some countries, would make it possible for us to plan a marketing program and to ship an increased volume each season.

The picture for pears is much the same as for apples. This is shown by the following table.

U.S. exports of fresh pears to Western European countries, average 1934–38 and annually during the past 5 seasons

	Average, 1934-38	Season [1]				
		1957-58	1958-59	1959-60	1960-61	1961-62 [2]
Belgium-Luxembourg	31	106	5	3	1	22
Finland	24		7	7	57	90
France	350	3		74	5	36
Germany, West [3]	35	81	19	54	16	61
Iceland		7	3			
Ireland		15	9	28	24	15
Netherlands	142	202	26	63	6	46
Norway	9	36	59	71	25	87
Sweden	130	332	134	220	138	238
Switzerland		15		4	2	2
United Kingdom	1,277	127	87	256	124	184
Other	10				1	2
Total	2,008	924	349	780	399	783

[1] Year beginning July 1.
[2] Through April 1962.
[3] All Germany.

Soource: U.S. Department of Commerce; U.S. Department of Agriculture.

Delayed opening dates imposed by Belgium, France, and Germany have sharply curtailed the potential movement of pears to these countries. Fairly liberal opening dates have made possible the sustained movement to Sweden. The annual fluctuations largely represent the adjustment of the seasonal opening date. The United Kingdom and Ireland have no seasonal restrictions on pears.

As is shown by the foregoing tables, the United Kingdom, France, Belgium, Holland, Germany, and Sweden were important purchases of U.S. apples and pears prior to World War II. All of these countries entered into agreements with us granting some concessions on U.S. apples and pears. Then they proceeded to nullify these concessions by refusing import licenses or exchange to implement purchase of our fruit—long after, in many cases, the time they had any justification for excluding our trade. Bilateral agreements were negotiated with each other and with Italy, Spain, Denmark, and Israel for their fruit requirements, despite the multilateral philosophy expressed in reciprocal trade agreements and in GATT. These bilateral trade agreements resulted in restricting our trading opportunities.

In order to restore these export markets for fresh fruit, the artificial barriers, obstacles, and restrictions which have been so skillfully built against us must be removed. These barriers include refusal to grant import licenses, quota limitations, and granting of licenses so late in the season that trading opportunities are gone and steamship space cannot be arranged.

The Senate Finance Committee, in considering the Trade Agreements Extension Act of 1951, said in Report 299, dated April 27, 1951:

"Testimony before the committee as to our perennial fruit crops has indicated difficulties encountered by exporters of those crops in regaining access to the importing countries in Europe, which in the past, furnished an integral part of our growers' markets. Your committee, therefore, feels justified in urging the appropriate agencies of this Government to take steps under presently available authority and procedures to bring about the restoration of the foreign markets of these exporters"

The Senate Finance Committee again recognized this situation in Report No. 232, dated April 28, 1955. The Senate Agricultural Committee in Report 2290 dated June 22, 1956 said: "Throughout its extensive hearings on agricultural legislation relating to the export of agricultural products, the committe has been impressed by the number of instances in which export markets for fruit and fruit products have been restricted by the actions of foreign governments. * * *"

Despite the recommendation of the Senate Finance and Agricultural Committees, and the continued pleas of the apple and pear industry, little has been accomplished in removal of these barriers. The current situation is reported by the Foreign Agricultural Service, U.S. Department of Agriculture, in its

publication "Prospects for Foreign Trade in Fruits Vegetables, Tree Nuts" dated January 1962:

"The task of removing nontariff barriers to trade in Western Europe has narrowed down to the most difficult ones—the hard core. These barriers exist for imports of fresh apples and pears in all of the major European importing countries except the Netherlands. Each of the remaining countries restricts imports of fresh apples and pears during the Northern Hemisphere marketing season to protect local producing and trade interests.

"The United Kingdom controls imports by means of Northern Hemisphere quotas, under which all Northern Hemisphere suppliers (and Argentina) may compete for business.

"West Germany has established a series of import programs authorizing imports of fresh apples and pears from supplying countries. Most of these programs provide that embargoes may be placed on imports when German market prices fall below stated levels. Some of them permit the importation of only preferred varieties and grades when the German prices are low.

"All of the rest of the European countries, except the Netherlands and Italy, prohibit the entry of fresh apples and pears until local supplies are largely used up. They then authorize their importation after 'opening dates' are announced. This practice, of course, precludes any normal commercial arrangements from being established by U.S. exporters. Not only is it impossible to plan in advance for trade during a particular season, but also, European exporting areas, being closer to the markets, may readily take advantage of the opening dates, while North American exporters are disadvantaged because of the longer time of transit. Only Sweden, whose policies in announcing opening dates are more liberal than those of the other countries, has enabled continuing commercial arrangements to be established.

"For years the U.S. Government has sought, without success, to persuade the Western European countries to liberalize imports of fresh applies and pears in accordance with their obligations under the General Agreement on Tariffs and Trade. Repeated representations had been made to each of the governments and also at the various sessions of the GATT. In the spring of 1961, special efforts were directed toward endeavoring to persuade West Germany, France and Belgium to offer programs for the imports of U.S. fresh apples and pears on terms equal to or comparable with those offered various European sources of supply. Each of these countries had made arrangements with either their EEC partners or with other European suppliers for imports, while at the same time, their arrangements for imports, of U.S. fruit were much less favorable. In other words, the United States requested these countries, as an interium measure pending removal of quantitative restrictions, to end their discrimination against fresh apples and pears from the United States. By November 1961, these governments had announced import programs, which, however, continued to discriminate against U.S. suppliers of fresh apples. Continued representations were being made to remove the discriminatory aspects of these programs. Late in November, the West German Government improved the terms of its import program for U.S. apples."

Because representations made by the United States, through the State Department, have proved inadequate to secure reasonable access for our apples and pears (and other fruits) to foreign markets, we believe that stronger measures must be taken. These can come only from congressional direction and mandate. Only if foreign countries are convinced that they can no longer successfully take advantage of the United States, will they live up to their commitments. Congressional action is apparently necessary to establish such a firm trade policy. We believe that Section 252 of H.R. 11970 is a step in the right direction, but it should be strengthened.

AMENDMENT TO SECTION 252

The U.S. National Fruit Export Council proposes that section 252 be amended by changing the period on page 19, line 24, to a comma and adding the word "or" and by adding a subparagraph as follows:

> "(C) Impose additional import restrictions on the products of such country or instrumentality."

This amendment is entirely consistent with the philosophy and intent of H.R. 11970.

Two types of benefits or concessions are provided through GATT negotiations:

(1) Reduction or binding of duties.

(2) Removal of restriction or barriers to trade.

The fact that foreign countries have erected unjustified barriers to trade in fruits and fruit products is generally recognized. Mere representations by the U.S. Government have not been sufficient to remove these barriers. The authorization in subsections (A) and (B) of section 252(b) provides some leverage to force other countries to live up to their commitments. These subsections approach the problem from the duty standpoint. The proposed amendment authorizes an approach from an additional angle. There will be instances where the suspension, withdrawal, etc., of a duty might not provide the necessary leverage but the imposition of additional import restrictions on products of a recalcitrant country would force that country to live up to its obligations by removing unjustified barriers. We strongly recommend inclusion of this amendment to section 252.

MOST-FAVORED-NATION PRINCIPLE

We also support the amendment proposed by the U.S. National Fruit Export Council to section 251. We believe that reciprocity should be an essential of reciprocal trade. Likewise, it should be essential in most-favored-nation treatment. We see no reason to grant most-favored-nation treatment to a country such as Mexico that has no trade agreement with the United States and which reserves the right to unilaterally impose tariffs and other barriers on U.S. commodities without notice. Concessions should be granted only to countries who grant concessions to us and live up to their agreements.

U.S. duties at present fall into two categories: (1) most-favored-nation treatment which includes all countries except Communist dominated, and (2) the Communist countries. We wish to suggest that the Congress consider establishment of a third category. Duties then would fall into three classes: (1) most-favored-nation, (2) countries who do not have trade agreements with the United States or who do not grant us most-favored-nation treatment, and (3) Communist countries. It seems only logical that our friends and business partners should receive consideration for the concessions they grant to us and likewise that non-Communist countries should be entitled to preferential treatment over Communist countries, even though they are not entitled to as favorable treatment as is accorded to countries who grant us most-favored-nation treatment.

TRANSFER OF AUTHORITY AND RESPONSIBILITY FOR NEGOTIATION OF TRADE AGREEMENTS FROM THE STATE DEPARTMENT

At the end of World War II many European countries were in dire financial straits. In order to give them an opportunity to put their economic house in order it was not unreasonable to relieve them temporarily from their obligations under the GATT. In fact, the GATT provides for exemptions in order to protect a balance-of-payments situation. Many European countries took advantage of the United States and continued their trade barriers and discrimination against U.S. fruits long after the balance-of-payments justification ceased to exist. The State Department apparently was unwilling to risk antagonizing these countries by insisting that they comply with their GATT obligations. The results—continued violation and the creation of a belief in the minds of foreign countries that the State Department would not hold their feet to the fire. A most effective way to emphasize the intent of Congress, as reflected in section 252, that a new policy has been adopted and must be followed is to transfer the authority and responsibility for negotiation and enforcement of trade agreements to another department of the Government or to a new autonomous agency created especially for this purpose. Even though it is staffed by some of the personnel who have been handling these matters in the State Department, their position would be strengthened, and foreign countries would recognize that the United States is serious about insisting upon its rights.

ADJUSTMENT ASSISTANCE

We oppose title III. We do not favor establishing special Government programs and machinery at this time to assist in the adjustment of firms and workers that may be necessitated by reduction of U.S. tariffs. Reduction of U.S. tariffs will be cause for some adjustments, most of which will occur spontaneously in the normal process by which firms and workers are attracted into expanding industries. We recognize that there will be cases in which Government assistance for adjustment would be appropriate but there now are a number of Federal programs, some of them only recently enacted, for assisting economic adjustments including, but not limited to, adjustments required by import competition.

The Federal Government provides financial and technical assistance for small business. The area redevelopment program, initiated in May 1961, provides a variety of measures for dealing with the problems of depressed areas. Legislation enacted this spring provides Federal aid in retraining unemployed workers. Perhaps some of these programs should be improved but it is certainly too early to say that about the newer ones. We do not regard the adjustment problems likely to result from trade liberalization as being so special as to require different programs.

We believe that the higher unemployment benefits provided for workers are not justified and would prove to be a source of continuing dispute. It would be difficult to determine whether a worker became unemployed because of reduced tariffs or because of inefficiency of the plant where he is employed, or because of change in customer preference. Obviously, workers would insist that the reduced tariffs were the cause of the unemployment where, in fact, their employer may have had a submarginal or obsolescent operation which would have gone under even without a tariff reduction. The sad experience of subsidies in the agricultural field should be a warning to us. The adjustment assistance program could in effect become another subsidy program. We believe that a better answer to the program of injurious imports is to retain the present peril point and escape clauses. They seek to prevent serious injury rather than to attempt to alleviate the effects as does title III. Obviously, title III could not be effective for fruits. We cannot envisage how adjustment assistance would be applied to the fruitgrower, to the orchard employees, or to packing and processing plants and their employees. The peril point and escape clauses can be invoked to prevent injury. We believe this is more sensible than to create injury and try to soften the force of the blow. Therefore, we oppose title III and urge the retention of existing peril point and escape clause provisions.

In summary, the Northwest apple and pear industry believes in multilateral trade. We have supported the trade agreements program, but we insist that trade should be truly reciprocal and not one sided as in the past. A strong firm policy with Congress retaining control is essential to assure that trade is reciprocal.

A strong, firm policy which would give us the access to European markets we are entitled to would be beneficial to the United States as well as to individual apple and pear growers and the employees on the farm and in the packinghouse. Additional revenue would accrue to the Treasury from increased taxes. And most importantly, removal of unjustifiable restrictions would be very helpful in solving U.S. balance-of-payment difficulties. Current exports of fruit and fruit products aggregate approximately $250 million of which about 100 million is to Europe. Exports could easily be increased by at least $100 million if the unjustified restrictions were removed.

We believe that H.R. 11970 with appropriate amendments, as set forth herein, which will strengthen the bill will be in the best interests of the United States.

The CHAIRMAN. The next scheduled witness is Mr. Rowland F. Kirks, of the American Cotton Manufacturers Institute. He is not able to be present and he has asked that Mr. Robert T. Stevens of J. P. Stevens & Co. take his place.

Mr. Stevens, will you come forward and take a seat, sir.

We welcome you, sir, to the Finance Committee.

STATEMENT OF ROBERT T. STEVENS, PRESIDENT, J. P. STEVENS & CO., INC.

Mr. STEVENS. Thank you, Mr. Chairman.

This is Mr. James Franklin, who is my assistant.

Mr. Chairman and members of the Finance Committee, my name is Robert T. Stevens. I am president of J. P. Stevens & Co., Inc., a diversified textile manufacturing company.

The Stevens Co. has been in business a long time—it will have its 150th anniversary next year. Our headquarters are located in New York City and we have 55 manufacturing facilities located in eight

States—Maine, New Hampshire, Massachusetts, Virginia, Tennessee, North Carolina, South Carolina, and Georgia. We employ 35,000 fine Americans.

We are seriously concerned about their jobs. We do not use foreign textiles. I have spent nearly 41 years with the company and have never worked elsewhere except for several tours of public or military service.

Although I became second vice president of the American Cotton Manufacturers Institute, Inc., an honorary title, last October, my appearance here is solely as an individual American citizen.

Over recent months, there has been discussion in the press regarding the textile industry in its relation to the legislative proposal currently before the committee. I would like to make a few comments in this connection.

On May 2, 1961, the President announced a seven-point program for the combined American textile and apparel industry. I had the honor of being present at the White House when the announcement was made.

In connection with his textile program, the President said, "I believe it is time for action." As a textile man, I want to reiterate strongly here what I have said publicly many times; namely, that, if the President's program were fully implemented, it would be most encouraging to this beleaguered industry.

Thus, far, however, implementation has not been encouraging, even after 1¼ years have elapsed. Personally, I have every confidence that the President intends just as much now, as he did 15 months ago, that his textile program will be carried out.

I regret that there seems to be opposition somewhere within the administration to implementing his plan in the manner that he clearly intended.

Senator TALMADGE. Mr. Chairman, will the witness yield for a question at that point?

Mr. STEVENS. Yes, Senator.

Senator TALMADGE. Mr. Stevens, do I understand correctly that there are influential people in the Government who are not sympathetic with the President's textile program and who are interfering with its successful implementation?

Mr. STEVENS. Yes, Senator Talmadge; that is my opinion.

Senator TALMADGE. Will you elaborate in further detail, sir?

Mr. STEVENS. I think personally that the State Department has not enthusiastically supported this seven-point program. I will cite an instance. I had it later on in my remarks but I would like to mention it here, that I was invited on the 19th day of June 1961, in writing by Congressman Vinson of Georgia, the distinguished chairman of the House Committee on Armed Services to attend a meeting with him and other legislators at the State Department at 9 o'clock that morning.

I arrived on time and I was barred from the meeting. I have never understood why I was barred from that meeting. I don't know until today. I don't know at the present time.

Later in the day I did attend a meeting at the State Department where there was some explanation of the President's seven-point program and the State Department part in it.

I found there that the industry was going to be fragmented, which was not contemplated in the President's seven-point program. It has

continued to be fragmented. There has been nothing done whatever about woolen and worsted products, manmade fiber products or silk products, although, that was all contemplated within the President's seven-point program.

Now, in another case where I testified before Senator Pastore's committee on January 16 of this year, and I testified on this same point, Senator Pastore asked me if anybody was dragging their feet, Senator Talmadge, and I said, yes, it was my opinion that the State Department was, and later in that day when Secretary Martin of the Department of State appeared he was asked the question of whether or not the State Department supported the industry's application to the Office of Emergency Planning under point 7 of the President's program for the textile industry.

Mr. Martin evaded the question, and his evasion of the question leads me to believe that the State Department probably has filed an adverse opinion with the Office of Emergency Planning.

It seems to me it falls within the powers of this committee, if you so desire, to find out from the State Department whether or not they filed an adverse opinion.

If it was a favorable opinion, then they are on the team of the President. If it was an unfavorable opinion then they were not on the team of the President.

So, in my opinion, Senator Taldmadge, the State Department has dragged their feet in respect to the seven-point program of the President of the United States for the combined textile industry.

Senator TALMADGE. Many of us, of course, have wondered at the apparent delay. As you know, the textile industry is not only important in the United States, but it is particularly essential in my State.

I think some 100,000 people are employed in the textile industry and we are very much concerned with this particular point that you have mentioned, and I appreciate your amplifying your statement.

Mr. STEVENS. Thank you, sir.

One of the key points in the President's program was his request to the Secretary of Agriculture to recommend appropriate action to eliminate or offset the cost to American cotton mills of the adverse differential in raw cotton costs between domestic and foreign textile producers.

Present very heavy imports of cotton products, much of it manufactured from American cotton sold to our foreign competitors at 8½ cents less than we pay, are tending to defeat the President's program. Hearings before the Tariff Commission to remedy this situation ended on February 23, nearly 6 months ago. A decision, long past due, continues to be anxiously awaited.

Senator TALMADGE. Before you leave this, Mr. Stevens, I have been under the impression that cotton textile imports have been controlled by an international agreement.

Isn't this doing the job satisfactorily?

Mr. STEVENS. No, sir; unfortunately it has not been. There has been a great deal of public discussion on this. The fact is that under point six of the President's program imports of cotton products were supposed to be limited to the same quantity that was imported in fiscal 1961.

It now develops under the so-called 1-year arrangement that the fiscal year 1961 will be exceeded in the 12 months ending October 1 which is the key point, will be exceeded, by something on the order of 25 to 30 percent.

Senator TALMADGE. In other words, the agreement is not being enforced?

Mr. STEVENS. The agreement is not being enforced, Senator. We in our company, have recently had to reduce production schedules at eight of our cotton manufacturing plants because of the excessive imports of cotton products this year.

We don't like reducing pay envelopes of American workers and register our protest herewith. It is impossible to understand the red-tape slowness of the Tariff Commission.

Senator TALMADGE. Mr. Stevens, the Secretary of Commerce, Mr. Hodges, recently circulated a letter in which he stated that the textile industry is having a good year, booming, prosperous, jobs are up.

How do you reconcile the letter of Mr. Hodges and the statement you just made?

Mr. STEVENS. I think Mr. Hodges is reciting some history and going back to the last recession in 1960, in the cotton textile industry, and taking the improvement that occurred thereafter in 1961 and giving that as his evaluation of the present situation.

Now, I was raised in the primary textile market, I spent my life there and I know what is going on in that market, and I know that that market is weak and not active. I know that these overwhelming imports coming in are crushing us. I could name to you two mills right now, I have just learned of this week further that are going out of business, cotton mills, one was at Cordova, Ala., and one is at Hendersonville, N.C., and there will be others.

Senator TALMADGE. The largest woolen mill in the country happens to be in my own State of Georgia. That went out of business last year with a loss of approximately 1,750 employees, a great number of whom are still unemployed and seeking jobs.

One further question I would like to ask you: Can you think of any reason whatsoever why cotton produced in Baldwin County, Ga., ought to cost your mill located at Milledgeville, Ga., $45 or $42.50, I believe it is, more than it costs in Indonesia or Hong Kong or in Belgium or some other countries?

Mr. STEVENS. I can't think of any reason why it should cost us any more.

Senator TALMADGE. Isn't that one of the objectives of the textile industry and its allies which are now seeking to remove this disparity under which cheap American cotton can be dumped back in here at a $42.50 advantage over domestic mills and domestic employees?

Mr. STEVENS. That is absolutely correct, Senator Talmadge, and it is point 4 of the Presiden't seven-point program.

Senator TALMADGE. Do you see anything unreasonable about that request particularly since the President himself suggested it ought to be done?

Mr. STEVENS. I don't see anything unreasonable about it. I think it should be done. I think the President feels it should be done. Once again I feel that the State Department has been the agency of Government which has influenced this.

Senator TALMADGE. Can you understand why the Tariff Commission after 9 months hasn't been able to act on that simple request?

Mr. STEVENS. No, sir, I don't. It is a simple thing.

The whole case was carried by the Department of Agriculture, at the suggestion of the Secretary of Agriculture to the President and to the Tariff Commission.

Nobody else appeared as a Government witness in connection with that case except the representative of the Department of Agriculture. It seems perfectly simple and clear. But we don't seem to get any answer.

Senator TALMADGE. Thank you, Mr. Stevens.

Mr. STEVENS. The President's program also envisioned a petition by the combined textile and apparel industries to the Office of Emergency Planning under provision of section 8 of the Trade Agreements Extension Act of 1958 regarding essentiality to national security.

A full year has now elapsed since the petition was filed. Here again a decision long past due is anxiously awaited. Consuming a year to make a decision vital to national security seems like a very long time.

Similarly, in the case of woolen and worsted products, plus products from manmade and silk fibers, there has been absolutely no action after 1¼ years, in spite of repeated commitments to take action. This is most discouraging especially since more than 12 percent of the domestic woolen and worsted market is already in the hands of foreign suppliers.

It is a dangerous fact that more than 50 percent of this vital industry has been liquidated since World War II.

In the event of another war, there is no possibility that what remains today of the domestic woolen and worsted industry could take care of military and essential civilian requirements. I doubt if the American people are aware of this important fact. I think they are interested in the preservation of America's mobilization base. It is my deeply serious concern about the national security provision of the legislation that brings me before you today. I intend to show that the national security provision of the 1958 act has proved ineffective.

Nine months ago, on November 2, 1961, when I read the Under Secretary of State's speech in New York and the editorial comments upon it, in which the broad general outlines of this legislation were first revealed, I felt that, unless drastically modified, it would adversely affect the security of our country. Our national security was not even mentioned. Two published letters to the editor of the New York Times (Nov. 13 and 29, 1961) attest to my early concern.

On June 19, 1961, I had been barred by the State Department from attending a briefing on the President's seven-point textile program, even though I had been personally invited in writing by the distinguished chairman of the House Committee on Armed Services, the Honorable Carl Vinson. Is not concern with national security a reasonable viewpoint to reflect?

When the American Colonies made the momentous decision to forge themselves into one Nation, independent of foreign oppression and exploitation, their energies were directed toward military and economic protection of this weak but dedicated sovereign nation.

As our young country grew, protection of economic and human assets became basic to the success of the American free enterprise system. We do not need to apologize for this. Furthermore, if there has been anything wrong with the United States having a measure of protective tariff, then the blame attaches to our forebears, not to us.

Personally, I think no blame attaches. On the contrary, they were extremely farsighted. By protecting American industries, they made possible the maximum industrial development of the United States and the attainment of the highest standard of living ever achieved by any nation.

Thus, American industry, along with American manpower, twice in our generation has saved the free world from being overrun by dictators. Had American industry not been protected from cheap labor overseas, is it likely that our country could possibly have survived two world conflagrations?

Let us now be careful that, in all respects, not only in space age weapons, we maintain our ability to defend ourselves and the free world. In my judgment, the concept of America as the "arsenal of democracy" is not obsolete.

Through the years, the need for the same degree of earlier protection has lessened somewhat. We could move away from protection of infant industries as our basic industries grew more mature. Nevertheless, we never moved away from protection of our steadily improving standard of living.

In my opinion, the standard of living we have created in this country is in serious jeopardy today. In some industries, it is surely not realistic to believe that the American standard of living can compete with the wages paid in the Middle and Far East.

I want to make it unmistakably clear that I believe in foreign trade. Having served our Government under both Democratic and Republican administrations, I have some understanding of the difficult international problems every administration faces. I believe in foreign trade because I recognize that trade policy is an integral part of overall foreign policy. One must be as consistent with the other as possible.

I realize the President strongly feels that he needs this bill. I deeply respect the view of the President and his efforts to deal with awesome world problems. I share with him his vital interest in and concern for the foreign trade of the United States as well as his deep concern for national security.

He is Commander in Chief and I am responsive to his leadership. My own interest in national defense and military matters is not, however, new; I have studied them carefully over the years. I completed a course at the Command and General Staff School at Fort Leavenworth the day before Pearl Harbor. I attended that course at the suggestion of General Marshall, our Chief of Staff at that time. My views are neither political nor partisan. They are the heartfelt convictions of an American citizen who has tried to discharge some of his obligations to his country.

I was in the Army in both World Wars and through experience have an appreciation of the demands upon the American economy in time of war. I had the honor of serving again, this time as Secretary of the Army, while there was a shooting war still going on in Korea.

I am very sensitive, therefore, to the absolute necessity of providing all our military forces, in abundant measure, with the right equipment and the right supplies in the right place at the right time. The American people properly expect this to be done. I am concerned as to whether we may, unintentionally in our foreign trade, be impairing our ability to do this job, if the occasion should arise.

In this connection, I sincerely believe that the American people do have an adequate picture of the national security aspect of this bill. I am, for example, unaware of any important article in any national magazine which clearly sets forth what is happening to our mobilization base. I know that erosion of that base has been taking place but I don't think the American people are aware of it.

Competition with the Common Market is one thing. Competition with the wages paid in the Middle and Far East is a very different thing. The Common Market itself has very stringent restrictions against imports from Japan. That very fact makes us more of a target for floods of Japanese goods.

New Common Market negotiations will, under "the most-favored-nation" concept, make us more vulnerable than ever to imports from Japan. Do the American people, and especially American workers, understand this?

Long before congressional approval of Secretary Hull's reciprocal trade legislation was sought in 1934, President Roosevelt stated his position to the American people as follows:

> I have advocated a lowering of tariffs by negotiations with foreign countries. But I have not advocated, and I will never advocate, a tariff policy which will withdraw protection from American workers against those countries which employ cheap labor or who operate under a standard of living which is lower than our own great laboring groups.

There continues to be great significance in the quoted words of President Roosevelt.

Eleven years later, President Truman wrote Speaker Rayburn, on May 25, 1945, in part as follows:

> I have had drawn to my attention statements to the effect that this increased authority might be used in such a way as to endanger or trade out segments of the American industry, American agriculture, or American labor. No such action was taken under President Roosevelt and Cordell Hull, and no such action will take place under my Presidency.

Ten years later, on February 17, 1955, President Eisenhower wrote to Congressman Martin of Massachusetts in part as follows:

> Obviously, it would ill serve our Nation's interest to undermine American industry or to take steps which would lower the high wages received by our working men and women. Repeatedly, I have emphasized that our own country's economic strength is a pillar of freedom everywhere in the world. This program, therefore, 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. Were we to do so, we would undermine the ideal for which we have made so many sacrifices and are doing so much throughout the world to preserve.

Even in an ever-changing world, the words of the three Presidents just quoted have deep meaning to me in terms of the American economy, of the American standard of living and, above all, of the security of the United States.

The United States is today one of the least protected industrial nations in the world. Tariffs have been reduced by more than 75 percent since 1934.

For many years, following the end of World War II, we slashed tariffs consistent with our efforts to rebuild Western Europe and Japan.

At the same time, we tolerated increased barriers to American exports by the same countries to whom we made important tariff concessions.

In effect, our concessions amounted to additional foreign aid. We built up foreign industries, in many cases with American economic assistance and American technology. Is it not appropriate that this legislation should contain effective safeguards, at least insofar as our mobilization base is concerned?

Five weeks ago, the national Governors' conference, in session at Hershey, Pa., adopted, by unanimous vote, the following resolution:

WORLD TRADE

Whereas encouragement of world trade and commerce is essential to friendly relations with the people of other nations and to the economy of our own country, and this should be continued with due regard to the ultimate effect on our domestic economy and national security; and

Whereas employment security and job opportunities of millions of American citizens in major segments of our economy have already been seriously affected by excessive imports: Now, therefore be it

Resolved, That the Governors urge further development and complete implementation of international arrangements on trade in cotton, wool, synthetic, and silk fiber textile products with due regard for the impact on American industry and agriculture; be it further

Resolved, That this 54th annual meeting of the Governors' conference hereby urges and requests the executive and legislative branches of the Federal Government to give full effect not only to the provisions of our Trade Acts which are designed to promote increased trade with other nations, but also those provisions which are designed to prevent excessive imports of any goods or commodities which would endanger the national security or the domestic economy of the United States.

The resolution adopted by the Governors' conference on July 3 this year is indicative of their serious concern to prevent excessive imports which could endanger the national security of the United States. The Governors urged development and implementation of international arrangements regarding cotton, wool, synthetic, and silk fiber textile products.

Continuing my theme of concern for the security of our country, I am apprehensive over the loss of jobs and skills in the radio, sewing machine, watchmaking, typewriter, machine tool, and many other industries. These skills will be desperately needed in the arsenal of democracy if an emergency should arise.

The question in my mind is a simple one. Are we taking as good care of our mobilization base as we should? That base may well be the difference between victory or defeat, if we are ever attacked.

Let us look at typewriters as an example of the adverse effect on the highly skilled workers employed in that industry.

In 1960, the United States imported 436,000 portable typewriters and exported 8,575. This represents a terrific impact on the skilled jobs in this industry over the past few years.

At an escape clause hearing before the Tariff Commission in 1960, Mr. F. P. Ryan of Royal McBee Corp., a major American producer of typewriters, said:

> The fact that all domestic typewriter companies may have foreign manufacturing facilities is of no consolation to the American factory workers.

This observation would seem to have application on a broad scale today. American plants abroad don't help American workers. And American plants abroad are of little, if any, use to our mobilization base.

In discussing U.S. superiority in productivity, Mr. Ryan said:

> Greater productivity in the United States does not offset the lower wage rates in Europe. Royal McBee Corp. manufactures portable, manual, and electric typewriters in Europe and (we) will present evidence—illustrating beyond any doubt, that foreign wage rates, which are approximately one-quarter of U.S. rates, result in manufacturing costs which are approximately two-thirds to three-quarters of the U.S. manufacturing costs.

Here, it seems, is the heart of the problem. Plants are being established overseas not only to preserve export markets, but also in many cases to supply the American market at lower cost.

This latter purpose is surely not in the overall best interest of the United States.

To the extent carried out, it is an export of American jobs. It contributes to our adverse balance of payments. I don't believe the administration or the Congress favor such action. But what is being done to prevent it? Further slashing of tariffs, under this legislation, will surely accelerate this trend for American industry to supply the American market from overseas. At least insofar as production essential to national security is concerned, should not this legislation contain effective safeguards?

That is the heart of my argument.

I will cite another important segment of our economy that is essential to national security and which likewise could suffer serious erosion. The American cattleman is faced with these facts:

1. In 1961 imports of beef and veal (carcass weight) were 1,038 million pounds. Imports, therefore, were 6.3 as a percentage of domestic production. Exports were 36 million pounds. Thus the United States was a net importer of beef and veal by 1,002 million pounds.

2. Total imports of beef and veal, including live cattle and calves (meat equivalent) in 1961 were 1,328 million pounds or 8.1 percent of U.S. production.

Here is a vitally important, free enterprise segment of the American agricultural economy. It has no Government subsidies. It stands on its own feet. It is nationwide in scope. The industry's meager tariff protection of 6 cents per pound in 1930 has been whittled down to 3 cents per pound at the present time.

With 8.1 percent of the American market already in foreign hands, the drive is on overseas, based on low wages, to grab off more of the American market.

Is this in the overall best interest of our country?

Is it a safe course from the standpoint of our national security and the possible future needs of the free world that American cattle population might decline drastically because of unneeded imports? I do not think so.

Cattlemen from Florida to the Great Western Plains of the United States and on to the Pacific recognize that their jobs and the jobs of fellow Americans are dependent upon each other.

In furtherance of this truth, the American National Cattlemen's Association faced the issue squarely. At its 65th annual convention on January 25-27, 1962, the association passed the following resolution:

BUYING AMERICAN-MADE PRODUCTS

Whereas American labor and American business constitute the only market of consequence for American beef; and

Whereas existing and proposed Federal (foreign) trade policies will destroy the system that has permitted the development of the highest standard of living in history: Therefore be it

Resolved, That we urge the cattlemen of America to purchase only American-made products in the hope that we may help preserve the high standard of living and the very jobs of American labor, our greatest customer, from ruinous foreign competition; and be it further

Resolved, That it is our fervent hope that other industries and labor will see fit to join us in our efforts to protect this Nation from economic chaos.

Members of the committee, this is a strong resolution and indicates deep concern over unbridled foreign competition, especially where our national security may be affected.

Mr. Henry Ford II, on January 17, 1962, said:

As a matter of both justice and political realism, I think a liberalized trade program must contain an effective, clean, and simple mechanism that will rationally protect American institutions against cruel punishment by imports, but will not be so broad or loose as to undermine the larger purpose of the program or to insulate the American economy from the disciplines of import competition.

Mr. Ford added:

I, for one, would like to see us get back from Europe some of the one-sided concessions that we made at a time when they were in desperate need.

He was speaking on behalf of freer trade and his remarks made a great deal of sense to me. There is no provision in the bill before you for "an effective, clean, and simple mechanism" that will do what Mr. Ford suggests.

Let me mention another facet of national security with which I have had some contact.

Aside from the men and equipment involved during any all-out effort anywhere in the world, the Secretary of the Army also has a responsibility for the important work carried out by the Corps of Engineers on reclamation and flood control projects in the United States. This responsibility includes the purchase of electrical equipment to be installed at project sites.

As Secretary, I considered it important to discuss personally with the Chief of Engineers the purchase of any such equipment. Soon after I took office in 1953, it became clear that electrical manufacturers in foreign countries were substantially underbidding American manufacturers. It seemed to me that electric power facilities are very closely related to the security of the United States. Without adequate and dependable power, our industrial machine would be incapable of making the maximum effort.

In each instance, therefore, during my 2½ years as Secretary, I recommended the awarding of contracts for electrical equipment to the lowest American bidder consistent with what I considered to be in the best interest of national security.

My recommendation was based on the uncertainty of delivery from abroad, the nonavailability of spare parts or delay in maintenance of the foreign equipment in time of emergency, and the inherent belief that American power development should use American equipment.

When these discussions with the Chief of Engineers were concluded, I would then write a memo to my superiors recommending the lowest American bid.

In about half of these cases, my recommendation was overruled and the equipment was purchased abroad. This has always seemed to me to be inconsistent with basic American security.

As a related example of the sort of thing I had in mind, the July 27, 1959, issue of Electrical World disclosed that an imported transformer at the Scattergood steamplant of the Los Angeles Department of Water and Power failed in service. This unit, manufactured in Britain, was a 200-megavolt-ampere (mv.-a.) transformer and was placed in service July 1, 1959.

It failed on July 12 and had to be returned to England for repair. One year later—on July 17, 1960—the unit was again installed. After 9 hours of service, the transformer again failed.

In providing the basic power requirements of the United States, is it not a precautionary measure for the security of our country that we use American equipment with its superior record of performance and the ease with which repairs can be effected?

Some people think of any future emergency or war in terms of a few hours' or a few days' duration. It is clear, however, that our Defense Department today is planning to be ready for all types of war of any duration. This is good. No one knows what kind of a war might come. We must be able to win any kind of war—long or short.

Therefore, if the United States is ever called upon a third time as the arsenal of democracy, it is clear that we should not erode away vital industries in the meanwhile. This is what is going on. This is what worries me so deeply.

That is why, in my opinion, amendments to strengthen the national security provisions of this bill are desperately needed. This is constructive, not destructive, criticism.

I am not alone in my concern.

I quote briefly from a statement made before an Office of Defense Mobilization hearing on June 3, 1957. This statement was made by Senator Saltonstall, ranking minority member of the Senate Armed Services Committee, on behalf of himself and his colleague in the Senate from Massachusetts, now the distinguished President of the United States.

The paragraph quoted herewith summarizes their keen appraisal of this critical situation as of 5 years ago. Everything that has transpired since in the woolen and worsted segment of the American textile industry confirms the farsightedness of their conviction. The paragraph reads as follows:

> The question here involved appears to be relatively simple when stripped of discussion of collateral matters. The opinion of the Director of the ODM is solicited with respect to the question of whether the domestic wool-worsted industry now retains or will retain sufficient capacity to meet any demands which may reasonably be anticipated in the event of war.

In connection with these woolens and worsteds, I am certain that no member of this committee would wish to rely on the Common Market or Japanese sources for the necessary blankets and uniform fabrics that would be essential in the event of war.

As stated earlier in this testimony, we cannot supply them now in the United States with what is left of the industry. The same holds true on machine tools. Anyone who is familiar with what constitutes the lifeblood of a warmaking potential realizes the important role that machine tools play in the manufacture of munitions.

We have weakened our domestic machine tool industry. Many companies have established plants abroad to preserve export markets. The latter plants are probably useless to us in the event of war while the weakened position of the industry in this country would be inadequate to do the job.

Incidentally, it is extremely distressing that, in matters concerned with national security, foreign governments, often through highly paid representatives here in Washington, can and do make vigorous representations to the Office of Emergency Planning in investigations under section 8 of the act.

Cannot all of us agree that, in matters relating solely to the security of the United States, the American Government is fully capable of making decisions without foreign interference? I would like to see this gratuitous practice precluded by law.

To sum up, it seems to me that proper emphasis has not been placed on the survival of our Nation in terms of essential American production. I do not feel that national security has played anywhere near an important enough part in this great 1962 foreign trade debate.

Yet, this security aspect is surely something which over the years has been of great interest to this committee. On July 16, 1958, Mr. Chairman, you were chairman then as you are now, and you spoke on the Senate floor with regard to the national security clause of the trade bill as it was reported by the Finance Committee. With your permission I would like to give this quote:

> The committee also amended the House bill by provisions aimed at strengthening the national security section. More and more the national security becomes important, and more and more the strength of our internal economy becomes an essential part of our security.
>
> I sponsored an amendment providing that the President, in administering the national security provision, must take into consideration the effect on the national security of a weakening of the general internal economy by excessive imports of competitive products to the extent that unemployment, loss of revenue to Government, or loss of investment would result. The committee adopted that amendment by a 10 to 1 vote.
>
> Considerable unfavorable comment has reached the committee about the administration of what was thought to be a strongly worded national security amendment in the 1955 extension. That section has been further strengthened so that sound results may be expected from it.
>
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As for cases in which such threat exists the report declares:

the bill continues the existing provision under which the President shall take action to adjust the imports of a given article (or its derivatives) when he finds such imports threaten to impair the national security.

Under provisions of this proposed bill, Congress once again is expressing its intent that the administration of our trade and tariff programs shall not jeopardize our national security.

However, contrasted with this repeated expression and enactment of congressional intent is the repeated denial of relief to industries and employees seeking to invoke these national security provisions. The record thus far of cases considered under the national security clause is most discouraging. Here is the disturbing box score:

Eleven were withdrawn or suspended.

Twelve were denied.

Two (both crude oil) were approved.

One (textiles and textile products) has been pending for more than a year.

Included as a part of my statement is an analysis of the disposition of each of the applications filed under the national security provisions of the 1955 and 1958 Trade Agreements Extension Acts.

Aside from the very discouraging results obtained, one other fact is clearly set forth.

In most cases, the time consumed in reaching a decision on these petitions relating to our national security generally has been protracted and, in one case, it took almost 3 years finally to obtain a decision—an adverse one.

The sound results which you, Mr. Chairman, had hoped for, have not been achieved and the intent of Congress clearly has not been implemented.

In my opinion, the national security provisions of this legislative proposal must be greatly strengthened. I earnestly commend this problem to the members of this committee.

I thank you, sir, for granting me this opportunity to be heard.

(The statement referred to follows:)

STATEMENT OF ROBERT T. STEVENS, PRESIDENT, J. P. STEVENS & CO., INC.

Mr. Chairman and members of the Finance Committee, my name is Robert T. Stevens. I am president of J. P. Stevens & Co., Inc., a diversified textile manufacturing company. The Stevens Co. has been in business a long time—it will have its 150th anniversary next year. Our headquarters is located in New York City and we have 55 manufacturing facilities located in eight States, Maine, New Hampshire, Massachusetts, Virginia, Tennessee, North Carolina, South Carolina and Georgia. We employ 35,000 fine Americans. We are seriously concerned about their jobs. We do not use foreign textiles. I have spent nearly 41 years with the company and have never worked elsewhere except for several tours of public or military service. Although I became second vice president of the American Cotton Manufacturers Institute, Inc., an honorary title, last October, my appearance here is solely as an individual American citizen.

Over recent months, there has been discussion in the press regarding the textile industry in its relation to the legislative proposal currently before the committee. I would like to make a few comments in this connection.

On May 2, 1961, the President announced a seven-point program for the combined American textile and apparel industry. I had the honor of being present at the White House when the announcement was made. In connection with his textile program, the President said, "I believe it is time for action." As a textile man, I want to reiterate strongly here what I have said publicly many times, namely, that, if the President's program were fully implemented, it would be most

encouraging to this beleaguered industry. Thus far, however, implementation has not been encouraging, even after 1¼ years have elapsed. Personally, I have every confidence that the President intends just as much now, as he did 15 months ago, that his textile program will be carried out. I regret that there seems to be opposition somewhere within the administration to implementing his plan in the manner that he clearly intended.

One of the key points in the President's program was his request to the Secretary of Agriculture to recommend appropriate action to eliminate or offset the cost to American cotton mills of the adverse differential in raw cotton costs between domestic and foreign textile producers. Present very heavy imports of cotton products, much of it manufactured from American cotton sold to our foreign competitors at 8½ cents less than we pay, are tending to defeat the President's program. Hearings before the Tariff Commission to remedy this situation ended on February 23, nearly 6 months ago. A decision, long past due continues to be anxiously awaited.

We in our company have recently had to reduce production schedules at eight of our cotton manufacturing plants because of the excessive imports of cotton products this year. We don't like reducing pay envelopes of American workers and register our protest herewith. It is impossible to understand the redtape slowness of the Tariff Commission.

The President's program also envisioned a petition by the combined textile and apparel industries to the Office of Emergency Planning under provision of section 8 of the Trade Agreements Extension Act of 1958 regarding essentiality to national security. A full year has now elapsed since the petition was filed. Here again, a decision, long past due, is anxiously awaited. Consuming a year to make a decision vital to national security seems like a very long time.

Similarly, in the case of woolen and worsted products, plus products from manmade and silk fibers, there has been absolutely no action after 1¼ years, in spite of repeated commitments to take action. This is most discouraging especially since more than 12 percent of the domestic woolen and worsted market is already in the hands of foreign suppliers. It is a dangerous fact that more than 50 percent of this vital industry has been liquidated since World War II. In the event of another war, there is no possibility that what remains today of the domestic woolen and worsted industry could take care of military and essential civilian requirements. I doubt if the American people are aware of this important fact. I think they are interested in the preservation of America's mobilization base. It is my deeply serious concern about the national security provision of the legislation that brings me before you today. I intend to show that the national security provision of the 1958 act has proved ineffective.

Nine months ago, on November 2, 1961, when I read the Under Secretary of State's speech in New York and the editorial comments upon it, in which the broad general outlines of this legislation were first revealed, I felt that, unless drastically modified, it would adversely affect the security of our country. Our national security was not even mentioned. Two published letters to the editor of the New York Times (Nov. 13 and 29, 1961) attest to my early concern.

On June 19, 1961, I had been barred by the State Department from attending a briefing on the President's seven-point textile program, even though I had been personally invited in writing by the distinguished Chairman of the House Committee on Armed Services, the Honorable Carl Vinson. Is not concern with national security a reasonable viewpoint to reflect?

When the American colonies made the momentous decision to forge themselves into one Nation, independent of foreign oppression and exploitation, their energies were directed toward military and economic protection of this weak but dedicated sovereign Nation. As our young country grew, protection of economic and human assets became basic to the success of the American free enterprise system. We do not need to apologize for this. Furthermore, if there has been anything wrong with the United States having a measure of protective tariff, then the blame attached to our forebears, not to us.

Personally, I think no blame attaches. On the contrary, they were extremely farsighed. By protecting American industries, they made possible the maximum industrial development of the United States and the attainment of the highest standard of living ever achieved by any nation. Thus, American industry, along with American manpower, twice in our generation has saved the free world from being overrun by dictators. Had American industry not been protected from cheap labor overseas, is it likely that our country could possibly have survived two world conflagrations? Let us now be careful that, in all respects,

not only in space age weapons, we maintain our ability to defend ourselves and the free world. In my judgment, the concept of America as the "arsenal of democracy" is not obsolete.

Through the years, the need for the same degree of earlier protection has lessened somewhat. We could move away from protection of infant industries as our basic industries grew more mature. Nevertheless, we never moved away from protection of our steadily improving standard of living. In my opinion, the standard of living we have created in this country is in serious jeopardy today. In some industries, it is surely not realistic to believe that the American standard of living can compete with the wages paid in the Middle and Far East.

I want to make it unmistakably clear that I believe in foreign trade. Having served our Government under both Democratic and Republican administrations I have some understanding of the difficult international problems every administration faces. I believe in foreign trade because I recognize that trade policy is an integral part of overall foreign policy. One must be as consistent with the other as possible.

I realise the President strongly feels that he needs this bill. I deeply respect the view of the President and his efforts to deal with awesome world problems. I share with him his vital interest in and concern for the foreign trade of the United States as well as his deep concern for national security. He is the Commander in Chief and I am responsive to his leadership.

My own interest in national defense and military matters is not, however, new. I have studied them carefully over the years. I completed a course at the Command and General Staff School at Fort Leavenworth the day before Pearl Harbor. I attended that course at the suggestion of General Marshall, our Chief of Staff at that time. My views are neither political nor partisan. They are the heartfelt convictions of an American citizen who has tried to discharge some of his obligations to his country.

I was in the Army in both World Wars and through experience have an appreciation of the demands upon the American economy in time of war. I had the honor of serving again, this time as Secretary of the Army, while there was a shooting war still going on in Korea. I am very sensitive, therefore, to the absolute necessity of providing all our military forces, in abundant measure, with the right equipment and the right supplies in the right place at the right time. The American people properly expect this to be done. I am concerned as to whether we may, unintentionally in our foreign trade, be impairing our ability to do this job, if the occasion should arise.

In this connection, I sincerely believe that the American people do not have an adequate picture of the national security aspect of this bill. I am, for example, unaware of any important article in any national magazine which clearly sets forth what is happening to our mobilization base. I know that erosion of that base has been taking place but I don't think the American people are aware of it.

Competition with the Common Market is one thing. Competition with the wages paid in the Middle and Far East is a very different thing. The Common Market itself has very stringent restrictions against imports from Japan. That very fact makes us more of a target for floods of Japanese goods. New Common Market negotiations will, under "the most favored nation" concept, make us more vulnerable than ever to imports from Japan. Do the American people, and especially American workers, understand this?

Long before congressional approval of Secretary Hull's reciprocal trade legislation was sought in 1934, President Roosevelt stated his position to the American people as follows:

"I have advocated a lowering of tariffs by negotiations with foreign countries. But I have not advocated, and I will never advocate, a tariff policy which will withdraw protection from American workers against those countries which employ cheap labor or who operate under a standard of living which is lower than our own great laboring groups." There continues to be great significance in the quoted words of President Roosevelt.

Eleven years later, President Truman wrote Speaker Rayburn, on May 25, 1945, in part as follows:

"I have had drawn to my attention statements to the effect that this increased authority might be used in such a way as to endanger or trade out segments of the American industry, American agriculture, or American labor. No such action was taken under President Roosevelt and Cordell Hull, and no such action will take place under my Presidency."

Ten years later, on February 17, 1955, President Eisenhower wrote to Congressman Martin of Massachusets in part as follows:

"Obviously, it would ill serve our Nation's interest to undermine American industry or to take steps which would lower the high wages received by our working men and women. Repeatedly, I have emphasized that our own country's economic strength is a pillar of freedom everywhere in the world. This program, therefore, 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. Were we to do so, we would undermine the ideal for which we have made so many sacrifices and are doing so much throughout the world to preserve."

Even in an ever-changing world, the words of the three Presidents just quoted have deep meaning to me in terms of the American economy, of the American standard of living and, above all, of the security of the United States.

The United States is today one of the least protected industrial nations in the world. Tariffs have been reduced by more than 75 percent since 1934. For many years, following the end of World War II, we slashed tariffs consistent with our efforts to rebuild Western Europe and Japan. At the same time, we tolerated increased barriers to American exports by the same countries to whom we made important tariff concessions. In effect, our concessions amounted to additional foreign aid. We build up foreign industries, in many cases with American economic assistance and American technology. Is it not appropriate that this legislation should contain effective safeguards, at least insofar as our mobilization base is concerned?

Five weeks ago, the National Governors' Conference, in session at Hershey, Pa., adopted, by unanimous vote, the following resolution:

"WORLD TRADE

"Whereas encouragement of world trade and commerce is essential to friendly relations with the people of other nations and to the economy of our own country, and this should be continued with due regard to the ultimate effect on our domestic economy and national security; and

"Whereas employment security and job opportunities of millions of American citizens in major segments of our economy have already been seriously affected by excessive imports: Now, therefore, be it

"*Resolved,* That the Governors urge further development and complete implementation of international arrangements on trade in cotton, wool, synthetic, and silk fiber textile products with due regard for the impact on American industry and agriculture; be it further

"*Resolved,* That this 54th annual meeting of the Governors' conference hereby urges and requests the executive and legislative branches of the Federal Government to give full effect not only to the provisions of our trade acts which are designed to promote increased trade with other nations, but also those provisions which are designed to prevent excessive imports of any goods or commodities which would endanger the national security or the domestic economy of the United States."

The resolution adopted by the Governors' Conference on July 3 this year is indicative of their serious concern to prevent excessive imports which could endanger the national security of the United States. The Governors urged development and implementation of international arrangements regarding cotton, wool, synthetic, and silk fiber textile products.

Continuing my theme of concern for the security of our country, I am apprehensive over the loss of jobs and skills in the radio, sewing machine, watchmaking, typewriter, machine tools, and many other industries. These skills will be desperately needed in the arsenal of democracy if an emergency should arise. The question in my mind is a simple one. Are we taking as good care of our mobilization base as we should? That base may well be the difference between victory or defeat, if we are ever attacked.

Let us look at typewriters as an example of the adverse effect on the highly skilled workers employed in that industry. In 1960, the United States imported 430,000 portable typewriters and exported 8,575. This represents a terrific impact on the skilled jobs in this industry over the past few years.

At an escape clause hearing before the Tariff Commission in 1960, Mr. F. P. Ryan, of Royal McBee Corp., a major American producer of typewriters, said:

"The fact that all domestic typewriter companies may have foreign manufacturing facilities is of no consolation to the American factory worker."

This observation would seem to have application on a broad scale today. American plants abroad don't help American workers. And American plants abroad are of little, if any, use to our mobilization base.

In discussing U.S. superiority in productivity, Mr. Ryan said:

"Greater productivity in the United States does not offset the lower wage rates in Europe. Royal McBee Corp. manufactures portable, manual, and electric typewriters in Europe and [we] will present evidence—illustrating beyond any doubt, that foreign wage rates, which are approximately one-quarter of U.S. rates, result in manufacturing costs which are approximately two-thirds to three-quarters of the U.S. manufacturing costs."

Here, it seems, is the heart of the problem. Plants are being established overseas not only to preserve export markets, but also in many cases to supply the American market at lower cost. This latter purpose is surely not in the overall best interest of the United States. To the extent carried out, it is an export of American jobs. It contributes to our adverse balance of payments. I don't believe the administration or the Congress favors such action. But what is being done to prevent it? Further slashing of tariffs, under this legislation, will surely accelerate this trend for American industry to supply the American market from overseas. At least insofar as production essential to national security is concerned, should not this legislation contain effective safeguards? That is the heart of my argument.

I will cite another important segment of our economy that is essential to national security and which likewise could suffer serious erosion. The American cattleman is faced with these facts:

1. In 1961 imports of beef and veal (carcass weight) were 1,038 million pounds. Imports, therefore, were 6.3 as a percentage of domestic production. Exports were 36 million pounds. Thus the United States was a net importer of beef and veal by 1,002 million pounds.

2. Total imports of beef and veal, including live cattle and calves (meat equivalent) in 1961 were 1,328 million pounds or 8.1 percent of U.S. production.

Here is a vitally important, free enterprise segment of the American agricultural economy. It has no Government subsidies. It stands on its own feet. It is nationwide in scope. The industry's meager tariff protection of 6 cents per pound in 1930 has been whittled down to 3 cents per pound at the present time. With 8.1 percent of the American market already in foreign hands, the drive is on overseas, based on low wages, to grab off more of the American market. Is this in the overall best interest of our country? Is it a safe course from the standpoint of our national security and the possible future needs of the free world that American cattle population might decline drastically because of unneeded imports? I do not think so.

Cattlemen from Florida to the Great Western Plains of the United States and on to the Pacific recognize that their jobs and the jobs of fellow Americans are dependent upon each other. In furtherance of this truth, the American National Cattlemen's Association faced the issue squarely. At its 65th annual convention on January 25–27, 1962, the association passed the following resolution:

"BUYING AMERICAN-MADE PRODUCTS

"Whereas American labor and American business constitute the only market of consequence for American beef; and

"Whereas existing and proposed Federal (foreign) trade policies will destroy the system that has permitted the development of the highest standard of living in history: Therefore be it

"*Resolved*, That we urge the cattlemen of America to purchase only American-made products in the hope that we may help preserve the high standard of living and the very jobs of American labor, our greatest customer, from ruinous foreign competition; and be it further

"*Resolved*, That it is our fervent hope that other industries and labor will see fit to join us in our efforts to protect this Nation from economic chaos."

Members of the committee, this is a strong resolution and indicates deep concern over unbridled foreign competition, especially where our national security may be affected.

Mr. Henry Ford II, on January 17, 1962, said: "As a matter of both justice and political realism, I think a liberalized trade program must contain an effec-

tive, clean, and simple mechanism that will rationally protect American institutions against cruel punishment by imports, but will not be so broad or loose as to undermine the larger purpose of the program or to insulate the American economy from the disciplines of import competition."

Mr. Ford added: "I, for one, would like to see us get back from Europe some of the one-sided concessions that we made at a time when they were in desperate need." He was speaking on behalf of freer trade and his remarks made a great deal of sense to me. There is no provision in the bill before you for "an effective, clean, and simple mechanism" that will do what Mr. Ford suggests.

Let me mention another facet of national security with which I have had some contact. Aside from the men and equipment involved during any all-out effort anywhere in the world, the Secretary of the Army also has a responsibility for the important work carried out by the Corps of Engineers on reclamation and flood control projects in the United States. This responsibility includes the purchase of electrical equipment to be installed at project sites.

As Secretary, I considered it important to discuss personally with the Chief of Engineers the purchase of any such equipment. Soon after I took office in 1953, it became clear that electrical manufacturers in foreign countries were substantially underbidding American manufacturers. It seemed to me that electric power facilities are very closely related to the security of the United States. Without adequate and dependable power, our industrial machine would be incapable of making the maximum effort.

In each instance, therefore, during my 2½ years as Secretary, I recommended the awarding of contracts for electrical equipment to the lowest American bidder consistent with what I considered to be in the best interest of national security. My recommendation was based on the uncertainty of delivery from abroad, the nonavailability of spare parts or delay in maintenance of the foreign equipment in time of emergency, and the inherent belief that American power development should use American equipment.

When these discussions with the Chief of Engineers were concluded, I would then write a memorandum to my superiors recommending the lowest American bid. In about half of these cases, my recommendation was overruled and the equipment was purchased abroad. This has always seemed to me to be inconsistent with basic American security.

As a related example of the sort of thing I had in mind, the July 27, 1959, issue of Electrical World disclosed that an imported transformer at the Scattergood steamplant of the Los Angeles Department of Water and Power failed in service. This unit, manufactured in Britain, was a 200-megavolt-ampere (MVA) transformer and was placed in service July 1, 1959. It failed on July 12 and had to be returned to England for repair. One year later—on July 17, 1960—the unit was again installed. After 9 hours of service, the transformer again failed. In providing the basic power requirements of the United States, is it not a precautionary measure for the security of our country that we use American equipment with its superior record of performance and the ease with which repairs can be effected?

Some people think of any future emergency or war in terms of a few hours' or a few days' duration. It is clear, however, that our Defense Department today is planning to be ready for all types of wars of any duration. This is good. No one knows what kind of a war might come. We must be able to win any kind of war—long or short. Therefore, if the United States is ever called upon a third time as the "arsenal of democracy," it is clear that we should not erode away vital industries in the meanwhile. This is what is going on. This is what worries me so deeply. That is why, in my opinion, amendments to strengthen the national security provisions of this bill are desperately needed. This is constructive, not destructive, criticism.

I am not alone in my concern. I quote briefly from a statement made before an Office of Defense Mobilization hearing on June 3, 1957. This statement was made by Senator Saltonstall, ranking minority member of the Senate Armed Services Committee, on behalf of himself and his colleague in the Senate from Massachusetts, now the distinguished President of the United States. The paragraph quoted herewith summarizes their keen appraisal of this critical situation as of 5 years ago. Everything that has transpired since in the woolen

and worsted segment of the American textile industry confirms the farsightedness of their conviction. The paragraph reads as follows:

"The question here involved appears to be relatively simple when stripped of discussion of collateral matters. The opinion of the Director of the ODM is solicited with respect to the question of whether the domestic wool-worsted industry now retains or will retain sufficient capacity to meet any demands which may reasonably be anticipated in the event of war."

In connection with these woolens and worsteds, I am certain that no member of this committee would wish to rely on the Common Market or Japanese sources for the necessary blankets and uniform fabrics that would be essential in the event of war. As stated earlier in this testimony, we cannot supply them now in the United States with what is left of the industry. The same holds true on machine tools. Anyone who is familiar with what constitutes the lifeblood of a warmaking potential realizes the important role that machine tools play in the manufacture of munitions. We have weakened our domestic machine tool industry. Many companies have established plants abroad to preserve export markets. The latter plants are probably useless to us in the event of war while the weakened position of the industry in this country would be inadequate to do the job.

Incidentally, it is extremely distressing that, in matters concerned with national security, foreign governments, often through highly paid representatives here in Washington, can and do make vigorous representations to the Office of Emergency Planning in investigations under section 8 of the act. Cannot all of us agree that, in matters relating solely to the security of the United States, the American Government is fully capable of making decisions without foreign interference? I would like to see this gratuitous practice precluded by law.

To sum up, it seems to me that proper emphasis has not been placed on the survival of our Nation in terms of essential American production. I do not feel that national security has played anywhere near an important enough part in this great 1962 foreign trade debate.

Yet, this security aspect is surely something which over the years has been of great interest to this committee. On July 16, 1958, Senator Byrd, then and now your chairman, spoke on the Senate floor with regard to the national security clause of the trade bill as it was reported by the Finance Committee. He said: "The committee also amended the House bill by provisions aimed at strengthening the national security section. More and more the national security becomes important, and more and more the strength of our internal economy becomes an essential part of our security.

"I sponsored an amendment providing that the President, in administering the national security provision, must take into consideration the effect on the national security of a weakening of the general internal economy by excessive imports of competitive products to the extent that unemployment, loss of revenue to Government, or loss of investment would result. The committee adopted that amendment by a 10-to-1 vote.

"Considerable unfavorable comment has reached the committee about the administration of what was thought to be a strongly worded national security amendment in the 1955 extension. That section has been further strengthened so that sound results may be expected from it. The committee amendment provides that, after the Director of the Office of Defense Mobilization has studied the matter and indicated to the President that, in his opinion, the national security is being or is likely to be impaired, the President must take corrective action covering materials and their derivatives, unles he finds that the security is not being so threatened."

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However, contrasted with this repeated expression and enactment of congressional intent is the repeated denial of relief to industries and employees seeking to invoke these national security provisions. The record thus far of cases considered under the national security clause is most discouraging. Here is the disturbing box score: 11 were withdrawn or suspended; 12 were denied: 2 (both crude oil) were approved; 1 (textiles and textile products) has been pending for more than a year.

Included as a part of my statement is an analysis of the disposition of each of the applications filed under the national security provisions of the 1955 and 1958 Trade Agreements Extension Acts.

Aside from the very discouraging results obtained, one other fact is clearly set forth. In most cases, the time consumed in reaching a decision on these petitions relating to our national security generally has been protracted, and, in one case, it took almost 3 years to finally obtain a decision—an adverse one.

The sound results which your chairman hoped for have not been achieved and the intent of Congress clearly has not been implemented.

In my opinion, the national security provisions of this legislative proposal must be greatly strengthened. I earnestly commend this problem to the members of this committee.

I thank you for granting me this opportunity to be heard.

Status of requests for investigations under national security provisions of Trade Agreements Act (sec. 7 of 1955 trade extension law and sec. 8 of 1958 trade extension law)

Product	Applicant	Date of application	Final disposition	Lapsed time
Analytical balances	Scientific Apparatus Makers Association	Feb. 6, 1956	Suspended on request of applicant, May 24, 1957.	1 year 3 months.
Wooden boats	American Boat Builders and Repairers Association.	Sept. 14, 1956	Suspended on request of applicant, Jan. 7, 1958.	1 year 4 months.
Dental burrs (1st application)	American Dental Trade Association	May 22, 1957	Withdrawn, Aug. 28, 1957	3 months.
Dental burrs (2d application)	do	May 12, 1958	Withdrawn, Jan. 10, 1961	2 years 8 months.
Clocks, pin-lever, watches, timers	Clock and Watch Manufacturers Association of America.	Apr. 18, 1956	Denied, Feb. 28, 1958	1 year 10 months.
Hard fiber cordage and twine (1st application).	Cordage Institute	July 12, 1955	Denied, May 6, 1958	2 years 10 months.
Hard fiber cordage and twine products (2d application).	Plymouth Cordage Co., Columbian Rope Co.	Mar. 25, 1960	Denied, June 22, 1962	2 years 3 months.
Crude oil (1st application)	Independent Petroleum Association of America.	Aug. 7, 1956	President accepts Cabinet Committee report calling for voluntary oil curbs, July 29, 1957.	1 year.
Crude oil and products (2d application)	Departments of State and Defense	Jan. 22, 1959	President imposes mandatory quota controls on oil imports, Mar. 10, 1959.	1½ months.
Heavy electric power equipment	General Electric Co., and National Electrical Manufacturers Association (NEMA).	Mar. 7, 1958	Denied June 12, 1959	1 year 3 months.
Fluorspar (1st application)	Committee representing American Fluorspar Producers.	June 21, 1955	Suspended on request of applicant, Nov. 1, 1956.	1 year 4 months.
Fluorspar (2d application)	American Fluorspar Producers Association.	Oct. 29, 1958	Denied, Sept. 25, 1959	11 months.
Photographic shutters	Wollensak Optical Co	Feb. 24, 1956	Withdrawn, Apr. 17, 1956	2 months.
Stencil silk	Albert Goode Bedin, Inc	Nov. 2, 1955	Withdrawn, Apr. 5, 1956	5 months.
Clinical thermometers	American Clinical Thermometer Guild	Jan. 13, 1956	Suspended on request of applicant, July 2, 1957.	1 year, 6 months.
Jeweled watches	American Watch Manufacturers Association.	Dec. 29, 1955	Denied, Feb. 28, 1958	2 years, 2 months.
Fine mesh wire cloth	The Industrial Wire Cloth Institute	May 6, 1957	Suspended after request of applicant, Feb. 14, 1958.	9 months.
Wool felt	The Felt Association	Apr. 20, 1956	Suspended on request of applicant, May 27, 1957.	1 year, 1 month.
Wool textiles	National Association of Wool Manufacturers.	Mar. 14, 1956	Denied, Jan. 6, 1958	1 year, 10 months.
Cobalt	Howe Sound Co	Oct. 2, 1958	Denied, Oct. 2, 1959	1 year.
Steam-turbine generators	General Electric Co. and Westinghouse Electric Corp.	Feb. 20, 1959	Denied, Nov. 18, 1960	1 year 9 months.
Surplus military rifles	Sporting Arms and Ammunition Manufacturers Institute.	June 29, 1959	Denied, June 5, 1962	2 years 11 months.
Transistors and related products	Electronic Industries Association	Sept. 17, 1959	Denied, May 29, 1962	2 years 8 months.
Tungsten	Howe Sound Co	Oct. 2, 1958	Withdrawn, Oct. 21, 1959	1 year 1 month.
Wool knit gloves	Director's own motion	Feb. 25, 1959	Denied, Nov. 18, 1960	1 year 9 months.
Textiles and textile manufactures	American Cotton Manufacturers Institute, Inc., and others.	May 15, 1961	Pending.	

The CHAIRMAN. Thank you, Mr. Stevens.

I appreciate, Mr. Stevens, your mentioning the amendment that I introduced in 1958. I agree with you that it has not been implemented by either the Eisenhower administration or the Kennedy administration, as it should have been.

Mr. STEVENS. That is right.

The CHAIRMAN. And it was clearly the intent of the Congress that it should be.

The vote in committee was 10 to 1, as you said, and I think it was unanimous on the floor of the Senate and in the conference.

Now, in line with the questions propounded to you by the Senator from Georgia, you state that if the President's program was fully implemented it would be a great encouragement and relief, I assume to your industry.

Does that program include the cancellation of selling cotton to your competitors abroad, at 8½ cents less than you pay in this country?

Mr. STEVENS. That is what I understood point 4 in the seven point program was, yes, sir.

The CHAIRMAN. I regard that, without the knowledge that you have of your industry, as a tremendously vital point.

Mr. STEVENS. It is.

The CHAIRMAN. When I was in Japan in December, I went through the textile factories there, and was told, and I assume it is correct, that the wages were 28 cents, including the fringe benefits. They had cots in their factories, which plants had been rebuilt, incidentally, with American money as I understand it, so that if they had extra work to do and the employees could sleep for a few hours and then start to work again without overtime pay.

Is that your information?

Mr. STEVENS. Yes, sir, that is my understanding.

The CHAIRMAN. So 28 cents an hour wage rate, plus buying cotton at 8½ cents less than you can buy it, is a terrific competition that in my judgment will be disastrous to the textile industry unless it is corrected.

Mr. STEVENS. This is correct and we are unable to meet that competition, Mr. Chairman.

The CHAIRMAN. And you think this agreement with the President included the cancellation of selling cotton to your competitors for less than you can buy it in this country?

Mr. STEVENS. Yes, sir, I do. I don't know of anybody, Mr. Chairman, outside of the State Department who has got a kind word for this discrimination against the American cotton textile manufacturers.

Senator KERR. Would the Senator yield?

The CHAIRMAN. I yield.

Senator KERR. Was the point 4 in the seven-point program one which called for the cancellation of that sale or one which called for an adjustment which would compensate for that difference?

Mr. STEVENS. It was the latter, Senator Kerr.

In other words, point 4 really, the thrust of point 4, was to eliminate this discrimination, and it——

Senator KERR. It was to eliminate the discrimination?

Mr. STEVENS. That is right.

Senator KERR. But I didn't think it was to achieve that objective by canceling the operation of selling the cotton.

Mr. STEVENS. Oh, no, no. Not that. It was for what was called an equalization fee.

Senator KERR. That is what I had in mind.

Mr. STEVENS. Yes.

Senator KERR. I wonder if you would explain that for the record so that I may be clear on that point.

Mr. STEVENS. This point 4—I am sure the President, and his advisers recognized that this is a great discrimination against the American industry in its effort to compete worldwide.

Senator KERR. I thoroughly agree with that but the point I wanted to make was——

Mr. STEVENS. Under point 4 it required that the Department of Agriculture look into this matter, and come up with a recommendation as to how this inequity could be removed. And the Secretary of Agriculture found that imports of cotton products had reached a point where it was tending to impair Department of Agriculture programs, and, therefore, he recommended a section 22 action under the Agricultural Adjustment Act, section 22 action at the Tariff Commission, and the Tariff Commission then did investigate and hold hearings in connection with the suggested imposition of an 8½ cent import fee covering those cotton products that come into the United States.

Senator KERR. That were made from this cotton that was sold by the Commodity Credit Corporation at that reduced cost.

Mr. STEVENS. It doesn't make any difference, sir, when the product comes in whether it is made out of American cotton or some other cotton, it is impairing the agricultural program here.

Senator KERR. By reason of the fact, I take it, that the sale of 8½ cents under the American market was at the world market?

Mr. STEVENS. That is presumably correct, sir.

Senator KERR. And the import fee would compensate for the differential between the price of cotton in this country and on the world market?

Mr. STEVENS. Yes, sir.

Senator KERR. I think that point has been explained.

The CHAIRMAN. I think that point is clear. But the net effect is that it removes this discrimination, so you thought.

Mr. STEVENS. If the action gets taken it removes it.

Senator KERR. The tragedy of it is they haven't taken the action.

Mr. STEVENS. That is right, sir.

The CHAIRMAN. But I mean if the action had been taken as in accordance with your understanding, it would have removed this discrimination?

Mr. STEVENS. That is right, and it would have been of enormous help to the cotton products industry in this country.

The CHAIRMAN. I think you answered the Senator from Georgia you didn't know why the Tariff Commission has made no decision although the hearings were indeed 6 months ago.

Mr. STEVENS. Yes, sir.

The CHAIRMAN. Have you got any idea in your own mind why they haven't made a decision? They usually are prety prompt in making decisions after they have hearings.

Mr. STEVENS. Mr. Chairman, I just can't possibly understand why that decision hasn't come down.

The CHAIRMAN. You think there has been any influence exercised by any branch of the administration?

Mr. STEVENS. I can't say that I know of any. I think it is possible that such a thing has happened. I have no knowledge of it, however, sir.

The CHAIRMAN. Ordinarily how long, have you any record of how long do they make decisions after the hearings end?

Mr. STEVENS. I know that in the case of, the so-called *Picker Lap* case, which is pretty much in the same general area as this thing they made the decision within a week.

The CHAIRMAN. You don't know yourself of any decision which has been held up for as long as 6 months?

Mr. STEVENS. I personally don't know of any that has been held up for so long. It seems to have a surprising sort of contemporary relationship to the progress of the trade expansion bill through the Congress.

The CHAIRMAN. I feel it is incumbent upon me as chairmen of the Finance Committee, in view of our close relations to the Tariff Commission, to address a letter to the Tariff Commission, which I intend to do, asking them for an explanation as to why they have delayed the decision after 6 months after hearings were ended, and likewise to give a statement of the other decisions they have made, as to what length of time expired before the announcement was made after hearings.

Mr. STEVENS. I think that would be most helpful.

Senator TALMADGE. Mr. Chairman, will you yield at that point?

The CHAIRMAN. I yield.

Senator TALMADGE. I was about to suggest to the Chair that he take such action, I compliment him and commend him for taking such action and may I suggest further in this same letter the Chair inquire as to whether or not the State Department made objections to granting this relief?

The CHAIRMAN. The Chair will do that and he will ask for any influence of any character that was exerted upon the Tariff Commission beyond the witnesses that appeared in the ordinary course.

Mr. STEVENS. I want to be clear, if I may, Mr. Chairman, on the record that I have no knowledge of any such influence.

I can only observe the outward contemporary action or lack of it.

The CHAIRMAN. But there certainly is no justification in the mind of the chairman that there ought to be—6 months should elapse and apparently a longer time should elapse, before a decision is made in a matter of this importance.

Anyway, the Chair, on behalf of this committee, and I think the committee will sustain him unanimously, will make this inquiry of the Tariff Commission.

Mr. STEVENS. I think that would be most helpful.

The CHAIRMAN. I assume they will make a reply. If they can't we will do something else.

(The Chairman subsequently inserted in the record the following copy of the letter which he wrote to the Chairman of the U.S. Tariff Commission as discussed above:)

AUGUST 10, 1962.

Hon. BEN D. DORFMAN,
Chairman, the Tariff Commission,
Washington, D.C.

MY DEAR MR. CHAIRMAN: The Senate Committee on Finance has received a number of complaints from Senators and other interested persons regarding the long delay in the Tariff Commission's investigation of the conditions in the cotton textile industry.

The President requested this study on November 21, 1961. The Tariff Commission concluded its hearings in February of this year. It will soon be 6 months since those hearings ended. It would appear that there is justification for the impatience of those interested in the outcome.

With the approval of the Senate Committee on Finance, I would like for you to advise the committee of the reasons for this delay.

When the case was assigned to the Commission, it was anticipated by the members of the committee and others that a decision would be rendered in a very short time. Now that more than 9 months have elapsed since the matter was instituted by the President, it would appear that there may be some special reasons for this extremely long period of study when the matter was so pressing in nature.

We feel we should be informed of the reasons for the delay and express the hope that a prompt decision will be made, and, if not, a statement as to the completion data.

The uncertainty involved in the future of so important a segment of our economy should not be continued unduly, especially at a time when trade legislation, which could be of vital importance to the textile industry, is before the Congress.

May we hear from you promptly?

Cordially yours,

HARRY F. BYRD, *Chairman.*

(The reply received from Mr. Dorfman on August 13, 1952, appears on p. 1641.)

The CHAIRMAN. At least we are entitled to information.

Mr. STEVENS. Yes, sir.

Senator CURTIS. Mr. Chairman.

The CHAIRMAN. Senator Curtis.

Senator CURTIS. Mr. Stevens, I want to congratulate you on a very fine statement.

Mr. STEVENS. Thank you, Senator.

Senator CURTIS. I regard it as one definitely in the public interest, and for the good of our country.

Mr. STEVENS. That is right.

Senator CURTIS. For a good many years I have been on committees which have held hearings on the trade agreements program. the Ways and Means Committee and this one. So often people follow the State Department line and have met all objections and questions and criticisms of the trade agreements program by an inference that there are a few chronic complainers and selfish people who come and testify against.

They have been totally blind to the operation of their own program; they have turned their back on the national security provisions.

A common answer to a question is, "Well, you can't turn the clock back," and their clock has been stopped for a long time, and I certainly want to thank you for your appearance here.

I assume your entire speech paper has gone into the record.

Mr. STEVENS. I had overlooked asking permission for my full statement to be a part of the record. I would like that if I may, Mr. Chairman.

Senator CURTIS. Because coming from a State that raises more beef than any State in the Union, and having in our State the largest meat-packing center in the world, I was interested in what you said on page 6:

I will cite another important segment of our economy that is essential to our national security and which likewise could suffer serious erosion.

The American cattleman is faced with these facts:

1. In 1951 imports of beef and veal (carcass weight) were 1,038 million pounds. Imports, therefore, were 6.3 as a percentage of domestic production. Exports were 36 million pounds. Thus the United States is a net importer of beef and veal by 1,002 million pounds.

2. Total imports of beef and veal, including live cattle and calves (meat equivalent) in 1961 were 1,328 million pounds or 8.1 percent of the U.S. production.

Mr. STEVENS. Yes, sir.

Senator CURTIS. That has a very direct bearing on our consumption of grain in the country.

Mr. STEVENS. Yes; that is right.

Senator CURTIS. Which is creating surplus problems and headaches and even scandals in storage, costly things, and I believe that you have rendered a most distinguished service to the public here in your appearance.

I think that if public-spirited leaders in American industry and agriculture and labor could chart our foreign trade program that we could expand foreign trade and it would be helpful to us and to those with whom we dealt.

I seriously question the mixing of it with diplomacy. I don't believe that the country would stand for having merely traders run the diplomacy, and likewise the people whose sole experience and outlook are on diplomatic lines are not competent to have such great power over the American economy and particularly as you point out when it can so jeopardize our national security.

Mr. STEVENS. Yes, sir.

Senator CURTIS. And many of their cliches which they so often pronounce about the virtues of what they are doing, just aren't supported by the facts.

I think it is true that when the Japanese bombed Pearl Harbor that the United States was their largest customer. No nation in the history of the world has received a favorable trade treatment, not only in sugar but in all things, as has the little nation of Cuba. Yet it was the first nation in the Western Hemisphere to go Communist.

The longest peaceful boundary line in the world is between the United States and Canada. Yet we have repeatedly, each country, protected ourselves with tariffs and other restrictions to assist their own economy, and it hasn't led to war.

I hope that before this program can go on and further destroy our economy, that some objective studies can be made concerning the claims of the program as they compare to the actual facts.

You are familiar with the action that Congress took a few weeks ago in regard to a textile-import problem?

Mr. STEVENS. Yes.

Senator CURTIS. A bill that passed.

Mr. STEVENS. Yes, sir; I am, Senator Curtis.

Senator CURTIS. Do you think textile people and cotton people and others can place a childlike faith in that act, accept this bill as it comes from the House, and have the problem justly and adequately met?

Will that act alone do it, if we pass this act?

Mr. STEVENS. I have considerable doubt about that, Senator Curtis. While I came here and testify from the depth of my heart on the ground of national security which deeply concerns me, based on a lot of military experience, I did not in my statement oppose the act. I will say, however, in answer to your observation or question, that there is in my mind a real question as to the wisdom of putting this, pushing this, bill through.

Senator CURTIS. Which bill?

Mr. STEVENS. This trade expansion bill.

Senator CURTIS. Yes.

Mr. STEVENS. In the final days of the Congress in possibly something of a rush. It would seem to me to be more farsighted to postpone this, to have further consideration of the bill.

As far as I am concerned, if that involved continuing temporarily the status quo, I could go for that, and also for an amendment which would authorize the President to deal with any emergency that might come up in connection with the European Economic Community. I think this would be a better thing to do than to try to rush this through.

Senator CURTIS. Yes; I think we have had some well qualified testimony pointing out that so far as the Common Market in Europe is concerned that our actual negotiations and so on are going to take some time anyway.

Mr. STEVENS. That is right.

Senator CURTIS. And we aren't jeopardizing the interests of this country if we would take time to find out what we are doing and study all aspects of the problem.

Mr. STEVENS. That is my feeling. Of course, I don't have all the information available in the Government but I feel that is correct, sir.

Senator CURTIS. Again, I compliment you on a very fine statement.

Mr. STEVENS. Thank you, Senator Curtis.

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

Mr. STEVENS. Thank you very much, Senator.

Senator KERR. Mr. Chairman, I believe Mr. C. W. McMillan is the next witness. He is from the American National Cattlemen's Association. He is a witness in whom I am tremendously interested both from the standpoint of my respect for him and my interest in the matter that he represents, and I am happy to be among those who hear him.

I deeply regret I am going to have to leave here in about 10 minutes. I wonder how long the committee is going to be in session?

The CHAIRMAN. I say the Chair would like to finish the witnesses. We have four after Mr. McMillan.

Senator KERR. I want him to know I am deeply interested in his statement as I am also in those of the next two witnesses, and I will certainly read their testimony very carefully.

I want to hear as much of Mr. McMillan's as I can.

STATEMENT OF C. W. McMILLAN, EXECUTIVE VICE PRESIDENT, AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION

Mr. McMILLAN. Thank you, Mr. Chairman, and Senator Kerr. I appreciate very much your kind comments.

My name is C. W. McMillan. I am executive vice president of the American Cattlemen's Association. The American National Cattlemen's Association is comprised of 34 State cattle associations, more than 100 breed, regional, and local cattle associations, and thousands of individual cattlemen throughout the Nation.

We respectfully ask that our complete statement be included in the hearing record.

The first part of our statement deals with the question of the authority to set tariff rates. We believe, with good reasons, that Congress originally had the responsibility to set the tariffs. We believe this because Members of Congress are in direct touch with the people and could know more intimately the needs of the people and the industries and act on tariff matters accordingly.

We believe that Congress should take back the tariffmaking power it once had as its prerogative and duty. For this reason we believe Congress should not enact those sections of H.R. 11970 which would give the executive branch additional authority.

The second point in our statement deals with the importance of the beef cattle industry.

I believe it may come as a surprise that in 1958 cattle and calves returned more cash receipts to producers than either the combined sales of all six "basic" crops (wheat, corn, cotton, tobacco, rice, and peanuts), or the combined sales of hogs, sheep, wool, and all poultry and eggs.

I mentioned this to show that any action you gentlemen take concerning tariffs on cattle or its products will affect the largest single segment of agriculture.

The cattle industry in many areas of the country is the chief, if not the only income source of smaller towns and communities, bolstering the economy and employment in these communities.

Our statement shows in some detail the amount of imports from competing foreign beef and veal.

Specifically, in 1961, U.S. imports of beef and veal in its various forms and cattle and calves converted to a carcass weight equivalent totaled 1,038 million pounds. This represented 8.1 percent of U.S. production of that product, but since most of the imports are in the form of manufacturing beef, the comparison of imports with production of like U.S. produced product would be close to one-third of domestic output.

Senator KERR. Wait just a minute.

Mr. McMILLAN. Yes, sir.

Senator KERR. Run that through again.

Mr. McMILLAN. The total beef and veal imports coming into the United States in 1961 compared to U.S. domestic production amounted to about 8.1 percent of domestic U.S. production.

Senator KERR. That is in total weight?

Mr. McMILLAN. That is in total beef and veal, yes, sir.

Largely the quality of product coming into the United States, which we term manufacturing beef or lean boneless beef that is used in hamburger and other sausage items, compared to the like quality of product produced in the United States, which principally would be canner and cutter cows or this type of product, the pounds of imports would approximate about one-third of domestic U.S. production.

Senator KERR. Of that kind of beef?

Mr. McMILLAN. Of lean boneless quality, yes, sir.

Senator KERR. Your statement is that the imports account for about 8.1 percent of the total consumption?

Mr. McMILLAN. Yes, sir.

Senator KERR. All right.

Mr. McMILLAN. For the first 5 months of 1962, imports of beef and veal are running 56 percent ahead of the same period in 1961. Live cattle imports are 38 percent greater during the January to May period of 1962 compared with the same period of 1961.

Senator KERR. I am unable to follow you in this statement.

Mr. McMILLAN. I am summarizing here, Senator Kerr, and this point that I was making, the latter point, you will find in the statement that you have before you.

Senator KERR. All right.

Mr. McMILLAN. Would that be of assistance to you, sir?

Senator KERR. Yes. Now, the 38 percent increase is in live cattle?

Mr. McMILLAN. Yes, sir.

Senator KERR. Not in total beef importations?

Mr. McMILLAN. This is comparing live cattle and calf imports.

Senator KERR. Live cattle and calf imports to that of 1961?

Mr. McMILLAN. Yes, sir.

Senator KERR. And it is 36 percent increase in that item?

Mr. McMILLAN. Yes, sir.

Senator KERR. But not in the total imports?

Mr. McMILLAN. No, sir. That is in the comparison of live cattle and calves, and yet the comparison of beef and veal, 1962, January to May period is 56 percent over 1961.

Senator KERR. Over the 8.1 percent?

Mr. McMILLAN. No, sir, the 8.1 percent was the total figure for the 1 year and the only figures that we have available thus far in 1962 are the first 5 months of the year.

Senator KERR. I know, but what I would like to have is your estimate, if you have made an estimate of what the importation will be in 1962 in relation to total demand as the 8.1 percent figure was presented for 1961.

Mr. McMILLAN. If they keep coming in at the rate they have during the first 5 months of this year, we can probably expect the figure to be nearly 15 percent, figuring in my head by means of my rudimentary arithmetic. We would probably find that the amount of imports of beef and veal in 1962 compared to 1961, this is projecting ahead, of course, would probably be close to 14 or 15 percent of domestic U.S. production.

Senator KERR. Well, now my rudimentary arithmetic does not let me reach that same conclusion, and I am just as interested in this as you are. But your estimate was a 50 percent increase?

Mr. McMILLAN. A 38 percent increase in live cattle and calves, and 56 percent in dressed products.

Senator KERR. I say 38 to 50, and if the percentage were 8.1 in 1961 and you had a 50 percent increase and total consumption the same that would take you up to about 12 percent.

Mr. McMILLAN. I apologize, Senator Kerr, your rudimentary arithmetic is much more accurate than mine. Yes, sir, you would be more right, it would be closer to the 12 percent. I apologize.

Senator KERR. All right.

Mr. McMILLAN. Yes, sir.

Senator KERR. That is horrible enough.

Mr. McMILLAN. Yes, sir, I would certainly agree with that.

Senator KERR. Yes.

Mr. McMILLAN. On the question of threat of imports to our industry, we have attempted to show that imports continue to come in in considerable amount into the United States even when U.S. prices have slackened for whatever reason, thus further depressing our domestic markets.

If the cattle producer, particularly the smaller operator, is caught in a price squeeze that may be further aggravated by imports, he might well be put out of business.

The next section of our statement has to do with the comparative costs of production in the United States and foreign countries and I believe the Senators will find it most interesting to analyze the comparative costs to see that the costs of production are considerably under those of the United States.

In the next phase of our statement we show the reduction that has taken place in the import duty on beef and veal from 6 cents in 1936 to 3 cents today.

Senator KERR. Before you go to that. You have shown a tabulation of where these imports come from?

Mr. McMILLAN. Yes, sir.

Senator KERR. And you show Asia as being the largest?

Mr. McMILLAN. No, this——

I believe that you are referring to page 6 of the statement, is this right, Senator?

Senator KERR. Yes, sir.

Mr. McMILLAN. This shows the production figures for the world. These would not be import figures. This shows the production of cattle and calves in Asia, Africa, North America, and South America, etc.

Senator KERR. Do you have a tabulation where these imports come from?

Mr. McMILLAN. We have shown on page 5 the imports from Australia which is the largest supplier of beef into the United States. These amount to approximately one-third of the total imports coming into the United States.

I would be very happy to show for the record the breakdown.

Senator KERR. I would like you to put in the record where they come from.

Mr. McMILLAN. Yes, sir, may I send that to you, sir?

Senator KERR. Yes, sir.

Mr. McMILLAN. We will take care of that. These figures are available.

(The figures referred to follow:)

AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION,
Denver, Colo., August 13, 1962.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D.C.

DEAR SENATOR BYRD: You may recall during my testimony before the Senate Finance Committee on August 9 on the subject of H.R. 11970, Senator Kerr asked a question relative to the breakdown of imports of beef and veal from various countries of the world. At that time I told the Senator that I would be happy to supply these figures for the record.

Attached is a breakdown of imports during the years 1960 and 1961 showing countries of origin of beef and veal products coming into the United States. These figures are taken from the USDA publication, "Livestock and Meat Situation" dated May 1962.

Cordially,

C. W. McMILLAN.

Imports of beef and veal[1] into the United States, by product weight, by country of origin, 1960 and 1961

[In millions of pounds]

	1960	1961		1960	1961
Canada	18.9	32.3	Poland	(²)	.1
Mexico	39.1	53.4	Australia	144.7	233.9
Nicaragua	10.0	14.6	New Zealand	130.7	154.4
Brazil	9.0	16.3	All other	39.3	83.4
Uruguay	10.8	14.5	Total imports:		
Argentina	52.7	65.2	Product weight	512.6	689.1
Denmark	4.5	6.5	Carcass weight equivalent	775	1,037
Ireland	52.8	64.4			
Netherlands	.1	.1			

[1] Includes quantities of other canned, prepared or preserved meat not elsewhere specified. Assumed to be mostly beef.
[2] Less than 50,000 pounds.

Source: USDA publication, "Livestock and Meat Situation," dated May 1962.

The CHAIRMAN. At that point I see you say in the first 5 months of 1961 we imported 214,626,000 pounds.

Have you got it for the full year?

Senator KERR. Yes.

Mr. McMILLAN. Yes, sir, Senator Byrd, the breakdown from the years 1957 through 1961.

The CHAIRMAN. All right, this will be put in the record.

Mr. McMILLAN. I will supply for the record, the figure that Senator Kerr asked for.

The next phase of our statement shows the reduction which has taken place in the import duty on beef and veal.

From 6 cents in 1947 to 3 cents today by means of current foreign trade laws. Tariffs have been reduced on other classes of our products, too, but we should like to make the point if you consider that the general price level in the United States has more than doubled since 1930 the tariff cut from 6 cents to 3 cents on beef and veal is equivalent to a cut of less than 1½ cents in terms of 1930 prices.

Cow prices are now about $14 per hundredweight compared with $7 in 1930 reflecting the general inflation, and the present tariff rate has become insignificant as a deterrent to imports of beef.

On the portion dealing with adjustment assistance as applied to the cattle industry, undoubtedly we are included under the definition of firm on page 81, paragraph (3).

The conditions that would have to be obtained in our industry before the Tariff Commission through investigation would find imports causing or threatening to cause serious injury, we are afraid would mean loss of ranchers' capital and nonuse of productive ranges. We make this statement because it has appeared to us that the so-called escape clause in our present law would be operative only after the fact of the damage instead of a preventive to ruin.

If this is the case we would lose an important natural resource, grass, which cannot be utilized for the Nation's economic good through any other means than the Nation's grazing livestock.

It would also mean a loss to the consuming public of a source of highly desirable food if for some reason, such as war, supplies from other sources were cut off. Unlike other industries, cattle production cannot be turned on and off such as a machine.

The matter of "adjustment assistance" also brings up the question of whether or not a tariff is subsidy in the sense that the word is popularly used. Many people reason that actually it would make no difference whether the "subsidy" is tariff or through the more direct route of "assistance" by our Government.

We cannot agree with this view. Tariffs have been employed by nations for centuries to protect themselves from outside encroachments which are beyond their control—much in the same way, perhaps, as nations have used their armies to protect against invading physical forces.

Economic forces within the Nation, we believe, should have free play to arrive competitively at the balances set by supply and demand, and these balances should not be allowed to be overturned by outside forces to the detriment of our industries.

We believe that tariffs and other protective devices are essential to the progress of our economy in cases where an industry, because of products or services peculiar to our Nation's needs, cannot be expected to meet foreign competition.

Meat shipped in from foreign countries where the cost of production is lower than ours can undersell our domestically produced product, and the consumer thus may get a cut of meat for less money. But it must also be remembered that the consumers' income as well as the producers' costs have risen because of our higher standard of living and have adjusted to the higher domestic prices.

Inherent in this point is the fact that our own productive industries are the basic support of our economy. From our productive industries comes our wealth. Without them our economy could not have grown to its present enviable position. It cannot continue to grow if competing imports displace our productive industries, no matter what form of adjust assistance might be applied.

Herein, we believe, lies the real reason for the need for protection through tariffs and quotas where needed, so that our economy may continue to grow, rather than resort to governmental assistance to an industry that has been pushed aside by competing imports to linger under a subsidy until it finally must succumb to inertia.

It seems exceedingly strange that at the time when our own administration is seeking to lower tariff protection for our own agriculture and industries, the countries of the European Common Market are doing just the opposite—setting up protective devices so that Common Market industries as well as farmers will get the first chance to serve the markets within the six member countries, which we understand, have fairly equal economic standards.

We believe it must be admitted that the European Common Market countries have progressed economically under this tried and sound policy of protection for the member countries. To us, their action is in recognition of the fact that a country's productive industries are the mainstay of a healthy economy and should be protected.

If we are to be subjected to imports that will damage our industry and in turn to be given assistance from the Government to try to make up for this damage, then indeed we would be subsidized, and we believe such subsidy would eventually be our undoing, for we would soon have lost our market for our product and for all practical purposes be dependent upon the Government for our very existence. We cannot agree that our Government should have this power over the individual or business.

In conclusion, we wish to state that we have no quarrel with reasonable competition from foreign countries, but some protection must be afforded.

We believe that a realistic import duty would be at least double the present rate. Economists estimate that, in a year of heavy imports such as in 1961, the dollar cost of imports to producers and feeders amounts to approximately $2 per hundredweight. Doubling the tariff rate would help to compensate for this loss. We believe quotas also should be established to protect the industry from possible further injury through extremely heavy imports.

We thank the committee for the privilege of expressing our views on this vital matter of foreign trade and trust that you will give favorable consideration to our arguments.

(The prepared statement of Mr. McMillan follows:)

STATEMENT OF C. W. MCMILLAN, EXECUTIVE VICE PRESIDENT, AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION

The American National Cattlemen's Association is composed of an affiliation of 34 State cattle associations, more than 100 breed, regional, and local cattle associations, and thousands of individual cattlemen throughout the Nation.

We have divided our statement concerning the proposed foreign trade bill, H.R. 11970, into the following parts:

1. Authority to set tariff rates.
2. Importance of beef cattle in our agricultural land resources.
3. Imports and exports of our product.
4. Imports likely to continue to increase.
5. The threat of imports to our industry.
6. Comparative costs of production.
7. Tariff rates on our product.
8. Adjustment assistance as applicable to the cattle industry.
9. Realistic import policy for beef.

SUMMARY

In summary, the several parts of our statement are designed to show that the authority for setting tariff rates should reside in Congress and not in the executive branch of our Government; that the beef cattle industry is the most important

of all domestic agricultural industries; that imports of products competing with beef are heavy and likely to increase; that such imports at critical times seriously threaten the stability of our industry; that the imported competitive product is produced at costs far less than the production costs borne by the domestic producer; that the tariff rates under reciprocal trade agreements already have been cut to a dangerously low level; that a subsidy for damage to the cattle industry because of heavy imports should not replace the traditionally acceptable protection of tariffs; that import duties at least should be doubled and/or quotas established.

1. AUTHORITY TO SET TARIFF RATES

Concerning section 201, authority for all trade agreements:

The general authority on trade agreements was originally granted as a short-term authority of several years duration and this authority has been regranted upon each expiration. Our association has opposed these grants of legislative authority to the executive branch.

Before the advent of these several temporary grants of authority to the executive branch, it was Congress' responsibility to set tariff rates. There was good reason for this, since the Members of Congress are in direct touch with the people and could know more intimately the needs of the people and the various industries thus act accordingly.

We do not believe that Congress should continue to place the responsibilities of protecting industries and workers of this country from damaging foreign competition in the hands of the executive branch. We believe that duty belongs to Congress. Congress, we believe, should take back the tariffmaking power as its prerogative and duty and strike from H.R. 11970 additional authorities being sought by the executive branch.

2. IMPORTANCE OF BEEF CATTLE IN OUR AGRICULTURAL LAND RESOURCES

The book, "Beef—Production and Distribution," by Dr. Herrell DeGraff, Babcock professor of food economics, Cornell University, says that "in 1958 cattle and calves returned more cash receipts to producers than either the combined sales of all six 'basic' crops (wheat, corn, cotton, tobacco, rice, and peanuts), or the combined sales of hogs, sheep, wool, and all poultry and eggs. For the average of 1955 through 1958, cattle and calves brought in 20 percent of the cash income from all crops and livestock and 35 percent of all livestock sales." This relationship has continued through 1959, 1960, and 1961, thus spotlighting the great importance of the beef cattle business to the agricultural economy of our Nation.

The cattle industry in many areas of the country is the chief, if not the only income source of smaller towns and communities, bolstering the economy and employment in these communities. Furthermore, the harvesting of the Nation's rangeland pasture forage must depend upon a healthy livestock industry. There is no other economic use for this great resource. To endanger through too-heavy imports of beef, the efficient production of livestock would thus represent a waste of this resource, with consequent repercussion upon thousands of communities.

Many industries have attempted to offset losses in the domestic markets caused by imports by stepping up their efficiency of production to meet the foreign competition. In the case of the livestock growers and feeders, efficiencies have also taken place, but the livestock industry is peculiarily limited in the extent of such efficiency. The industry has been able to grow more pounds at a faster rate of gain, but, of course, the cyclical development of numbers and production per animal must follow the biological law of nature.

3. IMPORTS AND EXPORTS OF OUR PRODUCT

The following table shows the imports of cattle and calves and beef and veal for the past 5 years. It should be noted that with the exception of 1951 when they reached 5.6 percent of domestic production, imports had not exceeded 5 percent of domestic production until 1958 when they reached 8.6 percent. Since then as the table shows, the percentages have been 8.6 percent in 1959; 5.9 percent in 1960 and 8.1 percent in 1961.

Most of these imports were of beef from cows, bulls, and stags, and since these animals account for only 20 to 25 percent of domestic slaughter, the imports are about one-third of domestic production from this quality of animals.

Compounding this situation are the imports of mutton, which, on a carcass weight basis, totaled about 81 million pounds in 1961—and practically all of this imported mutton was ground up with the manufacturing beef and became an added direct competitor in the domestic production of this quality of beef.

U.S. imports of cattle and calves and beef and veal compared to domestic production

[Carcass weight equivalent]

Year	Imports				U.S. beef and veal products (million pounds) [3]	Imports, percent U.S. production
	Live cattle and calf imports (1,000 head)	Beef equivalent (million pounds) [1]	Beef and veal imports (million pounds) [2]	Total		
1957	703	221	395	616	15,728	3.9
1958	1,126	340	909	1,249	14,516	8.6
1959	688	191	1,063	1,254	14,588	8.6
1960	645	163	775	938	15,833	5.9
1961	1,026	283	1,038	1,321	16,321	8.1

[1] Imported live cattle and calves converted to beef equivalent.
[2] Beef and veal—canned, processed, boned, etc., converted to a carcass weight equivalent.
[3] Total U.S. production—commercial and farm slaughter.

While all the information given in the above table is not yet available for 1962, Department of Agriculture figures comparing imports of beef and veal and cattle for January-May of 1961 and 1962 show a continuing upward trend in such imports.

In the 5-month period in 1961, we imported 214,626,000 pounds of beef and veal; in the period in 1962, we imported 334,699,000 pounds, or an increase of 56 percent. Live animal imports for the 1961 period were 357,833 head; for the 1962 period, they were 492,323 head or an increase of 38 percent.

One of our biggest suppliers of foreign beef is Australia. The following figures show how imports from that country have grown in the past 6 years.

Imports of beef from Australia

[In long tons]

Year	Long tons
1956	1,243
1957	2,008
1958	6,134
1959	57,311
1960	66,974
1961	114,469

It also should be noted that although the United States is a leading cattle producing country, it stands second only to the United Kingdom among all the countries of the world in meat imports.

It would be logical at this point to inquire as to exports of our prdouct. Here are USDA figures showing exports compared with imports and the net imports:

[In millions of pounds]

Year	Beef and veal imports [1]	Beef and veal exports [1]	Net beef and veal imports
1957	395	100	295
1958	909	32	877
1959	1,063	34	1,029
1960	775	36	739
1961	1,038	36	1,002

[1] Canned and other processed meats have been converted to their carcass weight equivalent.

January-to-May exports of beef and veal in 1961 were 13,302,000 pounds; in the similar period in 1962 such exports amounted to 10,565,000, or a decrease in 1962 of 21 percent. Net beef and veal imports in the 5-month period of 1962 were 448,610,000 pounds.

4. IMPORTS ARE LIKELY TO CONTINUE TO INCREASE

Due to higher domestic costs of production and higher standards of living in the United States, it may be safely assumed that the U.S. market for beef will continue to have higher price levels than foreign countries, thus continuing to attract expanded quantities of beef from foreign countries.

The fact that heavy foreign imports of beef will most certainly continue is illustrated in the following USDA publication, Foreign Crops and Markets, June 29, 1961, issue:

Production of beef and veal in 41 countries

[In millions of pounds]

Average, 1951–55	41,515
Year 1959	47,939
Year 1960	49,260
Percent growth, 1960 from 1951–55	+19

Another set of figures from USDA's Foreign Agriculture Circular of June 19, 1959, and May 1962 shows the world total of cattle numbers (also on a gradual increase) as follows:

[1,000 head]

Continent or area	Average, 1936–40	Average, 1951–55	Year, 1959	Year, 1960	Year, 1961 [1]	Year 1962 [1]
North America	96,700	129,810	138,080	142,420	143,500	148,130
South America	105,500	140,580	157,410	162,130	166,270	168,810
Europe	102,500	102,905	108,270	112,030	115,830	118,610
U.S.S.R	59,800	57,005	70,840	74,200	75,800	82,100
Africa	64,600	103,320	112,430	117,790	118,240	118,570
Asia	308,200	355,470	373,650	375,690	371,760	374,790
Oceania	18,100	21,070	22,495	22,760	23,610	24,270
Total	755,400	910,155	983,205	1,007,020	1,015,000	1,035,300

[1] Estimated.

5. THREAT OF IMPORTS TO OUR INDUSTRY

Continued substantial imports of beef represent a threat to the cattle industry, and particularly to the smaller marginal operator. The following Department of Agriculture figures comparing beef imports as related to domestic prices in 1952 and 1953 concern the last major period of downslide in cattle prices. It will be noted that although there was a sharp falling off of imports eventually, the imports remained substantial through a year of drastically lowered prices and imports of canned beef continued to be heavy.

	Utility cow beef prices per hundredweight at New York		Imports of beef and veal (includes canned beef)		Imports of canned beef	
	1952	1953	1952	1953	1952	1953
			Pounds	*Pounds*	*Pounds*	*Pounds*
January	$42.50	$28.32	22,780,000	15,374,000	9,078,000	12,172,000
February	41.45	26.94	22,245,000	7,567,000	9,289,000	6,119,000
March	42.55	28.25	18,333,000	13,463,000	6,095,000	12,165,000
April	41.44	26.66	17,359,000	11,000,000	8,242,000	9,606,000
May	42.30	27.00	17,538,000	11,130,000	9,224,000	8,476,000
June	41.38	25.95	14,549,000	10,872,000	9,763,000	7,861,000
July	37.56	25.31	20,053,000	20,249,000	14,888,000	14,118,000
August	36.22	23.50	31,422,000	18,011,000	13,416,000	8,846,008
September	34.00	24.03	38,204,000	12,039,000	13,310,000	8,908,000
October	31.92	21.18	24,138,000	9,537,000	11,840,000	5,936,000
November	29.85	22.50	12,386,000	8,075,000	4,360,000	2,757,000
December	25.83	22.50	13,762,000	7,718,000	9,527,000	3,135,000

The time gap between a fall in price and a drop in imports is easy to understand. In the first place, when costs in other countries are much lower than domestic costs, producers in those countries are justified in continuing exports to the United States even during a period of dropping prices. They are still making a profit in this situation and wish to maintain their American markets while they wait for the price to turn up once more. Secondly, there is a timelag because of the simple mechanics of importing operations, which require contracts to be made for the importation of large quantities of meat or cattle many months before they actually arrive in the United States. Finally, the building up of cattle population in other countries is a long-term process which is encouraged by the prospect of a good market in the United States for the foreign beef. When the domestic price drops, prices elsewhere in the world may also be dropping, and the foreign producers are forced to continue their high rate of slaughter and supply to the United States even though their profit margin has been cut.

During the timelag which has been described above, the effect of substantial imports is to accelerate the downturn of domestic prices all out of proportion to the actual percentage of domestic production which is being imported.

It has been estimated by reliable economists that competing beef imports in heavy importing years lower the price to the domestic producer by $2 a hundredweight on live cattle. At times when increased cattle numbers (a phase which we are still in) have a tendency to drive down domestic price levels, the psychological effect of imports overhanging the domestic market is magnified because the livestock producers become more fearful of a strong downward movement in prices. The effect of even a comparatively small unloading of beef at a port of entry is immediately to depress the local market out of all proportion to the percentage of foreign marketings for the country as a whole. And that depression is reflected on other markets which do not actually have a great number of foreign animals or meat for sale.

It is a situation such as this that is hazardous, particularly to the smaller cattle grower. If he is caught in a price squeeze that may be further aggravated by imports, he might well be put out of business.

We should like to reemphasize that we are not opposed to reasonable imports of beef or other competing products. We believer, however, that there should be effective protection against heavy, deliberate imports that unduly depress our markets, and protection against imports also at times when our markets might be depressed for any other reason, such as that brought on by forced liquidation due to drought or other uncontrollable factors.

6. COMPARATIVE COSTS OF PRODUCTION

While many figures could be cited to show that costs of production of cattle in the United States are higher than in foreign countries generally, we believe the committee will take judicial notice, so to speak, of the fact that the domestic producer must pay more for raising an animal than do producers in other countries.

An instance may be cited. The Department of Agriculture of the State of Washington recently completed a study of Canadian costs. One would expect Canadian costs to be more nearly comparable to our own than those of any other country. But this study showed western Canadian feeding costs to be substantially lower than those prevailing in the Northwestern United States, and substantially lower prices for choice slaughter steers existed at Calgary and Edmonton than those in Spokane and Portland.

The U.S. Tariff Commission has compiled, from official statistics of the Department of Commerce, U.S. imports by principal sources since 1952, stated both in terms of pounds and foreign dollar value. It is immediately apparent from these compilations that the foreign dollar value per pound of both cattle and beef is substantially higher in Canada for all recent years than in any of the other major exporting countries. This appears to demonstrate that the prices of these products in Canada are substantially higher than those prevailing for the same products in such countries as New Zealand, Australia, Mexico, and Argentina. (Australia is dominant in the export of beef and veal to the United States; live cattle primarily come frou Canada and Mexico; canned and cooked beef principally comes from Argentina.)

7. TARIFF RATES ON OUR PRODUCT

In 1947 the import duty on beef and veal was reduced from 6 cents (in effect since 1930) to 3 cents. The United States also reduced the tariff on cattle under 200 pounds from 2½ cents to 1½ cents a pound on the first 200,000 head annually. The rate on cattle between 200 and 700 pounds is 2½ cents; on those weighing over 700 pounds it was reduced from 3 cents to 1½ cents a pound for not over 400,000 head entering in a 12-month period with not more than 120,000 entering in any quarter; on cattle entering in excess of this, 2½ cents a pound. Preserved meats and those not otherwise specified were reduced from 20 percent to 10 percent ad valorem.

Since the general price level in the United States has more than doubled since 1930, the tariff cut from 6 cents to 3 cents on beef and veal is equivalent to a cut to less than 1½ cents in terms of 1930 prices. Cow prices are now at about $14 per hundredweight compared with $7 in 1930, reflecting the general inflation, and the present tariff rate has become insignificant as a deterrent to imports of beef. The same is true of the reduced tariffs on live cattle.

8. "ADJUSTMENT ASSISTANCE" AS APPLIED TO THE CATTLE INDUSTRY

Concerning the definitions set out in the bill: On page 81, paragraph (3), we are undoubtedly included under the definition of "firm." The conditions that would have to be obtained in our industry before the Tariff Commission through investigation would find that imports are causing or threatening to cause serious injury, we are afraid, would mean loss of ranchers' capital and nonuse of productive ranges. We make this statement because it has appeared to us that the so-called escape clause in our present law would be operative only after the fact of the damage instead of a preventive to ruin. If that is the case, we would lose an important natural resources—grass—which cannot be utilized for the Nation's economic good through any means other than grazing of livestock.

It would also mean a loss to the consuming public of a source of highly desirable food if for some reason, such as war, supplies from other sources were cut off. Unlike other industries, cattle production cannot be turned on and off such as a machine. It takes a minimum of 2 years to produce a beef animal suitable for slaughter and consumption.

The matter of adjustment assistance also brings up the question of whether or not a tariff is a subsidy in the sense that the word is popularly used. Many people reason that actually it would make no difference whether the subsidy is by tariff or through the more direct route of assistance by our Government.

We cannot agree with this view. Tariffs have been employed by nations for centuries to protect themselves from outside encroachments which are beyond their control—much in the same way, perhaps as nations have used armies to protect against invading physical forces.

Economic forces within the Nation, we believe, should have free play to arrive competitively at the balances set by supply and demand, and these balances should not be allowed to be overturned by outside forces to the detriment of our industries.

We believe that tariffs and other protective devices are essential to the progress of our economy in cases where an industry because of products or services peculiar to our Nation's needs cannot be expected to meet foreign competition.

Meat shipped in from foreign countries where the cost of production is lower than ours can undersell our domestically produced product, and the consumer thus may get a cut of meat for less money. But it must also be remembered that the consumers' income as well as the producers' costs have risen because of our higher standard of living and have adjusted to the higher domestic prices.

Inherent in this point is the fact that our own productive industries are the basic support of our economy. From our productive industries comes our wealth. Without them our economy could not have grown to its present enviable position. It cannot continue to grow if competing imports displace our productive industries, no matter what form of adjustment assistance might be applied.

Herein, we believe, lies the real reason for the need for protection through tariffs and quotas where needed so that our economy may continue to grow, rather than resort to governmental assistance to an industry that has been pushed aside by competing imports to linger under a subsidy until it finally must succumb to inertia.

It seems exceedingly strange that at the time when our own administration is seeking to lower tariff protection for our own agriculture and industries, the countries of the European Common Market are doing just the opposite—setting up protective devices so that Common Market industries as well as farmers will get the first chance to serve the markets within the six member countries, which we understand, have fairly equal economic standards.

We believe it must be admitted that the European Common Market countries have progressed economically under this tried and sound policy of protection for the member countries. To us, their action is in recognition of the fact that a country's productive industries are the mainstay of a healthy economy and should be protected.

If we are to be subjected to imports that will damage our industry and in turn to be given assistance from the Government to try and make up for this damage, then indeed we would be subsidized, and we believe such subsidy would eventually be our undoing, for we would soon have lost our market for our product and for all practical purposes be dependent upon the Government for our very existence. We cannot agree that our Government should have this power over the individual or business.

9. REALISTIC IMPORT POLICY FOR BEEF

As stated earlier in this testimony, we have no quarrel with reasonable competition from foreign countries, but some protection must be afforded. We believe that a realistic import duty would be at least double the present rate. Economists estimate that, in a year of heavy imports such as in 1961, the dollar cost of imports to producers and feeders amounts to approximately $2 per hundredweight. Doubling the tariff rate would help to compensate for this loss. We believe quotas also should be established to protect the industry from possible further injury through extremely heavy imports.

We thank the committee for the privilege of expressing our views on this vital matter of foreign trade and trust that you will give favorable consideration to our arguments.

The CHAIRMAN. Thank you very much, sir.

Senator CURTIS. Mr. Chairman.

The CHAIRMAN. Senator Curtis.

Senator CURTIS. I would like to say, Mr. McMillan, you have given a fine statement here.

Now, in reference to these excessive imports, live animals and meat, that has a far-reaching effect on our entire economy of the country, has it not?

Mr. McMILLAN. Yes, sir.

Senator CURTIS. Farmers and ranchers and feeders generally are heavy purchasers of the goods of America's factories, are they not?

Mr. McMILLAN. Yes, sir.

Senator CURTIS. Isn't it true that the more acres devoted to pasture the more acres devoted to such crops as alfalfa, to support the healthy livestock industry, lessen materially the Nation's headaches in the grain programs?

Mr. McMILLAN. I would say this is generally true; yes, sir.

Senator CURTIS. In addition to all of that it is a very great opportunity for increased direct consumption of corn and other feed grains by producing more of our meat, isn't that right?

Mr. McMILLAN. Yes, sir; particularly in recent years, since World War II, the growth of cattle feeding, as an illustration, has been tremendous, and more and more of the domestically produced feed grains are being consumed through livestock while we have been increasing our cattle population also.

Senator CURTIS. While wheat is still used predominantly for direct consumption, all other grains are largely consumed, not entirely, but largely consumed by converting it to meat, isn't that right?

Mr. McMILLAN. Yes, sir.

Senator CURTIS. I thank you for your help.

The CHAIRMAN. Thank you.

Mr. McMILLAN. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. McMillan.

The next witness is Mr. Clayton F. Van Pelt of the Tanners' Council of America.

Mr. Van Pelt, take a seat, sir, and proceed.

STATEMENT OF CLAYTON F. VAN PELT, TANNERS' COUNCIL OF AMERICA, INC.

Mr. VAN PELT. My name is Clayton F. Van Pelt. I am president of the Fred Rueping Leather Co., a Wisconsin tannery located at Fond du Lac.

I am testifying here on behalf of the Tanners' Council of America, which is the council that includes all tanneries within its confines.

To my right is Irving Glass, who is executive vice president of the Tanners' Council.

My remarks will stress a few facts from the detailed statement which I askd the chairman's permission to submit.

Senator Byrd and members of the committee, we do not believe that the bill before you meets the crucial foreign trade problems of our time. We believe that the measure requires great and constructive amendment. Of course, we do not deprecate the objectives of trade expansion and increased international exchange. In our opinion those objectives require careful and considered legislation in order to safeguard the very existence of American industry and the American worker.

May I give you a case history, a case which we fervently hope will not be the pattern of the future for all U.S. industry.

In 1954 the dollar value of imports in leather and leather goods was $45,123,000. Last year, 1961, the total came to $149,633,000. Since the basic price level in this product area was constant, the physical volume of imports tripled. Our exports in the same periods went from $44,597,000 to $66,617.

The growth in imports did not level off last year. On the contrary, the first 6 months of this year show a further extraordinary rise of 53.7 percent. Our modest exports were down this year by more than 20 percent.

In 1954, U.S. imports of shoes totaled 5,597,000 pairs. Last year, the shoe imports were tallied at 36,784,000 pairs, and the first 6 months of 1962, if it continues for the rest of the year, will show an increase of 105.5 percent over 1961.

Shoes are now moving into the United States at a rate of 68 million pairs annually, or about 10 percent of our domestic production in America.

I mention shoes, Mr. Chairman, because we all know the leather is very closely connected with shoes, because of the shoes that we wear, and it is of leather that we make our shoes from.

Now, in the joint industry of tannery and shoe manufacturers we employ about 290,000 workers, and with this rate of imports on shoes

today, of 10 percent of our volume, this destroys about 25,000 workers' jobs.

In other words, what I am saying, Mr. Chairman, if we have these 68 million shoes produced in this country we would be giving more employment in a figure of 25,000 more jobs to the American workmen, and that, I think, is the purpose of all of us here in this country, to provide jobs for our own citizenry.

Is it surprising that between 1954, when the import tide started, and 1961, our rate of growth has been only 1.7 percent annually?

Some of my colleagues tan leather for the gloves of our national sport. Several years ago all the baseball gloves on every U.S. diamond, from Little League to big league, were made in this country. Last year more than 2,800,000 baseball gloves and mitts were shipped to the United States, more than half our total consumption.

When will this fantastic explosion of imports end, and what projection can we reasonably make which does not hold the threat of disaster?

The causes are all too familiar: Expanded capacity or rehabilitated industry abroad, rehabilitated by the taxpayers' money of the United States, far lower wage costs in foreign lands, gross lack of reciprocity by other countries and the progressive reduction in U.S. duties to one of the lowest tariff levels we have ever known.

When I speak of reciprocity, about all we find about that word in our industry is what Webster defines it. I mean by that we can go to the dictionary and find out what reciprocity means.

The leather industry in the United States—and this is on page 7—and with the economic interests of the country, has consistently suffered from the lack of reciprocity in foreign trade during the last decade.

Many other countries committed by treaty to the principle of reciprocity have not followed that practice that America has followed. The distinction is clear cut.

U.S. markets in leather and leather manufactures and hides and skins are completely open. There are no restrictions or barriers to our markets, such as embargoes, barter agreements, subsidies, or special excise taxes.

Let us take, for example, West Germany which enjoys a highly favorable balance of trade with the United States, that has persistently postponed matching the freedom of the U.S. market.

West Germany maintains deliberately a restrictive system to block imports of U.S. cattle hide leathers which accounts for 75 percent of our production.

In other words, today, the American tanner cannot ship any leather into Germany.

For that reason, as well as for our own, we urge care and caution in framing foreign trade policies, and especially under this new bill.

We believe that the crucial issue of our time is to create order on the trade bridge between the economy of the United States and of other countries.

The rise of the Common Market in Europe does not call for action in abandoning our trade safeguards. It calls rather for implementing and strengthening those safeguards so that our exports can be stimulated without destroying our domestic markets.

I do not profess to be familiar with the complexities of the measure before you and I am not sure that I understand their purpose. With our tariff structure already remarkably low, I do not grasp the reason for the strenuous emphasis on wholesale tariff reduction. How can that meet the problem facing the leather and leather products industries which I have described?

We venture to offer several recommendations to your committee. These are not couched in legislative language and do not deal with abstractions. They express what we believe are urgent and practical necessities in any foreign trade legislation.

First. True reciprocity for U.S. products must be a condition of any negotiations and a continuing prerequisite to the grant of U.S. market and tariff privileges.

Second. A requirement that the concept of orderly marketing be a major criterion in the adjustment of duties or in peril point and escape clause procedures.

Third. Present safeguards against injury from imports, and the threat of injury, must be maintained and strengthened through:

(*a*) Public hearing and determination of facts by the Tariff Commission.

(*b*) Congressional control and review of delegated power, including positive procedure for affirming Tariff Commission findings.

Fourth. Maintenance of a reasonable limitation on delegated power to reduce U.S. tariffs in order to avoid drastic injury to U.S. industry without subsequent recourse.

Fifth. Safeguards in U.S. negotiations or treaties with foreign countries to bar their discrimination against other countries which might otherwise direct the export of such other countries entirely to the United States.

Sixth. Retention by Congress of the power of review and control over foreign trade negotiations and treaties.

Mr. Chairman and members of the committee, I appreciate the honor to be before you this morning. Thank you.

(The prepared statement of Mr. Van Pelt follows:)

STATEMENT PRESENTED BEFORE SENATE FINANCE COMMITTEE ON H.R. 11970 BY CLAYTON F. VAN PELT, PRESIDENT, FRED RUEPING LEATHER CO., FOND DU LAC, WIS., FOR THE TANNERS' COUNCIL OF AMERICA, INC.

The following statement is submitted by Clayton F. Van Pelt, president of the Fred Reuping Leather Co., Fond du Lac, Wis., and chairman of the Foreign Trade Committee of the Tanners' Council of America on behalf of the U.S. leather industry. As the national trade organization of the leather industry, the Tanners' Council represents virtually all U.S. manufacturing facilities for the production and finishing of all types of leather.

It is our purpose in this statement to bring before the Senate of the U.S. Congress those facts and questions which we believe have a direct and practical bearing on national trade policy. We are not engaged here in any highly theoretical debate on foreign trade policy. It is our opinion that speculative and abstract economic contentions should be secondary to concrete and demonstrable facts. Moreover, the Tanners' Council does not presume to suggest legislative language.

The tanning industry of the United States asks Congress to weigh the facts and their clear implications, because the economic future of ours and other industries is at stake. We point to the extraordinary trend in foreign trade in our products during the past 8 years, and ask whether it is possible to overlook the clear warning. We believe that the facts of foreign trade in leather and leather products illustrate a trend of the greatest general significance and danger

to the entire U.S. economy. To avoid that danger, it is essential that Congress prevent hasty changes in foreign trade policy which may have unanticipated and irreparable consequences.

1. SHARP REVERSAL IN U.S. EXPORT-IMPORT POSITION

Within the past 6 years, the export-import position of the United States in leather and leather products has shown a tremendous reversal. The speed of the change from the traditional export balance held by the United States to a huge excess of imports is startling and ominous. In view of the extraordinary rate of expansion in imports, domestic industry is justified in regarding further loss of domestic markets as exceedingly dangerous.

From 1954 to 1961, the volume of leather and leather products moving to the United States from abroad has more than tripled. Each year the gain in imports has been proportionately far greater than the growth of the U.S. market. Nor is there any sign that the rate of gain has slowed down. On the contrary, the Government's statistics, for the first 6 months of 1962, disclose an import increase of 53.7 percent. With import volume booming at that rate, the threat of injury is not conjectural; it is a reality.

It must be emphasized that production shortcomings, technical or marketing inertia by domestic industry, has not been a factor in the drastic change. On the contrary, technological leadership in leather and leather products still rests in the United States. For that reason it is vital to reiterate the familiar facts which are responsible for the amazing tide of imports in leather and leather products. These include expanded productive capacity of rehabilitated foreign industry, much lower foreign wage costs, foreign trade restrictions, and discrimination against U.S. products and the consistent reduction in U.S. tariffs on leather and leather products to the lowest level of any major leather-producing nation.

U.S. foreign trade—Leather and leather manufactures

[Value in thousands of dollars]

	Imports	Exports		Imports	Exports
1935-39 Average	16,949	22,836	1959	132,356	50,112
1954	45,123	44,587	1960	141,654	53,522
1955	57,870	46,132	1961	149,633	66,617
1956	75,577	46,217	6 months, 1961	60,950	[1] 27,721
1957	85,887	46,178	6 months, 1962	93,702	[1] 21,683
1958	91,958	48,532			

[1] 5 months' total; June 1962 data not available.

The significant, obvious point in the foregoing table is the astronomical rise in imports over a 6-year period. What does this import volume represent in terms of domestic industry operations? The growth in import volume has far outstripped growth in the domestic market. Hence there has been a severe reduction in market outlet for the domestic producers of leather, shoes, and other leather products. The latter conclusion becomes even more apparent from the specific foreign trade data for a major product—shoes.

Imports of footwear, directly competitive with U.S. production, have increased fourfold within 6 years. The production volume or the man-hours represented by the gain in shoe imports since 1955 are equal to more than a month's work for the shoe industry of the United States and proportionate output and labor hours for the tanning industry.

U.S. foreign trade—Leather shoes

[1,000 pairs]

	Imports	Exports		Imports	Exports
1935-39 average	5,609	1,963	1959	22,277	3,505
1954	5,597	4,750	1960	26,639	3,244
1955	7,739	4,642	1961	36,784	3,035
1956	9,849	4,532	6 months, 1961	16,258	1,485
1957	10,901	4,398	6 months, 1962	33,406	[1] 913
1958	23,491	4,225			

[1] 4 months' total.

Another specific product offers shocking illustration of the consequences attributable to unchecked imports. Baseball is the U.S. national sport. However, in 1961 more than 50 percent of the baseball gloves used in the United States were imported. There is reason to pause and consider the implications of the following facts: Virtually all imported baseball gloves are shipped from Japan. They are made from U.S. hides which are transported 8,000 miles, tanned into leather, then fabricated into gloves in Japan, and the products are shipped 8,000 miles back to the United States to retail for less than the U.S. cost of production.

U.S. imports of baseball gloves

	Baseball and softball gloves and mitts		Exercise, play, sports equipment NSPF, value	Total value
	Quantity	Value		
1961	2,800,595	$4,682,721	$708,762	$5,391,483
1960	2,411,806	4,364,740	544,026	4,918,766
1959	(1)	(1)	(1)	3,405,040
1958	(1)	(1)	(1)	1,203,459
1957	(1)	(1)	(1)	414,714
1956	(1)	(1)	(1)	244,629
1955	(1)	(1)	(1)	72,415

[1] Not available prior to 1960. Baseball gloves and mittens data included in total value figures at right

2. UNITED STATES BECOMES RAW MATERIAL EXPORTER

The extraordinary rise in U.S. imports of leather and leather products indicated above ha been paralleled by an equally significant development in raw material trade. For the first time in more than a hundred years, the United States has become a major exporter of raw hides and skins. Before 1952 this country was the largest rawhide and skin importing nation in the world. Rawhides and skins came to the United States to be processed and manufactured in American plants by American labor.

The committee's attention is called to the startling change of recent years which has made the United States a raw material source for other nations. The implication in that reversal is a challenge which cannot be ignored, namely: Raw material exported from the United States returns to this country in the form of manufactured goods. Again, familiar economic causes are responsible. An enormous difference in labor costs enables other countries to purchase hides and skins in the United States, tan and fabricate the raw material at home, and then export the finished products back to the United States.

Percentage of U.S. hides and skins exported

[1,000 hides or skins]

	Cattlehides			Calfskins and kips		
	Total commercial supply	Net exports	Percent	Total commercial supply	Net exports	Percent
1953	23,605	1,969	8.3	11,668	−339	....
1954	25,042	4,741	18.9	12,746	1,404	11.0
1955	25,723	5,530	21.5	12,377	2,103	17.0
1956	26,862	4,603	17.1	12,512	1,914	15.3
1957	26,232	6,351	24.2	11,904	1,930	16.2
1958	23,555	5,017	21.3	9,315	2,173	23.3
1959	22,931	3,082	13.4	7,683	340	4.4
1960	25,224	6,568	26.0	8,225	766	9.3
1961	25,610	7,351	28.7	7,684	1,127	14.7

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It is alarming to consider that the status of the United States has changed from an industrial leader to a producer of raw material for other countries to process and manufacture. Is it to be presumed that other countries are more advanced industrially than the United States which must now become an underdeveloped area and a raw material source?

We do not question the importance or desirability of agricultural export in those products in which our country is preeminent. We do challenge, however, the validity of exporting raw material which can and should be processed by U.S. industry for U.S. consumers. How long can a healthy agricultural system be maintained if the purchasing power created by industry is destroyed?

Under equitable conditions of foreign trade, the growing needs of our population for leather and leather products can be filled by domestic industry. U.S. raw material would thereby be absorbed to the advantage of the entire economy.

3. LACK OF RECIPROCITY

The leather industry of the United States, and with it the economic interests of the country, have consistently suffered from lack of reciprocity in foreign trade during the past decade. Many other countries ostensibly committed by treaty to the principle of reciprocity have not followed it in practice. The distinction is clear-cut. U.S. markets in leather, leather manufactures, and hides and skins are completely open. There are no restrictions or barriers to our markets such as embargoes, barter agreements, subsidies, or special excise taxes on imports to circumvent nominal tariffs.

In far too many cases abroad the obligation of reciprocity is merely given lip service. Exports of leather and leather products from the United States are handicapped by arbitrary restrictions and discrimination. Such discrimination was formerly justified on the ground of the so-called dollar shortage. The latter excuse has long since vanished. Nevertheless, a variety of restrictions or discriminations are still effectively used by other countries to bar U.S. competition, to give artificial and one-sided protection to their domestic industry, and to nullify the real intent of existing tariff or trade agreements.

For example, West Germany, which enjoys a highly favorable balance of trade with the United States, has persistently postponed matching the freedom of the U.S. market. West Germany maintains a deliberately restrictive system to block imports of U.S. cattlehide leathers, which account for more than 75 percent of U.S. production. There is no excuse whatsoever for the West German restrictions. Variations of the same device are employed by Italy, France, Japan, and many smaller countries.

Lack of reciprocity is also evident in raw material export control schemes or quotas. Both France and Germany, for example, limit the export of raw hides and skins. Such restriction gives clear-cut advantage to domestic industry in these countries. Other countries maintain export quotas and even export taxes on raw hides and skins. In effect, a restriction on raw material exports provides an indirect subsidy to the foreign manufacturer and it enhances the ability of foreign producers to ship finished goods to the United States.

Without genuine reciprocity in practice, any tariff or trade agreements are meaningless. Whatever legislation Congress adopts should require that other countries assume the obligation of reciprocity and require, furthermore, that trade privileges and concessions granted by the United States be withdrawn from nations which violate reciprocity.

4. THE CRUCIAL ISSUE

The tanning industry believes that the case cited here is not a plea for consideration by a single industry. It is a case history which dramatizes the threat to the future of all American industry. We are relatively a small industry by modern standards. Perhaps, in the calculations of some economists we are deemed suitable for sacrifice. But, we remind the committee that "No man is an island unto himself." Our problem is the Nation's problem because the same fundamental issue has or will arise for all industry.

We submit that the existence of the Common Market in Europe should not be the ground for precipitate and rash foreign trade legislation. U.S. duties are not an obstacle to international trade. The predominant emphasis in H.R. 11970 on tariff cutting authority ignores a far more crucial issue. That issue is the need for economic order on the trading bridge between the economies of the United States and other countries.

We do not presume to suggest the means for creating such order and thereby avoiding the danger that vital U.S. industries can be quickly and irreparably destroyed. We do assert that until such means are established, the minimal protection of our tariff structure must not be dissipated.

RECOMMENDATIONS OF TANNING INDUSTRY

The tanning industry urges that in any foreign trade legislation, the following principles be made explicitly clear and mandatory:

(1) True reciprocity for U.S. products must be a condition of any negotiations and a continuing prerequisite to the grant of U.S. market and tariff privileges.

(2) A requirement that the concept of orderly marketing be a major criterion in the adjustment of duties or in peril point and escape clause procedures.

(3) Present safeguards against injury from imports, and the threat of injury, must be maintained and strengthened through:

(a) Public hearing and determination of facts by the Tariff Commission.

(b) Congressional control and review of delegated power, including positive procedure for affirming Tariff Commission findings.

(4) Maintenance of a reasonable limitation on delegated power to reduce U.S. tariffs in order to avoid drastic injury to U.S. industry without subsequent recourse.

(5) Safeguards in U.S. negotiations or treaties with foreign countries to bar their discrimination against other countries which might otherwise direct the export of such other countries entirely to the United States.

(6) Retention by Congress of the power of review and control over foreign trade negotiations and treaties.

Senator CURTIS (presiding). Mr. Van Pelt, we thank you for your appearance.

I would like to ask you one question. Do you feel that the bill that passed the House and is now before us, providing for relief to business concerns that are injured by imports and special federalized unemployment compensation to workers displaced, is the answer that American industry wants?

Mr. VAN PELT. I do not.

Senator CURTIS. It is an admission, is it not, that the program is eating away at our economy; isn't that right?

Mr. VAN PELT. I agree with you, Senator.

I have one more comment, if I may make it.

Senator CURTIS. Yes.

Mr. VAN PELT. The very fact that this bill is set up, and right in the same bill, and I know there is an answer to what I am going to say, you set up compensation for the loss of a job to the worker, and then you try to set up a yardstick to take care of the industry in question, is an admission to the American people that this is a dangerous program that we are going into.

Senator CURTIS. Yes. We live in days where we hear a lot of talk about we are living in a dynamic economy, and then all of the individual proposals that are made are to weaken that economy.

I agree with your premise. We thank you for your statement.

Mr. VAN PELT. Thank you very much, Senator Curtis.

The CHAIRMAN. The next witness is Mr. Don F. Magdanz of the National Livestock Feeders Association.

Senator CURTIS. Mr. Chairman, the witness who has just presented himself at the witness table is a fine citizen of the State of Nebraska. He has made a study of these matters over a period of years, and he has always made an important contribution for the benefit of the committee.

The CHAIRMAN (presiding). We are very glad to have you, sir.

STATEMENT OF DON. F. MAGDANZ, EXECUTIVE SECRETARY-TREASURER, NATIONAL LIVESTOCK FEEDERS ASSOCIATION

Mr. MAGDANZ. Mr. Chairman and members of the Senate Committee on Finance, my name is Don F. Magdanz, and I am the executive secretary-treasurer of the National Livestock Feeders Association, a nonprofit organization of people engaged in the business of feeding cattle, hogs, and lambs for the slaughter market.

I gratefully acknowledge the privilege of appearing before this committee on this occasion for the purpose of submitting our views on H.R. 11970.

The position of the National Livestock Feeders Association is one of firm opposition to the Trade Expansion Act of 1962 in its present form. In fact, we feel it might well be called an import expansion act because we fail to visualize how the application of the provisions contained therein will contribute materially to any increased volume of exports from the United States.

On the other hand, we can expect under the proposed legislation that imports would definitely increase and cause even greater injury to domestic industry and people than is the case today.

In order to conserve the time of the committee and respect the request to limit our remarks, I have summarized our reasons for taking exception to H.R. 11970 in the following paragraphs:

1. It is our conviction that it is fundamentally wrong for the Congress of the United States to continue surrendering to the executive branch of the Government the authority and responsibility in negotiations on tariffs and international trade regardless of the sincerity and dedication of the officials involved. The matter of surrendering authority differs, in our opinion, from the delegation of authority. We contend it is dangerous to provide one man or a few with the power over domestic industry and with the power over the American people that would be provided through H.R. 11970.

2. The emphasis on welfare and relief for domestic industry and people who may sustain injury from imports is a considered admission that more than a little injury will develop therefrom, amounting to a sacrifice on the part of those directly involved, while at the same time imposing a burden on those other citizens and taxpayers who would be called upon to finance adjustment assistance.

The measure before us issues a license to the executive branch of the Federal Government to create circumstances that can injure domestic industries and workers and implies, at least, that this license will be used.

The adjustment assistance provisions contained in title III of the bill should be stricken completely. The adjustment assistance provides no incentive for representatives to do a good job of negotiating and would seem to insure their doing a poor job.

3. The necessary guidelines for and restrictions on all international agreements which should be prescribed by the Congress and the necessary safeguards of a congressional approval or rejection to avoid jeopardy to American industry are not included in a satisfactory manner even though these fundamentals could be written into a law and still provide the executive branch of the Government with the capacity to work out sound tariff and trade relationships with other nations.

4. The opporunity to use trade agreements as diplomatic tools should be eliminated. The measure before us instead of providing a means of expansion for U.S. exports changes the entire agreements program to another form of foreign aid that can be used for noneconomic purposes and with the intent of promoting international relations. These purposes are clearly stated in section 102, paragraphs (2), (3), and (4) and the authority to carry them out is contained in section 201.

5. Regardless of the authority to modify duties on imports, making changes on a percentage basis are less than adequate. The real need is to equalize the tariff structure among nations and firmly demand the establishment of reciprocal arrangements in the true sense of the word.

6. Providing the authority for the absolute elimination of import duties on some products as spelled out in section 202 amounts to a step toward disaster for those industries growing or manufacturing the products that might be involved. An extension of our most-favored-nation policy to include all countries of the free world will harm rather than benefit our domestic economy.

7. The escape clause policy, section 6, the escape clause procedure, section 7, and the emergency escape clause, section 8, of the Trade Agreements Act of 1951, are repealed. The proposed bill attempts to set up a replacement escape clause procedure but the replacement, in our opinion, is unsatisfactory.

Section 302 under title III authorizes (a) that the President may upon an affirmative finding under section 301(b) take his choice of several actions designed to relieve any distress being caused by tariff concessions. This determination of what should be done in case there is an affirmative finding by the Tariff Commission is another authority that should not be delegated.

We recommend that the escape clause procedure not only be restored, but that it also be modified and strengthened so it can fully serve industries and people as a means of protecting themselves against those circumstances that may have resulted in damage or injury to their investments.

General analysis:

For many years a trend has been increasingly evident toward vesting more and more authority and responsibility, rightfully belonging to the people through their representatives in the Congress, in the executive branch of the Federal Government. We believe this transfer of important functions by the legislative branch of our Government to the administrative branch is fundamentally wrong and we submit the dire necessity of an immediate reversal of this trend. Should it continue, we may eventually reach the point, if it has not already been approached, when we will no longer have a representative government of, by and for the people which has enabled the development and advancement of the United States to the pinnacle on which it now stands among nations.

It would seem there should be unqualified and immediate objection to this proposed delegation of authority by all Members of the Congress themselves.

Though the decisions of these esteemed governmental bodies may not always meet with universal approval, nevertheless they are held

in the highest regard as the immediate voice of the people of the Nation and the branch of the Government through which they speak.

Further transfer of authority merely serves to enlarge the scope of the executive branch of the Government, which is already far too extensive in the minds of many, and to reduce the importance of the people's branch. The latter must retain unquestionable authority in the areas of tariffs and international trade, in matters of appropriations and taxation, and in all other legislative functions, if our representative form of government is to endure.

This condemnation of increasing executive authority in these areas is not necessarily aimed at any particular officials, but serves to focus sharply upon the necessity of preserving the rights and privileges of individual citizens and points up the inherent dangers of vesting power in the hands of a few to conduct foreign negotiations without either congressional control or even congressional direction.

The power to reduce tariffs in some cases, and to eliminate them in others, also carries with it the power of ruination and destruction of some enterprises, and failure on the part of the Congress to retain authority and responsibility over tariffs and trade will be a shattering blow to the faith of many Americans.

The vesting of authority in policy matters in the hands of a few was carefully and purposely avoided when our country was founded because of the inherent dangers involved, dangers that were stamped indelibly in history and experience. These dangers are no less obvious today, nor will they be less obvious in the future, than they were nearly 200 years ago.

That many changes have taken place is entirely apparent, but all of these changes, developments, and progress in no way indicate the necessity or advisability of the transfer of fundamental and important functions from one branch of the Government to another.

We fail completely to see the logic in the trade concessions suggested in H.R. 11970, which are bound to cause injury to domestic industry and at the same time attempt to compensate for this injury through a complicated program of relief, welfare, readjustment allowances, and assistance. In fact, what is pretended as a Trade Expansion Act in reality is an enormous relief measure that would greatly enlarge our already overextended relief programs and could shake the very foundation of our economy. Not only would there be the loss of revenue from those industries and people who might qualify for assistance under title III, but other citizens and taxpayers of the United States would be called upon to carry this extra burden of relief and welfare. The real benefactors of such an arrangement, we submit, would be the other nations involved and at the expense of domestic interests.

For some time we have been operating under what has been commonly referred to as a Reciprocal Trade Agreements Act. This has been an illusion because the act has been far from reciprocal. Instead of correcting this situation, the proposed measure would carry us even further away from a truly reciprocal arrangement and create the added burdens of disrupted industry plus the cost of assistance for these injured enterprises.

We have been told it is anticipated only a few businesses and relatively few people would be forced to compete with imported products

to such an extent that assistance would be justified and used. If only a few might be injured to such an extent that relief measures were warranted, there would seem to be no justification whatsoever for setting up the elaborate machinery to provide this assistance. We suggest the probability that injury to American industry would be far greater than we have been led to believe.

It should be kept in mind that many industries would find it difficult, if not impossible, to adjust their businesses to another line of endeavor or to compete with the same or similar foreign products produced under decidedly lower economic conditions. One such instance is the livestock industry. This great industry has made great strides in efficiency and there will probably be some further progress in that direction, but there necessarily are limitations on the degree that can be obtained. The industry cannot compete with beef and lamb production, for instance, in many foreign countries where the costs of production are decidedly lower—enough lower to allow exporters to pay shipping charges to the United States plus a small duty and still undersell the American market.

Furthermore, the livestock industry is particularly vulnerable to the imports of livestock products because of the very nature of the business. A period of from 2 to 3 years is required from the time a cow is settled with calf before the finished animal is ready for slaughter and the meat becomes available for consumption.

Sudden imports of livestock products while the process is underway—and it is going on continuously—have an immediate adverse effect on our domestic market, but American producers and feeders have no alternative than to carry their business projects on to conclusion. Meat production cannot be turned on and off with short notice as may be possible in some other industries.

A new tariff and trade bill should include, in our firm opinion, provisions for such duties and flexible quotas as will protect this important domestic industry which is responsible for all of the value of feed grains, roughages such as hay and grass, and many other crops, and is by far the most important segment of agriculture.

An offer of relief, or adjustment assistance in lieu of reasonable duties and/or quotas, is directly in conflict with the philosophy of the people I represent.

It is our considered opinion that the Congress should completely change the provisions of a trade bill from the sweeping transfer of congressional authority to the executive branch to one that establishes definite guidelines for and restraints on any and all international trade agreements and requires congressional approval of the arrangements.

Furthermore, we believe it is absolutely imperative that the Congress prescribe the establishment of such duties and flexible quotas as may be required to provide the necessary safeguards to avoid injury to American industry and American citizens.

It is entirely feasible to write such fundamentals into a law and still provide the executive branch of our Government with the capacity and latitude to work out sound tariff and quota arrangements for international trade with other nations. In this manner the Congress of the United States will still retain its inherent position of authority

in the area of international agreements which agreements can have a terrific impact on our domestic economy.

Moreover, we fully subscribe to the suggestion that the executive department, having to do with diplomacy and foreign relations, could not avoid the influence of diplomatic functions in making decisions on tariffs and trade thereby allowing the use of the economic well-being of American industry as a diplomatic tool. Americans are justified in demanding that the welfare of American people and American industry be the primary concern in all agreements and negotiations with foreign interests, and look to the Congress of the United States for a guarantee that this concern will be respected.

In our opinion, instead of providing a means for the expansion of U.S. exports, H.R. 11970 would change the entire trade agreements program to another form of foreign aid that could be used for non-economic purposes with the intent of promoting international relations. We do not believe that the foreign policy of the United States should be so employed.

Changes or adjustments of duties are provided for on a percentage basis in the measure under consideration. However, many of our duties are currently at such a low level that an adjustment of 10 percent, or even 50 percent, would actually amount to an inconsequential figure. Rather than percentage adjustments, the real need is for the equalization of the tariff structure between the United States and other nations in order that truly reciprocal arrangements can be restored.

We submit that the attitude of U.S. negotiators in the past has been far too soft with the result that far too many concessions have been made. This development has not only been to the disadvantage of American people, but has not generated the international respect for the United States that a firm policy would have established.

One further objection is hereby registered to authority to absolutely eliminate import duties on some products as spelled out in section 202. Such relaxation could very well eventually put many agricultural products on the no-duty list and place the industry in a very disadvantageous position. In fact, unless the Congress sets up realistic safeguards and guidelines, the policy will harm rather than benefit our domestic economy.

Though the escape clause procedure contained in the present Trade Agreements Act, as amended, was set up and designed to offer a measure of protection to industries, individuals, businesses, et cetera, against injury sustained as a result of imports of the same or similar article of commerce, our association has been disturbed over the manner in which it has been applied. Nevertheless, we believe that the escape clause approach is proper and it is the application that needs modification, rather than the concept itself.

Of all the applications and petitions that have been filed with the Tariff Commission for investigations under the escape clause procedure, to determine if injury was being caused or threatened to an industry by imports of like or similar products on which a duty has been reduced, the Tariff Commission has found in favor of the petitioner in only a few cases.

Furthermore, in order to obtain a decision from the Tariff Commission that injury was being caused or threatened, it has appeared,

at least, it was necessary for an industry to prove it was at or near the brink of disaster.

In addition, findings have been possible under the general terminology of the present law, which findings we believe to be unrealistic. The most recent example of this, with which we are well acquainted, was the conclusion of the Commission on a petition to investigate the imports of lamb, mutton, sheep, and lambs, investigation No. 7-38 concluded in 1960.

The interpretation of the law by a majority of the Tariff Commissioners with respect to the definition of an "industry" as a legal basis for the finding of a threat of serious injury resulted in the following:

> The growing and feeding of lambs and sheep and the slaughtering and processing of the live animals into carcass meat and cuts thereof are separate and distinct industries producing separate and distinct articles of commerce.

The expression went on to say under paragraph 1, B., of the report, that:

> The assessment of injury to the growers and feeders of the live animals resulting from imports of the meat thereof and the assessment of injury to the slaughterers and processors resulting from the imports of live animals are not permissible under the law.

Those who are well acquainted with the growing, feeding, and processing of livestock fully realize that the values of live animals and the carcasses therefrom are very closely alined and increases of one on the market very definitely and immediately affects the value of the other.

We submit that the wording of the law should be clarified sufficiently so relationships of such products can be clearly recognized.

Furthermore, under past rules of procedure, it has been possible for importers and representatives of foreign interests exporting to the United States to participate in the hearings connected with an escape clause investigation to present evidence and arguments. We believe this practice is not justified and should be discontinued. American citizens should have an opportunity to confer with their own official bodies for the purpose of demonstrating and proving the injury they may be sustaining without having to submit to what amounts to an international hearing wherein those interests outside of the United States who are allegedly causing the difficulty are permitted to participate.

Even though the foregoing demonstrates that the escape clause has not served its intended purpose, nevertheless we do not believe the solution lies in discarding it. H.R. 11970 repeals sections 6, 7, and 8 of the Trade Agreements Act of 1961 and attempts to set up a replacement procedure that is wholly unsatisfactory. The remedy lies, we believe, not in abandonment and replacement, but in modifying the requirements in such a way that the procedure will accomplish what it was intended to do.

For the reasons that have been stated and explained, the National Livestock Feeders Association strongly recommends against the passage of H.R. 11970 in its present form. We suggest that the measure be amended and changed in such a way as is necessary to correct the inadequacies of the present law, to restore to the Congress the au-

thority and responsibility to direct and control all matters in international trade, to spell out the proper guidelines and restrictions in negotiations, and to present a measure that encourages and protects American industry, American citizens, and American taxpayers.

This should not be construed as a statement against foreign trade under arrangements that are truly reciprocal and are at least as favorable to the American people as they are to those in foreign countries. Trade among nations is highly important, but it ceases to be of any real value to the United States unless arrangements are on a fair and truly reciprocal basis.

We appreciate the privilege of presenting these views and opinions on H.R. 11970 to this committee, and respectfully request that consideration be given them.

That concludes my testimony.

The CHAIRMAN. Thank you very much, sir.

Senator CURTIS. Mr. Chairman?

The CHAIRMAN. Senator Curtis.

Senator CURTIS. Mr. Magdanz, do you regard the imports of meat and live animals as sizable and serious?

Mr. MAGDANZ. Very much so, Senator Curtis. We think that they are having a definite depressing effect upon our domestic market.

You have heard previous testimony within the last hour that gave the extent of these imports, particularly in the area of beef, beef products, and the equivalent in beef cattle. Our market on livestock is still an open, free, and competitive market, governed entirely by the supply of these products and their relationship to the demand, and whenever we have a slight increase in production or, let us say, availability of the product for the existing demand, whether this availability comes from increased domestic production or the combined domestic production and imports, it very definitely and quickly affects our price level.

Senator CURTIS. Well, all of this importation affects, does it not, a sizable number of jobs in this country?

Mr. MAGDANZ. Yes, it does. First of all, I should say the livestock and meat industry, through its very extensive processing, creates innumerable jobs for U.S. citizens, and with this volume of imports coming into our country we are losing at least the market that we could have for our domestic production.

Senator CURTIS. Are these imports of meat and live animals adding to the problems of surpluses of grains?

Mr. MAGDANZ. Very definitely, because we could increase our livestock production at the present price level domestically if we were not faced with these imports, and in that way consume at least a percentage of the surplus grains that we have on hand.

Senator CURTIS. In addition to consuming them, conceivably there would be more acres devoted to alfalfa and hay and other crops that now may be in grains?

Mr. MAGDANZ. That is correct. As we might increase our own domestic production, many people would divert some of the grain acreage, at least, to crops that you have mentioned, and that would

also tend to correct our feed grains problem that is, of course, causing so much concern in the country right now.

Senator CURTIS. The hour is late. I will not go into any further detail, but I am pleased that you are here.

Mr. MAGDANZ. Thank you, sir.

The CHAIRMAN. Thank you very much, sir.

The next witness is Mr. Jack R. Grey, Pennsylvania Canners Association.

Take a seat, Mr. Grey.

STATEMENT OF JACK R. GREY, PENNSYLVANIA CANNERS ASSOCIATION

Mr. GREY. Mr. Chairman and members of the committee, my name is Jack Grey, president of the Pennsylvania Canners Association.

I am appearing on behalf of the mushroom canners committee of that association. The mushroom canners committee which accounts for 95 percent of all the canned mushrooms produced in the United States, consists of 22 mushroom canners; 14 are located in Pennsylvania, 2 in New York, 2 in Delaware, 2 in Michigan, 1 in California, and 1 in Ohio.

The mushroom canners committee is opposed to the passage of H.R. 11970, the Trade Expansion Act, because this proposed legislation fosters, promotes, and provides for the wholesale reduction of tariffs, and the elimination of the "safeguards" and actions of recourse presently available to domestic industries.

Recent increases in the importation of canned mushrooms have caused the domestic industry to realize that unless protection is provided to an even greater degree than is in effect today—either through a hike in the present tariff rate or the establishment of a quota—their days in the growing and canning of mushrooms are numbered.

The present tariff, which became effective on July 1, 1962, is 3.6 cents per canned pound, plus 11 percent ad valorem. In accordance with the agreement arrived at in GATT negotiations, the U.S. tariff on canned mushrooms will be reduced to 3.2 cents per canned pound and 10 percent ad valorem on July 1, 1963.

Here is a historical review of the reduction of canned mushroom tariff rates:

The 1922 act, 45 percent ad valorem.

The 1930 act, 45 percent ad valorem plus 10 cents per pound.

The 1936 trade agreement, 25 percent ad valorem plus 8 cents per pound.

The 1948 GATT, 15 percent ad valorem plus 5 cents per pound.

The 1951 GATT, 12.5 percent ad valorem plus 4 cents per pound.

The 1962 EEC, 11 percent ad valorem plus 3.6 cents per pound.

The 1963 EEC, 10 percent ad valorem plus 3.2 cents per pound.

These figures reveal the substantial reduction that has already occurred to the tariffs on canned mushrooms. With tariffs down, canned mushroom imports are up.

It takes but a quick glance at the statistical information contained in the U.S. Department of Commerce reports on imports to gain an

awareness of the magnitude and gravity of the situation confronting the domestic mushroom canning industry:

Number of canned pounds of mushroom

Year	Imports, by country				Total
	France	Japan	Taiwan	Other countries	
Average, 1955-59	1,800,000	175,000	------------	220,000	2,195,000
1960	1,306,935	901,224	------------	84,274	2,292,433
1961	1,940,437	2,000,424	679,707	90,636	4,711,204
1962, 6 months	750,119	1,448,259	4,968,497	92,610	7,259,485

In 1961, a total of 40.8 million pounds, net drained weight, of canned mushrooms were sold in the United States. Of this total, 4.7 million canned pounds or 11.5 percent were imported.

This year, with more than 7 million canned pounds already imported, it is safe to predict that in 1962, imports will account for more than 25 percent of the canned mushrooms marketed.

The report of the U.S. Department of Commerce also revealed that the value per canned pound of 1962 imports for the first 6 months, was less than 53 cents. Consider this value—53 cents—in relation to the cost of raw product procurement which accrues to the domestic packer of approximately 60 cents per canned pound.

This figure includes the price paid to the grower, the expense of hauling the mushrooms to the factory, and the initial cutting cost to remove the dirt.

When other costs—canning plant production, administration, selling, and shipping—are added to the 60 cents, the domestic mushroom canner approaches and more often exceeds $1 per canned pound, as the amount he must receive to avoid a red figure on his profit-and-loss statement.

In all of the cost factors referred to above, wages for the services of people figure quite substantially, for the mushroom industry—including both growing and canning—is far from being fully automated. Many machines are being used in this industry, but the human hand is still very much in evidence all along the growing and processing lines. With wage rate minimums for labor having been set by the Federal Government, and with the cost of labor representing a high percentage of the total cost, there is little likelihood that the domestic packer will be able to get his cost figures to compare favorably with those of manufacturers in foreign lands in which labor costs are insignificant.

Since the quality of the two packs—import versus domestic—are comparable, it becomes readily apparent that it is impossible for the U.S. packer to compete, pricewise, in any market in which an importer wishes to trade his canned mushrooms.

The competition from canned mushrooms for the domestic canned mushroom industry stems principally from the country of Taiwan, whose name first appeared on the Department of Commerce report of imports in June of 1961. Earlier in 1961, April 9, an article appeared in the New York Times which predicted that Taiwan was to become a

major factor in the production of canned mushrooms for export trade. We quote the article verbatim:

MUSHROOMS AID TAIWAN—U.S.-AIDED CROP IS EXPECTED TO EARN $1,300,000

TAIPEI, TAIWAN, April 3.—Through American advice and assistance, Taiwan's farmers have discovered a new export crop—mushrooms—which is expected to earn the Chinese Nationalists Government $1,300,000 in badly needed foreign currency this year.

The farmers themselves expect to make profits of close to 120 percent on their small investments in cultivating mushrooms in central Taiwan.

According to the Chinese-American Joint Commission on Rural Reconstruction, 100,000 cases of canned mushrooms will be exported this year, mainly to the United States. The volume is expected to be doubled in 1962.

The China Post—export trade magazine—in their May 15, 1962, issue, reported that the Taiwan mushroom industry surpassed even the estimates arrived at by the New York Times. We quote from the magazine:

Canned mushrooms is now the No. 2 item on Taiwan's export list. Taiwan earned only $200,000 in the export of 20,000 boxes of canned mushrooms in 1960; however, in 1961, the export of this item soared both in quality and value, reaching 200,000 boxes and $2 million. It is estimated that 600,000 boxes of mushrooms will be exported in 1962.

An investigation by an American industry representative revealed that all of the cultivated mushrooms grown in Taiwan are produced expressly for the export market. Compare this 100 percent export figure of Taiwan with that of the production of the United States—which exports a few cases to Canada. The domestic mushroom packer has concentrated his efforts to developing the U.S. market only.

While we appreciate the aims and goals of the sponsors and advocates of H.R. 11970, which would give the President unprecedented power and authority to reduce and eliminate tariffs, as well as eliminate certain protective features and safeguards now available to domestic industries, the mushroom canning industry is necessarily opposed to a measure which threatens its very life.

The mushroom canning industry has already begun to cutback. We have been advised by individual processors as follows:

One canner reports:

Last week, we had our lowest sales week on record.

We have begun to restrict our growing areas. We have reduced the number of employees in our growing operation from 419 to 254. We have cutoff purchases from outside growers and stopped our independent grower expansion movement. We cannot survive without more volume.

And another:

Faced with this kind of competition—cut-throat prices—we are going to curtail our canning operation this coming season and produce only what we feel our regular customers will absorb. In view of the fact that canned mushroom imports are ballooning so rapidly in quantity, it is entirely possible that we will lose some of our regular customers, as customer loyalty tends to disappear when the price differential is so great.

Still another:

Our inventories are 300 percent over that of a year ago. Last year we purchased over one-half million pounds on open market. This year—due to imports—we will not purchase any.

And one more:

Attached you will find Safeway ad in the Westlake Times (suburb of San Francisco) on July 25, 1962, advertising Geisha brand button mushrooms, three

4-oz. cans for 89 cents, 29⅔ cents a can. This brand is distributed by Nozaki & Co., Ltd., Tokyo, Japan. However, the label states—"Product of Taiwan (Formosa) Republic of China." A United Grocers, Ltd., ad on June 20, 1962, for the San Francisco area, advertised our own label, 4-oz. button mushrooms at 45 cents a can.

Marketing areas where imports are being offered—our sales are off 47.3 percent. Because there are so many markets involved, our total sales is running approximately 29 percent behind last year. This sales decline is in spite of the fact that in many markets we have made strong price concessions to retain distribution. Presently, we are forced to sell below our cost in some markets in order to retain our accounts.

We have been forced to cut out 41.6 percent of our contract growers—representing 37 percent of our contract tonnage. The remaining contract growers have been restricted to 40 percent refill crops. Those who supply our growing material, supplies, etc., were advised of a substantial cutback planned in our own company-owned operations. The suppliers were also alerted to the fact that further cutbacks were being considered in the December-January purchases.

We employ approximately 300 people in our growing and canning operations. It is estimated that 25 percent will not be recalled. There is also a strong possibility that a shorter workweek will be necessary, resulting in a loss of income for the remaining employees.

We therefore ask that H.R. 11970 be amended as follows:

1. Include a peril point provision such as has been incorporated in earlier reciprocal trade acts.

2. Strengthen the escape clause procedure making the actions of the Tariff Commission binding upon the President or his agent. In this regard we also ask that the "adjustment assistance" clause be eliminated, thereby prohibiting the possibility of a Presidential authorization of handouts of subsistence or assistance to firms, producers, or employees, in lieu of increasing the tariff rate or establishing a quota.

Mushroom canner firms, growers, and their employees, want to continue to operate and work in an industry which they have chosen as their life's endeavor.

If the mushroom-canning industry is to thrive, H.R. 11970 must be amended to provide machinery whereby the industry can request and gain relief if it can prove excessive injury. Without such assistance, areas such as Kennett Square and West Chester in Pennsylvania—a small area producing more than 60 percent of the mushrooms for canning—will surely be added to Pennsylvania's list of depressed communities.

On July 19, 1962, Senator Engle introduced in the Senate, an amendment to the Trade Expansion Act, that is designed to prohibit tariff reductions on a number of "specialty crops." The Engle amendment would—

> prohibit any duty reduction of any fruit or tree nut crop, or any individual product thereof, of which no more than 5 percent of the average annual production is exported, and for which the United States accounts for less than half of the world production, unless import quotas are established for that article.

We ask that this committee favorably consider amending the Engle amendment to include the term "mushrooms."

We also wish to be recorded as favoring the proposal advanced by the National Council of Farmer Cooperatives and the National Grange, which would authorize the President to increase as well as decrease U.S. tariffs and also establish nontariff barriers, such as quotas against imports.

H.R. 11970 has been entitled "The Trade Expansion Act." The domestic mushroom canners cannot, even remotely, imagine how the provisions of this proposal will assist them in expanding their markets. On the contrary, it is quite evident that its passage will provide additional advantages to foreign manufacturers, with the result that a segment of American agribusiness, which heretofore has been healthy and prosperous, will be reduced to a state whereby Government subsidies to the firms, the growers, and the employees of both, might become a necessity. We do not want this to happen; nor do we think that you do either.

Thank you for the opportunity to appear before this committee. If there are any questions regarding this testimony, we shall be happy to try to answer them for you.

Mr. Chairman, I would like to ask for the opportunity to file a supplemental statement outlining the effect of imports on the mushroom-growing industry, which is presently being prepared by a representative of the American Mushroom Institute.

(The attachment to Mr. Grey's statement follows:)

Canned mushroom imports [1]

Country	Year 1960		Year 1961	
	Pounds	Value	Pounds	Value
France	1,306,935	$906,056	1,940,437	$1,309,917
Japan	901,224	539,801	2,000,424	1,166,257
Taiwan			679,707	361,726
Total	2,208,159	1,445,857	4,620,658	2,837,900
Other countries	84,274	73,499	90,636	71,140
Grand total	2,292,433	1,519,356	4,711,204	2,909,040

Year 1962	France		Japan		Taiwan	
	Pounds	Value	Pounds	Value	Pounds	Value
January	161,843	$112,177	166,358	$102,411	138,162	$74,193
February	124,611	78,420	266,403	147,330	473,253	231,206
March	109,899	77,739	353,781	182,999	930,142	453,120
April	103,658	76,296	388,676	165,174	955,286	406,253
May	110,129	82,942	130,450	76,149	1,539,435	729,662
June	119,960	87,994	142,591	82,107	932,219	438,260
Total	750,110	515,567	1,448,259	753,1[illegible]	4,968,497	2,339,694

Total canned pounds:
France, Japan, and Taiwan, 6 months, 1962 7,166,875
Other countries 92,610

Grand total 7,259,485
Total value: France, Japan, and Taiwan, 6 months, 1962 .... $3,603,428

[1] Source: U.S. Department of Commerce.

(The supplemental statement referred to follows:)

STATEMENT OF WALTER W. MAULE FOR THE AMERICAN MUSHROOM INSTITUTE, KENNETT SQUARE, PA., ON H.R. 11970, TRADE EXPANSION ACT OF 1962

This statement is submitted to the Senate Finance Committee, and its technical staff, for their information and consideration in relation to Senate amendments which may be made to H.R. 11970. The following observations are made by one whose entire career has been devoted to the mushroom industry.

It covers a period of over 40 years, first as a mushroom grower, then as an officer of the Mushroom Growers Cooperative Association whose activities included dealing with several hundred mushroom growers in their cultural problems, supplying their production needs, assisting in their marketing, particularly in the processing and distribution annually of a large volume of canned mushrooms. Other duties were presenting industry problems to Government agencies and the Congress.

In the latter field one becomes acutely aware of the advantages held by those branches of agriculture which are important in several States and of which their congressionl delegations are informed. Conversely, locally important specialty crops, such as mushrooms, do not command the attention of many Members of the Congress. Largely because of this the domestic canned-mushroom industry has been unable to prevent repeated tariff reductions as a result of negotiations under the Hull Trade Treaty Act of 1934.

The mushroom industry opposes the enactment of the Trade Expansion Act of 1962 as passed by the House of Representatives. Only by Senate amendment incorporating safeguards available to domestic industry and agriculture can needed protection be assured. The unprecedented grant of power to the executive department, as contained in the House bill, can spell disaster to many relatively small lines of endeavor.

An understanding of the mushroom industry, as apart from other segments of American agriculture, is in order.

Mushrooms are produced in significant commercial volume in Pennsylvania, New York, Delaware, Massachusetts, Maryland, New Jersey, Ohio, Indiana, Illinois, Wisconsin, Minnesota, California, Oregon, Washington, Connecticut, Rhode Island, Michigan, Colorado, Virginia, Florida, Missouri, Texas, and West Virginia.

The American Mushroom Institute is a voluntary trade association whose sole purpose is to further the interest of 700 mushroom farmers located in the States listed above. Its membership accounts for more than half of the annual production of mushrooms in the United States.

America's mushrooms are produced on farms in specially constructed buildings adapted only to this purposes. Each such standard-sized building represents a financial outlay of $12,000. It is estimated that the present investment in such buildings and the operating equipment required is about $60 million. This does not include the farmers' homes or other farm buildings, nor does it include the canneries which are such a necessary adjunct to successful marketing for most of the farmers.

The mushroom industry also provides a cash market for the surplus hay and straw as well as grain and its byproducts for several hundred farmers who are not engaged in mushroom growing. These materials are the base for the compost now generally used in filling the mushrom beds and in most cases would otherwise be wasted.

Mushroom growing does not lend itself to mechanization as do many field crops. The result being that it provides employment to large numbers of workers. A survey of the domestic industry reveals that it gives direct employment to 10,000 persons and provides a living for 50,000 citizens. Since the industry is usually located in areas not far removed from small towns the prosperity of such places is dependent upon the economic health of the mushroom farmer.

The mushroom farmer, in the areas of concentrated production, has been dependent upon the processor as an outlet for part or all of his crop. The processor has usually been in a position to provide such a market despite the increased imports from Western Europe, but the import situation has recently been worsened due to the sudden oriental penetration of our markets. Unless relief is granted from the canned mushroom imports from Japan and Formosa, the domestic grower will be forced to throw his fresh product into a glutted market. The result will be a complete demoralization and price collapse.

The existing escape clause in the Trade Treaty Act offers the only remedy to distressed industries. Instead of weakening it as is proposed in H.R. 11970, it should be retained and strengthened. The past record of relief granted to but a few out of 135 industry applications has caused many to feel it futile to apply for relief under the act.

The adjustment assistance provided under title II of H.R. 11970 would lead one to believe that tariff adjustments and quotas will be relegated to the background and that under certain conditions firms and individuals will be offered financial assistance if found eligible in order to continue operation;

however if they and their employees lose out they will then be retrained for other skills and even transported to new areas where such skills might be needed. To the mushroom farmer such a program is utterly fantastic, for he is engaged in a business solidly established and in which he has by individual effort and without any Government subsidy become self-reliant. Surely proper consideration on the part of the Congress would indicate that such a business as mushroom growing and canning should not become the victim of ill-advised legislation.

The first reduction in the tariff on canned mushrooms was made to France in 1935. Under the GATT trade treaties the most favored nation clause has transferred the concessions to all nations outside the Communist area. The American foreign aid programs in Japan and Taiwan has helped build up their mushroom industry to the point that their exports to the United States can well ruin our own industry.

The intent of the State Department in their urgency to have H.R. 11970 enacted in its present form is expressed in a speech made at Bonn, Germany, April 2, 1962, by Mr. George Ball, Under Secretary of State of the United States, who regretfully pointed out that the President was forced to increase duties on certain kinds of carpets and on flat glass because of the "no injury" policy in the existing Trade Agreement Act. He then said that such will no longer be the case if Congress enacts the proposed Trade Expansion Act. Speaking of American industries following the enactment of the law now before the Congress he is quoted as having said "Industries finding difficulties in adjusting to lower tariffs will be given various types of financial and tax aid to enable them to shift to new lines of production; workers will be helped through retraining and by other means. Import restrictions may be resorted to only as an exceptional procedure and then only for a limited period." American industry will have little incentive for expansion if its future is to be restrained by such a philosophy.

The CHAIRMAN. Our concluding witness is Mr. Richard A. Tilden, Clothespin Manufacturers of America and Flat Veneer Products Association.

STATEMENT OF RICHARD A. TILDEN, CLOTHESPIN MANUFACTURERS OF AMERICA AND FLAT VENEER PRODUCTS ASSOCIATION

Mr. Chairman, I am Richard A. Tilden, and I represent the domestic producers of wooden spring clothespins, wooden standard clothespins, and flat veneer products.

Throughout the history of trade agreement legislation the Congress has consistently affirmed and reaffirmed its determination that the program be administered so as to protect domestic industries. This policy is an acknowledgement of a fundamental principle of our form of government and our Constitution—that property shall not be taken for public use without just compensation.

There is little distinction between taking real property for a public park, and taking away a man's job or business to provide jobs or markets for others.

Secure in the belief that the Congress still recognizes its obligation not to sacrifice any industry without just compensation, I have filed with this committee a written statement analyzing, first, whether the existing peril-point and escape-clause procedures are adequate, and secondly, whether H.R. 11970 provides adequate and reasonable assistance to workers, firms, and industries who admittedly will be injured by the exercise of the bill's tariff-cutting powers.

My oral presentation will be confined to a brief summary of the most important points made in my written statement.

ESCAPE-CLAUSE PROCEDURE

Congress enacted the escape clause in foresighted recognition that, despite the peril-point procedure, concessions might cause serious injury.

This committee has available the full record of escape-clause cases, but I wonder if it is aware of the difficulties any industry, no matter how badly injured, faces to obtain effective relief.

A compelling example is in the spring-clothespin industry. This committee has heard many times the saga of spring clothespins and has on record all the facts and figures up to 1958, when I last appeared. I will let the record speak for itself and confine my comments today to what has happened since then.

The Tariff Commission had found in October 1957 that the spring-clothespin industry was being seriously injured by increased imports resulting from a reduction in the duty from 20 cents to 10 cents per gross. It advised the President that a return to 20 cents, the maximum increase then permitted, would be inadequate to remedy the injury, and recommended an import quota. The President agreed with the determination of injury but not with the recommendation; in December 1957 he issued a proclamation restoring the 20-cent rate.

As the committee predicted, that increase has proved inadequate. Imports have continued to rise, production and sales to decline, and the industry today is much worse off than in 1957.

But the reason is not solely because the 20-cent duty was inadequate. The fact is that, notwithstanding the President's proclamation, for all practical purposes the increase did not go into effect until about 6 weeks ago. The U.S. Supreme Court in December 1960 ruled that the President did not have the power to modify Tariff Commission recommendations.

The effect on spring clothespins was to nullify the 1957 increase. As a result, importers will receive a refund of 10 cents per gross on all protested shipments of spring pins since the 1957 proclamation—an estimated refund of approximately three-quarters of a million dollars.

Following the Supreme Court decision in December 1960 the State Department began "negotiating," and finally announced, on March 6, 1962, that it had negotiated a new trade agreement at the 20-cent rate. The new trade agreement was actually agreed to by Sweden in September 1961, and by Denmark in December 1961, and I am informed that it provided that the 20-cent rate would not be made effective until July 1, 1962.

This moratorium enabled importers to bring in a total of nearly 1,500,000 gross during the first 6 months of this year—over 400,000 more than during the corresponding period in 1961. These imports during the moratorium will completely demoralize the market for the entire year.

The most significant feature of this situation was the failure of the President to report the moratorium to Congress, as required by section 4(a) of the Trade Agreements Extension Act of 1951, as amended. The 10-cent rate was below the peril point, and an agreement to continue such rate for more than 6 months was a "concession," just as much as an agreement to reduce a rate below the peril point.

Thus despite the President's determination more than 4 years ago that the spring clothespin industry was being seriously injured, and despite his knowledge in December 1960 that his relief action was invalid, no relief of any kind was forthcoming until July 1, 1962.

The only conclusion I can reach—and I am sure it is shared by many preceding and following witnesses—is that the present escape clause procedure is grossly inadequate for any reasonable protection

ADJUSTMENT ASSISTANCE PROVISIONS OF H.R. 11970

H.R. 11970 grants broader tariff-cutting powers, with greatly curtailed peril-point and escape-clause provisions. Assurance has been given that the administration will "take care of" directly injured workers and firms under the adjustment provisions.

The bill makes no provision for the many thousands whom the proposed program will injure indirectly. I refer to the merchants and service firms in small towns, who depend on the plants and their workers; the countless suppliers of those plants; the truckers and their employees carrying materials to the plants and finished products to market; and to the small towns themselves.

It is safe to say that most of the firms marked for extinction under the program are small producers, in small towns, who are already in trouble from imports.

Let me illustrate. The town of West Paris, Maine, has a population of 670 and 2 wood products plants. Of 186 workers, 116 are at the Penley Bros. clothespin plant, about 12 at the other plant, and 58 work in trade, trucking, and service lines. Many own their homes and pay town taxes.

The wood for Penley's clothespin operations comes largely from hundreds of nearby farmers whose only income is from small wood lots.

If the clothespin industry is one of those to be sacrificed, as seems highly likely, the Penley plant would be forced to close. Since the town offers no other employment, 116 of the 186 wage earners would probably have to move their families to industrial centers, learn new trades, and hope for work in some other industry.

Homes would be up for sale, with no foreseeable buyers. Many merchants and service organizations would have to close. The truckers would lose their sole local revenue, and the farmers their wood sales. In short, closing the Penley plant would make West Paris another ghost town.

To be sure, H.R. 11970 provides for assistance to Penley Bros. But to qualify the firm must present a proposal for its economic adjustment satisfactory to the Secretary of Commerce.

Let's see how these well-intentioned provisions would work as a practical matter. The Penley Bros. machinery and equipment are designed solely for clothespins and would have to be junked, leaving an empty building. Even if the company, with Government loans, could finance new machinery for other wood products, its chances of success would be practically nil, since the wood products business is highly competitive and already in troube from imports.

To tool up, at the taxpayers' risk, for entirely different products would be a speculative venture, competing in a strange market with

established firms located presumably closer to material sources and with going sales organizations.

Aside from the foregoing difficulties, Penley Bros. would be in a form of partnership with the Federal Government, with loans and assistance subject to such terms and conditions as the Secretary of Commerce "deems appropriate."

Under such circumstances, Penley Bros. undoubtedly would not even apply for assistance under the bill and would cease to exist.

Consider next what happens to Penley's employees. The bill assures them assistance provided they can prove to the Tariff Commission that they lost their jobs through increased imports from a duty concession. Without an application by Penley Bros. to determine the company's eligibility, the workers would be on their own and face an almost insurmountable task. As we have seen, persuading the Commission to make such a determination is a signal accomplishment, even with the combined efforts of an entire industry. It is inconceivable that individual workers, even though represented by a union, could make the intricate presentation and win a finding that increased imports of a particular commodity resulted from a concession under the program, and that such imports caused or threatened "unemployment or underemployment of a significant number of workers."

Even assuming such a finding, the worker faces many other problems. In the first place, the worker would have to accept "suitable training" approved by the Secretary of Labor. This could be in a field of no interest to him, for a job in an entirely different part of the country. Should he refuse the training "without good cause," he would be ineligible.

Consider finally what compensation is offered the town of West Paris itself, the small businessmen and farmers who have depended on the Penley operation, and the many others indirectly injured—in order to obtain a concession from the European Common Market that might provide employment in, say, Cincinnati or elsewhere. The answer, of course, is none whatever.

While it may be argued that Penley Bros. is an isolated and possibly extreme example, and that West Paris is hardly important to the national economy, I suggest that there are literally thousands of small towns throughout the United States which are dependent on small plants. A basic feature of the American way of life has been the operation of small businesses in small communities, providing employment for the people there.

This Congress is being asked to grant powers that can well destroy that way of life, through the sacrifices of those small companies. I do not claim the omniscience to foresee the final results. It may well be that such a sacrifice is needed for the future welfare of the country. I submit, however, that if the benefits are so great as painted by the administration spokesmen, the taxpayers generally should be willing to pay for them. The burden should not be confined to the doomed firms and workers and the others directly or indirectly injured in the process.

In my opinion the compensation provisions in H.R. 11970 are grossly inadequate and unworkable. Moreover, I am not satisfied that the record of our negotiators at the bargaining table abroad assures us of

the great benefits we are told will flow from the grant of powers contained in the bill. Until there is more concrete evidence of the ability of the State Department to obtain concessions which approach the value of the concessions granted by us, and until a plan is devised providing adequate compensation to all Americans injured thereby, I suggest that Congress should adhere to its well established policy of providing protection for all domestic industries.

RECOMMENDATIONS

This protection can be achieved only if the Congress retains final control over the granting of concessions below peril points set by the Tariff Commission and over effectuating the Commission's recommendations for escape clause relief. I suggest that you Members of Congress are in much better position than the State Department and the President to weigh the effects of inadequate protection on the producers and small towns in your own districts and States.

I have incorporated in my written statement specific suggestions as to how this objective can be accomplished without putting the President in a straitjacket.

CONCLUSION

I do not envy the members their task of resolving the issues presented by this bill. The Congress is being asked to decree the destruction of small companies and small communities in order to provide a market for the products of other companies. The far-reaching effects of such a policy on our economy are beyond my powers to predict. I feel confident that the committee will not approve the policy until completely satisfied that it is for the overall good of the country and that the country as a whole, rather than a limited few, will pay the bill.

Mr. Chairman, I would like to submit a supplemental statement.

The CHAIRMAN. Your supplemental statement will be inserted in the record at this point.

(The document referred to follows:)

STATEMENT SUPPLEMENTING ORAL PRESENTATION OF RICHARD A. TILDEN

This statement is presented on behalf of all of the domestic producers of wooden spring and standard clothespins and the producers of more than 90 percent of all flat veneer items, such as wooden spoons and forks, ice cream sticks, toothpicks, tongue depressors, et cetera, manufactured in the United States.

Throughout the history of trade agreement legislation the Congress has consistently affirmed and reaffirmed its determination that the program be administered in such manner as to protect the interests of domestic industries. In order to carry out this determination Congress has established the peril-point and escape-clause procedures, among others, designed to protect domestic industry from serious injury resulting from increased imports encouraged by trade-agreement concessions.

This policy is an acknowledgment of a fundamental principle of our form of government and our Constitution—that propery shall not be taken for public use without just compensation. There is little distinction between taking a person's real property for use as a public park and taking a person's job or business away from him in order to provide job opportunities for others, or to provide a market for the goods manufactured by others.

This committee has before it a bill which, according to a surprisingly conservative estimate made by administration spokesmen—the Secretaries of Commerce and Labor—will deprive 90,000 workers of their jobs and will cause 800 firms to go out of business during the next 5 years. It is justified by the administration on the ground that it will provide jobs for an even larger number of other

workers. The House Ways and Means Committee was assured that these 800 firms and 90,000 workers would be "assisted" under the terms of H.R. 11970.

Secure in the knowledge that the Congress still recognizes its obligation not to sacrifice any domestic industry for the benefit of any other industry or for the benefit of the national economy as a whole, without providing adequate and reasonable compensation to the industry sacrificed, the purpose of this statement is to analyze first the question of whether existing safeguards are adequate, and secondly, whether H.R. 11970 provides for adequate and reasonable assistance to workers, firms, and industries who admittedly will be injured by the exercise of the tariff-cutting powers included in the bill.

PERIL-POINT PROCEDURES

As the committee well knows, the basic purpose of the peril-point procedure was to provide advance protection to domestic industries against the granting of concessions which would, in the opinion of the U.S. Tariff Commission, result in serious injury. The procedure involves the establishment by the Commission, after public hearings and investigation, of peril points, which are the lowest rates of duties which can be fixed for specific items without endangering domestic producers. The President is prohibited from granting concessions below such peril points without reporting his reasons for doing so to the Congress.

The best illustration of the effect of this "safeguard" is found in the President's report to the Congress of March 7, 1962, on his action in granting concessions below the peril points on a number of items in connection with trade agreements recently negotiated in Geneva. His reasons for doing so boil down to one—that the negotiators were "grieviously short of bargaining power." In other words, the negotiators, in order to get concessions which would be helpful to certain U.S. producers, had to have something more to give away. The President, accordingly, authorized the granting of concessions on a number of items, which concessions he had been warned by the Tariff Commission would result in serious injury to domestic producers.

The President attempted to justify this action by determining himself that the concessions could be made without "serious competitive risks for American industry." He explained his action in usurping the function of the Tariff Commission as the "finder of the facts," by stating that the Commission's findings were merely "hasty predictions" which "were necessarily superficial." While it is recognized that the Commission is not infallible and that it had to make predictions as to a large number of items in a relatively short period of time, it is submitted that the Commission was in a better position to make predictions than was the President. The President did not set forth any facts on which was based his prediction that no serious competitive risks were involved, and it does not appear that he made any investigation or conducted any public hearing in an effort to ascertain the facts. The Commission did investigate each of the industries producing the products on which the negotiators granted concessions, and based its determination on the facts adduced during the investigation and at the public hearings held by the Commission.

In net effect, the President "justified" his action in ignoring the peril points by pointing to the concessions obtained from foreign countries as a consequence. While no question is raised as to whether the President's action was for the overall good of the national economy, or whether he had a legal right to take such action, there is a serious question as to whether the action was consistent with the frequently announced intent of Congress to provide protection to all domestic industries. There is also a question as to what justification there is for purposely endangering the continued operation of producers of specific products, and the employment opportunities afforded by such producers, without first providing some means of compensating the producers and of assisting the workers who may well lose their jobs in the event the Commission's predictions prove accurate. These producers, and their employees, may well have been sacrificed for the benefit of the producers of other items. For example, the President granted concessions below the peril point on certain glassware items, and obtained a concession on automobiles. It is suggested that the producers of glassware are threatened with injury in order to assist the producers of automobiles. This may be good for the overall economy, but it is completely contrary to the basic principles to which this Congress has always adhered.

ESCAPE CLAUSE PROCEDURE

The second procedure which the Congress provided in an effort to safeguard domestic industry is the so-called escape clause. This was enacted in recognition that concessions might be granted, despite the peril-point procedure, which would result in serious injury to domestic industry. In essence it permits applications to the Tariff Commission for determination as to the effect of increased imports resulting from concessions on particular industries, and recommendations by the Commission to the President for the relief of any injury found to exist.

While this committee has available to it the full record of all cases which have been brought under the escape clause, the committee might not be aware of the fact that it is virtually impossible for any industry, no matter how severely injured, to obtain any effective relief. One of the most compelling examples is the experience of the spring clothespin industry. This committee has heard the saga of spring clothespins many times and has in its records all the facts and figures up to 1958, when the writer last appeared before the committee. The record speaks for itself and this statement will be confined to informing the committee as to what has happened since such time.

As the committee knows, the Commission found in October 1957 that the spring clothespin industry was being seriously injured by increased imports resulting from a reduction in the duty from 20 to 10 cents per gross. It advised the President that the maximum increase then permitted—which was to 20 cents per gross—would be inadequate to remedy the injury, and recommended imposition of an import quota. The President agreed with the determination of injury, but disagreed with the recommendation. In December 1957 he issued a proclamation withdrawing the concession and restoring the 20-cent rate of duty.

As predicted by the Commission the increase in the duty has proved to be inadequate. Imports have continued to increase, production and sales have continued to decline, and the domestic industry today is in a much worse financial condition than it was in at the time the increase was promulgated.

This situation has not resulted solely because a 20-cent rate of duty, as predicted by the Commission, has proved inadequate. The truth of the matter is that the effect of a 20-cent rate of duty cannot be determined, since, notwithstanding the President's proclamation, for all practical purposes the 20-cent rate of duty never went into effect.

This anomalous situation arose because of a determination by the U.S. Supreme Court in December 1960, in a case involving bicycles, that the President did not have the power to modify the recommendations of the Tariff Commission. The practical effect of this decision was to invalidate the President's proclamation increasing the duty on spring clothespins, although a decision on spring clothespins was not actually handed down by the Customs Court until November 1961. Protests had been filed by importers in connection with most shipments between December 1957, when the President's proclamation increasing the duty was issued, and December 1960. Following the Supreme Court decision, it is certain that all imports of spring clothespins have been protested.

Accordingly, although the ostensible duty imposed on spring clothespins since December 1957 has been 20 cents, the importers will receive from the U.S. Government a refund of 10 cents on every gross of clothespins included in a protested shipment. Since December 1960 the importers have known that the 20-cent rate was invalid and have been content to pay the 20-cent rate with the assurance that 10 cents would eventually be refunded.

It might be of interest to the committee to know the volume of pins involved, and the amounts of the refunds to which the importers are entitled. During the period from December 1957 to December 1960 a total of 6,203,506 gross were imported. It is impossible to estimate the portion of this total which was protested, but it is certain that a very large majority was. A refund of excess duty collected during this period could well exceed a half million dollars. Since December 1960 an estimated 3,500,000 gross have been imported, all of which have been protested. A refund to importers on these imports of about $350,000 will have to be made.

The real significance of this situation is the fact that the President has known since December 1960 that the proclamation increasing the duty on spring clothespins was invalid. During the same month he received from the Tariff Commission a report informing him, in net effect, that continuance of the proclaimed duty was essential. Nearly 19 months elapsed before action was taken to validate the 20-cent duty. Shortly after the Supreme Court decision the President asked the Tariff Commission to conduct a public hearing and determine a peril

point on spring clothespins. This was done on January 9, 1961, and although the domestic producers do not know the exact peril point established, it had to be at least 20 cents since the Commission in December 1961 again advised the President in a formal report that continuance of the 20-cent rate was necessary.

Following the establishment of the peril point in January 1961 the United States began negotiating with Sweden and Denmark for a new trade agreement covering spring clothespins. In September 1961 the President announced that agreement had been reached with Sweden, but formal action was withheld pending settlement with Denmark. In December 1961 the writer was informed by a representative of the importers that agreement had been reached with Denmark. Such agreement was not announced by the President until March 7, 1962—although the importers knew about it last December. The March 7, 1962, announcement stated that the rate of duty on spring clothespins was bound at 20 cents in an agreement with Denmark.

However, the 20-cent rate was not put into effect until July 1, 1962. The writer is informed that the agreement with Denmark, reached in December 1961, specifically provided that the 20-cent rate would not be put into effect until July 1, 1962, thus giving importers an opportunity to flood the domestic market with spring clothespins at the 10-cent rate.

Importers took full advantage of this moratorium. During the first 4 months of 1962 a total of 972,000 gross were imported. This figure represents an increase of more than 300,000 gross over the comparable period in 1961. While import figures for May and June 1962 are not yet available, it is certain that they will show a similar increase over 1961 imports, and that imports during the period of the moratorium will be sufficient to completely demoralize the domestic market for the entire year of 1962.

The most significant feature of this situation is the fact that the agreement to postpone the effective date of the 20-cent rate until July 1, 1962, was not reported to the Congress by the President. An agreement to continue a lower rate of duty for a specified period of time is a "concession" granted in a trade agreement just as much as an agreement to reduce a rate of duty. Since the 10-cent rate which was allowed to continue in effect was below the peril point established by the Tariff Commission, the President was required by section 4(a) of the Trade Agreements Extension Act of 1951, as amended, to report the concession on the effective date of the increase to the Congress. This report was not made, so far as the writer can ascertain. If made, it was certainly not made public.

Thus despite a determination by the President more than 4 years ago that the domestic spring clothespin industry was being seriously injured by a concession granted under the trade agreements program, and despite his knowledge in December 1960 that his action designed to relieve such injury was invalid, no relief of any kind was forthcoming until July 1, 1962. Negotiation of trade agreements takes time. However, section 6 of the Trade Agreements Extension Act of 1951 specifically provides that no concession shall be permitted to remain in effect where a determination is made that such concession is causing injury. The concession on spring clothespins was allowed to remain in effect for 4 years and 7 months after a determination of injury was made by the President himself

The President has the power to make an immediate withdrawal of a concession under the provisions of the Trade Agreements Act, and a quick withdrawal under the provisions of GATT, article 28. Had he desired to do so, he could have effectively withdrawn the concession within days after he learned in December 1960 that his former action was invalid. His continued failure to do so has resulted in irreparable harm to the domestic industry.

The problems of domestic industry in securing relief under the escape clause are not confined to the difficulty of getting action by the President. There are many difficulties in getting a favorable recommendation from the Tariff Commission, largely due to differences of opinion as to what Congress meant by the words "industry" and "like or directly competitive products," as used in the escape clause. For example, several of the domestic producers of spring clothespins also produce standard or slotted pins. Throughout the course of several hearings and investigations as to the effect of increased imports of spring clothespins, the domestic producers argued that the Commission should take into consideration the impact of such imports on domestic sales of standard clothespins.

It was pointed out that standard pins are used for the same purpose as spring pins, and are directly competitive. As a matter of fact, the industry established

that standard pins had enjoyed a competitive advantage over spring pins for many years due to lower prices; that imports of spring pins were priced at about the same level as domestic standard pins; and that the most serious effect of imports of spring pins was on domestic sales of standard pins. At the same price most housewives will buy spring pins in lieu of standard pins, and with imported spring pins available at the same price, domestic sales of standard pins declined sharply.

Nonetheless, the Commission found, in 1957, that standard and spring pins were "not like or directly competitive within the meaning of the pertinent legislation."

Thereafter standard pin shipments continued to decline, dropping from 4.8 million gross in 1956 to 3.5 million gross in 1961. At the same time imports of standard pins began to skyrocket, increasing from 44,000 gross in 1956 to 361,000 gross in 1961. Since the Commission appa[illegible]ly considered that spring and standard clothespins were produced by separate "industries," and were not competitive items, the standard pin "industry" applied for an escape clause investigation to determine whether imports of standard pins were causing injury. The result was a determination by the Commission made in February 1962 to the effect that the troubles of the standard pin industry were not caused by imports of standard pins, but were due to the competition from spring pins. How the Commission can conclude in 1957 that spring and standard pins are not competitive, and then in 1962 can conclude that the obvious injury to the standard pin manufacturers was being caused by competition from spring pins, is difficult to understand. However, those are the facts.

Another example of the problems which domestic industries face in obtaining Tariff Commission action in escape clause cases arises out of the granting of concessions on all items in a so-called basket classification. Such a concession was granted on manufactures of wood, not otherwise classified. This concession affects a large number of wood products, including ice-cream sticks, cocktail forks, and other flat veneer items.

Domestic producers of these items are being severely injured by large volumes of imports, particularly of ice-cream sticks and cocktail forks, which imports are being sold on the domestic market at prices lower than the cost of production in the United States. The domestic producers, however, cannot even apply for escape clause relief since there is no way to establish the actual quantities being imported. Import statistics are not available, and cannot be obtained, at least by the domestic producers, as to the individual items in the basket classification. The only figures available are total imports of all items in the classification.

As a result, the domestic industry is unable to sustain the burden of proving to the Tariff Commission that imports of specific items have increased as a result of the trade agreement concession.

The only conclusion that can be reached is that the present escape clause and peril point procedures are grossly inadequate to provide any reasonable degree of protection to domestic industry against injury from trade agreement concessions.

ADJUSTMENT ASSISTANCE PROVISIONS OF H.R. 11970

The President now proposes that the Congress grant him even broader tariff-cutting powers than have been available to him under the existing Trade Agreement Act, which powers will be used by him, according to the admissions of the President's spokesmen before the House Ways and Means Committee, in such manner as to deprive 90,000 workers of their jobs and 800 firms of their businesses in the next 5 years. These same spokesmen have assured the committee that the adjustment assistance provisions of H.R. 11970 will enable the administration to take care of these 90,000 workers and 800 firms.

The bill makes no provision to take care of the many additional thousands who will be injured indirectly by the proposed program. These include the merchants and service establishments in small towns, who are dependent upon the plants and their workers located in such small towns for the success of their businesses; the thousands of individuals and firms who supply such plants with raw materials; the trucking companies and their employees who transport raw materials to the plants and finished products from the plants to market; and the small towns themselves.

While the specific 800 firms to which the administration spokesmen refer are not identified, it is safe to say that most of them are located in small towns throughout the country. The industries most likely to be injured and sacrificed under the program are generally the small producers located in small towns who

are already in trouble as a result of increased imports directly traceable to concessions in duties heretofore granted. Small companies with high labor costs are unable to compete on a price basis with foreign producers paying low wages. Normally they do not have the capital to invest in highly efficient machinery and must rely on labor. The only domestic industries which can hope to survive without tariff protection are the large, highly mechanized and efficiently operated, producers. Most of these are located in big industrial centers and produce items which can compete abroad with foreign-made merchandise.

This point can best be illustrated by a specific example. The town of West Paris, Maine, with a population of 670 people, has only two industrial plants, both engaged in the production of wood products. One employs only about a dozen workers and the other, Penley Bros., employs 116 workers in the production of clothespins. The remaining 58 workers employed in the town work for merchants, trucking companies, and service establishments. Many of the workers own their own homes, pay taxes to the town and generally contribute to the continued existence of the town.

The wood used by Penley Bros. in the production of clothespins is largely furnished by hundreds of farmers in the vicinity whose only cash income is from the sale of wood cut from small woodlots.

If the clothespin industry is one of those to be sacrificed, as appears highly likely, the Penley Bros. plant will be forced to close down, putting 116 of the 186 employed in West Paris out of work directly. Since there are no other employment opportunities in the town, these workers would be forced to look elsewhere for jobs, and probably would have to move their families to a large industrial center, learn a new trade, and hope for a job manufacturing a product which will have a market abroad through concessions obtained from foreign countries.

If they own their own homes they would be forced to sell, with no market for homes due to the lack of employment opportunities in West Paris. The merchants and service organizations in West Paris would lose their customers and unquestionably would be forced to close. The trucking companies and their workers would lose their sole source of revenue in West Paris and would be forced to seek business elsewhere. The hundreds of farmers would lose their market for their wood.

The town of West Paris could not possibly survive the closing of the Penley Bros. plant and would become another ghost town. To be sure, H.R. 11970 provides for assistance to Penley Bros. However, in order for Penley Bros. to qualify for such assistance it would have to present to the Secretary of Commerce a proposal for its economic adjustment and satisfy him that the proposal was "reasonably calculated materially to contribute to the economic adjustment of the firm; to give adequate consideration to the interests of the workers of such firm adversely affected * * * and * * * that the firm will make all reasonable efforts to use its own resources for economic development."

The machinery and equipment in the Penley Bros. plant is designed solely for the production of clothespins. It could not be used for anything else and would have to be junked. This would leave the company with an empty shell of a building, and it would have to start from scratch. The only advantage of its location is its proximity to wood supplies. Even if it could finance with Government loans the installation of new machinery, designed to produce other wood products, its chances of success are practically nil. The production of other wood products is highly competitive and existing manufacturers are already in trouble as a result of increased import competition.

It could, of course, at the taxpayers' risk, tool up for the production of entirely different products, using raw materials transported from another area of the country. In so doing it would be embarking on a highly risky venture, entering another market in competition with existing firms which are probably located closer to the source of supply of necessary raw materials and which have established selling organizations and contacts with the market.

Aside from the difficult of presenting a satisfactory proposal for its economic adjustment, Penley Bros. would be expected to enter into partnership with the Federal Government. Any loans or other assistance would be subject to such terms and conditions as the Secretary of Commerce deems appropriate. Such terms and conditions would probably include a voice in management, directions as to the specific products to be manufactured and as to methods of distribution, prices, et cetera. Individual stockholders of the firm could be required to endorse notes evidencing any loans made to the firm and would re-

main liable if the firm failed. In effect the firm would become a virtual ward of the Government.

Under these circumstances it is highly probable that Penley Bros. would cease to exist, and would not even apply for assistance under the bill.

The next question is what happens to Penley Bros. employees? The bill assures these workers of assistance, provided they can prove to the Tariff Commission that they lost their jobs as a result of increased imports resulting from a duty concession. In the absence of an application by the industry or by Penley Bros. for a determination that the company is eligible for assistance, the workers would be on their own, and would face an almost insurmountable task. As indicated before, persuading the Tariff Commission to make a determination as to injury resulting from increased imports is not easy, even with the combined efforts of an entire industry. It is inconceivable that individual workers, even though represented by a union, could assemble the voluminous facts and figures necessary to enable the Tariff Commission to find that increased imports of a particular commodity resulted from a concession granted under the program, and that such increased imports caused or threatened to cause, unemployment or underemployment of a significant number or proportion of workers.

Even assuming that such a determination is made as to Penley Bros., the individual workers face many other problems. In the first place the workers would have to accept suitable training approved by the Secretary of Labor. This could be training in a field of no interest to the individual worker, for a job in an entirely different part of the country. If the worker refuses the training without good cause, he would not be eligible for any assistance.

Again assuming that the Penley Bros. worker could establish his eligibility and was willing to accept the conditions to assistance, he still would face serious problems. If he owned his home in West Paris he probably could not sell it. He would receive a maximum of 65 percent of his average weekly wage or 65 percent of the average weekly manufacturing wage, whichever is less, plus an inadequate allowance for moving expenses for his family. Reestablishment of a family in a new community, with little or no capital to work with, and with greatly curtailed income pending the time the worker is able to find a new job, is not easy.

Finally, the question arises as to what compensation is offered to the town of West Paris itself, the merchants, service establishments, truckers, farmers, et cetera, who have depended on the continued operation of Penley Bros., and the many others who would be indirectly injured by the sacrifice of Penley Bros. in order to obtain a concession from the European Common Market which would provide employment in Cincinnati, or elsewhere. The answer, of course, is none.

While it may be argued that Penley Bros. is an isolated example, and possibly an extreme one, and that the continued existence of West Paris unimportant to the national economy, it is suggested that there are literally thousands of small towns throughout the United States which are dependent upon small plants. One of the basic features of the American way of life has been the operation of small businesses in small communities, providing employment to residents of such communities.

This Congress is being asked to grant powers which can well destroy this way of life, through the sacrifice of these small companies. The writer does not profess to have the omniscient powers necessary to forsee the final results. It may well be that such a sacrifice is needed for the future welfare of the country. However, it is submitted that if the bentfits to the overall economy are as great as they are painted by the administration spokesman, the taxpayers generally should be willing to pay for such benefits. The burden should not be shouldered by the 800 firms and 90,000 workers the administration proposes to sacrifice, or by the uncounted thousands of others who will be directly or indirectly injured by the sacrifice of these firms.

The provisions for compensation in H.R. 11970 are grossly inadequate and unworkable. Moreover, the record of our negotiators at the bargaining table abroad does not assure us of the great benefits we are told will flow from the grant of powers contained in H.R. 11970. Until there is more concrete evidence of the ability of the State Department to obtain concessions which approach the value of concessions granted by us, and until a plan is devised which will provide adequate compensation to all Americans who are injured in the process, it is suggested that the Congress should adhere to its well-established policy of providing protection to all domestic industries.

RECOMMENDATIONS

This protection can only be afforded if the Congress retains final control over the granting of concessions below peril points established by the Tariff Commission and over determinations as to whether or not to effectuate the recommendations of the Commission for relief in escape clause cases.

It would unduly burden this committee and the Congress if it became necessary for the committee or the Congress to pass on every individual case. However, the necessary control could be exercised by providing in the peril point and escape clause procedures that the President shall not grant any concession below the peril point, and that the President shall proclaim such increased duties, or impose such import quotas, as may be recommended by the Tariff Commission in escape clause actions, unless he files within a specified period, with this committee and with the House Ways and Means Committee, the reasons why he feels that he must grant a concession below the peril point, or that the escape clause recommendations in a particular 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 adhere to the peril point, or would be required to put into effect the recommendations of the Commission, as the case may be.

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 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.

If this committee and the House Ways and Means Committee are reluctant to accept the responsibility of making these decisions, the alternative is to provide for affirmative approval of either or both Houses of Congress. Congress is in a much better position to understand the effect which particular duty concessions, or refusal to increase duties as recommended by the Tariff Commission, will have on the domestic producers and small towns, than the State Department or the President.

CONCLUSION

The Congress is being asked to decree the destruction of small companies and small communities, in order to provide a market for the products of other companies. The far-reaching effects of such a policy on the domestic economy cannot be described or even imagined. It is hoped that the committee will not approve the policy until it is completely satisfied that it is for the overall good of the country and that the country as a whole, rather than a limited few, will pay the bill.

The CHAIRMAN. Thank you, Mr. Tilden.

The committee will now recess until 10 a.m. tomorrow.

(By direction of the chairman, the following is made a part of the record:)

TEXAS SHEEP & GOAT RAISERS' ASSOCIATION,
San Angelo, Tex., July 25, 1962.

Senator HARRY F. BYRD,
Chairman, Senate Finance Committee, Washington, D.C.

Dear SENATOR BYRD: The trade agreements bill now under consideration by your Senate Finance Committee would grant broad powers to the President over foreign commerce matters. Livestock people represented by our association view this with increasing concern as moves will very likely be made, should the legislation be enacted, to lower our tariffs and in many cases erase them entirely in order to stimulate trade with other countries.

As livestock producers we fully realize the importance of trade with other nations and readily admit that we must adjust to the competition which may

be presented by the members of the European Economic Community. However, we are deeply concerned to see the Congress pass a trade bill which, in so doing would divest itself of authorities over foreign commerce and place such power in the executive branch.

Recently, we have learned of restrictions and barriers placed against livestock and livestock products by Canada, New Zealand, and Ireland. For example, on June 25, 1962, the Canadian Government placed into effect a 5 percent surcharge on imports of livestock, meat, and meat products. The new tax is a part of Canada's austerity program and these surcharges, rather than other import restrictions, have been initiated to help maintain or strengthen domestic markets and discourage imports. It is a well-known fact that the United States annually imports on an increasing basis a tremendous tonnage of livestock products from these and other countries, particularly Australia. These imports of red meats exceeded 1,326 million pounds last year including 10,940,000 pounds of dressed lamb and 44,903,000 pounds of mutton. In addition over 1,048,000 head of live cattle were imported in 1961.

A healthy domestic livestock industry is essential to the United States and its people. We firmly believe that our elected representatives in the Senate and House of Representatives are in a position to be more familiar with problems of domestic industries in which their constituents are engaged. At such a critical time, careful consideration for the protection of domestic industries must be exercised and this purpose may be best served by our representatives in the Senate and House of Representatives carrying out a process which has proved so successful in building the economy of our country. We, therefore, respectfully request that the trade bill not be passed.

Sincerely,

E. G. CAUBLE, JR., *President*.

STATEMENT BY W. E. BLACK, DIRECTOR OF ECONOMIC AND MARKETING RESEARCH, FLORIDA CITRUS COMMISSION, LAKELAND, FLA.

Mr. Chairman and members of the committee, my name is William E. Black. I am director of Economic and Marketing Research of the Florida Citrus Commission, a statutory arm of the State of Florida, representing all facets of the Florida citrus industry. Our function is to regulate, research, and promote Florida citrus in the domestic market, as well as in the export market.

FLORIDA RANKS FIRST IN PRODUCTION

As an indication of the important role Florida plays as supplier of citrus for the world, we produced in Florida, last season, 124 million boxes of oranges, grapefruits, and tangerines. This was 75 percent of the U.S. supply, and nearly 30 percent of the world supply of these fruits.

FLORIDA PROMOTES CITRUS IN EUROPE

Florida's interest in the export market is of long duration. We recognize that Europe is the major oversea outlet for our rising production in citrus. For several years, the Florida Citrus Commission has maintained full-time merchandisers in the European markets, and has expended over $1 million to win and keep business. Additionally, the Florida citrus industry has expended money in research, not only to better understand the consumer markets of Europe, but also the mechanics for transporting fruit to arrive in the best possible condition. More research is planned which will enable us to still better understand the citrus needs and wishes of European consumers and to service them.

FLORIDA EXPORTS CITRUS TO EUROPE

Our achievements in the European markets have not been altogether satisfactory. The annual exports of citrus, in all forms, from the United States to Europe have average about 4¾ million boxes[1] of fresh fruit equivalent during the past 5 years, or about 2.8 percent of total production. California has been the principal supplier of fresh oranges, while Florida has been the principal supplier of processed citrus products and fresh grapefruit.

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[1] Excludes lemons and limes.

Although the export to Europe of 2.8 percent of our production of orange and grapefruit may appear inconsequential, its significance must be evaluated, not only in terms of the stability it has added to the U.S. citrus industry during the past 5 years, when supplies were relatively level, but especially in terms of the franchise this effort has built for U.S. citrus in European markets for the future. Citrus production in Florida and California, predicated on recent plantings, will increase substantially in the years ahead. Forty-two percent of the Florida citrus acreage is under 10 years old; in California, 26 percent is under 10 years old. This new acreage means a production leap that will exceed our population growth. We will have more fruit to supply the world trade, and our dependence on world markets will be intensified.

WE ARE SUBJECT TO DISCRIMINATORY RESTRICTIONS

However, the pattern of trade emerging in world markets for citrus fruits is most discouraging, in that inhibiting tariff and quota restrictions have been placed on the importations of citrus from the dollar area. For example, since World War II, and with intensified efforts during the past 7 years, the Florida citrus industry has endeavored to obtain access for its products in the United Kingdom market. Although the United Kingdom has liberalized imports of most fruit items from the United States, they continue to impose relatively small quotas on imports of most citrus fruits and products, and actually prohibit imports of winter grapefruit. These restrictions, initially justified for shortage of foreign exchange, continue to be maintained ostensibly to protect the British market for these products from the West Indies, where total production is exceedingly small. As a matter of fact, Israel has been the chief beneficiary of this British policy, since Israel has been able to ship citrus to Britain without restrictions and has, in fact, consistently exceeded, manyfold, West Indies exports to the United Kingdom.

NEED SAFEGUARDS TO INSURE FREER COMPETITION

The Florida industry has long recognized the problem confronting the citrus industry of the West Indies, but it cannot continue to accept the current situation, which prohibits or limits imports of citrus from Florida while, at the same time, all other competitive areas ship without restrictions to the United Kingdom market. We earnestly request that ample safeguards be provded in whatever trade bill you adopt to make sure the Florida citrus industry is not again subjected to quantitative restrictions and arbitrary quotas, such as is now the case between Great Britain and our citrus products. We want to emphasize again that any new trade legislation must include adequate safeguards for the prompt elimination of discriminatory quotas or other artificial barriers raised against us by foreign nations.

DON'T BARGAIN AWAY OUR STRENGTH

We are all conscious of the impact of the European Economic Community upon world trade patterns, and particularly U.S. exports to Western Europe. We fully recognize the value of a vigorous and dynamic economy of Europe as a healthy partner to the United States in the defense of the free world.

At the same time, we must remember that the economy of the United States is really the cornerstone of this defensive posture, and that any limitations upon our ability to compete fairly and equitably in the export market, would seriously handicap the full development of our economy and thus limit the cause of freedom.

We, therefore, urge that the United States exercise the same degree of firmness and objectivity of purpose in negotiating with the Common Market countries, which these countries have demonstrated in formulating their own policy. We, in citrus, are especially anxious on this point, because we hear that competitive citrus-producting nations such as Israel, Turkey, and Spain are attempting to join the EEC, or to establish special treaty relations, on a kind of "associate member" basis. It is obvious what this will do to our marketing outlook in Western Europe. As the EEC, and these other countries which produce citrus, move toward a common agricultural policy, we need the strongest possible legislation to safeguard our fair access to these markets, as well as most vigorous representation at the negotiating tables.

AVOID NULLIFICATION OF AGREEMENTS BY NONTARIFF RESTRICTIONS

We not only need fair tariff levels, but we must have adequate safeguards so that whatever reasonable tariffs are finally agreed upon will not be nullified by nontariff barriers. We are advised that the EEC countries have already adopted a policy which, in addition to new external tariffs, established authority for quantitive restrictions, or for a special tax on imports to be applied if prices of imported items disturb producer prices in the Common Market countries. In other words, we are still facing the twin bugaboos of artificial import quotas and special taxes on fruit going to the EEC, in addition to the tariffs which have already been announced. We earnestly hope that the new trade legislation will give the President ample authority to protect our interests in the event the EEC proposes to enforce these additional restrictions on trade.

GRANT AGREEMENTS ON A COMPLETELY RECIPROCAL BASIS

Finally, we feel our most favored nation policy on tariff concessions needs examination. We cannot understand why countries who do not reciprocate with the United States should receive the benefit of our tariff concession. Mexico is a good case in point. Despite increased imports of fruits and vegetables into the United States from Mexico, practically all U.S. exports of these items (especially oranges) to Mexico are restricted. At times, these exports have been subjected to embargoes, almost without notice. We believe that a country which continues to impose such restraints on trade should not be eligible for the benefits of concessions made under our trade agreements program.

SUMMARY

Because of the importance of the Florida citrus industry as producer of 30 percent of the world's citrus supply, we look to this committee and to the Congress to write into this legislation provisions to prevent recurrence of the type of discriminatory restrictions practiced by the British against us. Further, we need safeguards for fair access to European markets which mean so much to our future, both in establishment of fair tariffs and in precluding quantitative restrictions, special taxes, or unreasonable quality requirements, all of which would serve to offset any trade arrangements agreed upon. All agreements agreed upon must be on a completely reciprocal basis.

We would like to see such provisions included in this legislation, together with a statement that it is the consensus of the committee that the administration diligently and forcefully carry out these intentions, in the implementation of trade agreements, at the conference table.

SUMMARY OF COMMENTS AND RECOMMENDATIONS MADE BY THE FLORIDA CITRUS COMMISSION REGARDING H.R. 9900 (TRADE EXPANSION ACT OF 1962)

1. Florida produces nearly 30 percent of the world supply of oranges, grapefruit, and tangerines.

2. Florida Citrus Commission has expended over $1 million in European markets to win and keep business. Additional funds have been expended on marketing and transportation research.

3. U.S. exports annually about 4¾ million boxes of fresh and processed citrus to Europe, or about 2.8 percent of production. U.S. dependence on the European market will be intensified in the years ahead because anticipated citrus production growth will outrun U.S. population growth.

4. We are now subject to unreasonable quota restrictions in the United Kingdom market for our fruits, while other production areas, especially Israel, have supplied fruits without restriction on a relatively free basis.

5. We seek safeguards in the trade bill which will preclude the United States from discriminatory quantitative restrictions and arbitrary quotas.

6. We ask for safeguards against nontariff restrictions, such as, quantitative restrictions and special taxes, which would nullify tariff agreements.

7. We ask that concessions be granted only on a completely reciprocal basis.

8. We would like to see the above recommendations included in this legislation, together with a statement that it is the consensus of the committee that the administration diligently and forcefully carry out these intentions, in the implementation of trade agreements, at the conference table.

NATIONAL COTTON COUNCIL OF AMERICA,
Memphis, Tenn., July 19, 1962.

Hon. HARRY FLOOD BYRD,
Chairman, Senate Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR BYRD: On behalf of the National Cotton Council, which represents all six of the primary cotton interest groups, I am writing you to give you the cotton industry's views on the proposed new trade legislation.

The council has supported the reciprocal trade agreements program since the organization was created in 1939, and continues to do so now. At its annual meeting last January in New Orleans, the National Cotton Council reiterated its belief:

"That a continued high level of international trade on a multilateral basis is contributory to peace and vital to the prosperity of the United States and of the free world, and to the economy of the cotton industry;

"That this can best be assured by maximum use of normal trade channels through the private enterprise system and by discouraging government-to-government transactions which are detrimental to the principles of our economic system;

"That this system should be supported by a national policy which will further the elimination by foreign countries of unreasonable restrictions against U.S. trade and particularly against U.S. agricultural products;

"That, in view of the current critical imbalance of foreign payments, U.S. foreign aid programs including Public Law 480 should continue to be examined critically and, to the maximum extent possible, assistance to foreign countries should be extended through self-liquidating dollar credits."

Since the proposed provisions of the Trade Expansion Act of 1962 were not known at the time of the council's meeting, the council's resolution on foreign trade legislation was, therefore, expressed in general terms as follows:

"That the council further urge extension of the reciprocal trade agreements program with authority to negotiate with the emerging regional trading blocs such as the European Common Market; provided, however, that concessions granted by the United States be truly reciprocated by foreign countries in elimination or reduction of their restrictions on trade, whether by duties, quotas, internal taxes, or otherwise; and provided further than adequate safeguards be included in the act to prevent undue concentration of imports that would cause serious economic dislocation and market disruption in this country."

You and the members of your committee are fully aware of the tremendous increase in the imports of cotton yarn, cloth, and apparel, and the serious market disruption and repercussion that these imports are causing. We assume that the members of your committee also are aware of those proposals in the President's seven-point program which would act to check such imports. We strongly support the exceptional treatment which the President has proposed for the textile industry, and urge the full and effective implementation of these specific proposals.

In support of this position, the council's foreign trade resolution for 1962 included a provision stating that the council: "Seek appropriate action to provide reasonable protection against excessive imports of textile products, including apparel, and to offset through import fees the discrimination in the price of raw cotton between foreign and domestic mills."

We respectfully request that this letter be included in the official records of your committee's hearing on the proposed trade legislation, so that our views will be known by the members of your committee.

The cotton industry hopes that its recommendations will receive due consideration by the committee, and we want to take this opportunity to thank you and the members of your committee for your objective consideration of our recommendations.

Sincerely,

BURRIS C. JACKSON, *President.*

STATEMENT OF PINEAPPLE GROWERS ASSOCIATION OF HAWAII, SUBMITTED BY R. L. CUSHING, ON H.R. 9900, TRADE EXPANSION ACT OF 1962

This statement is submitted on behalf of the Pineapple Growers Association of Hawaii, the members of the association being Baldwin Packers, Ltd.; California Packing Corp.; Dole Corp.; Hawaiian Fruit Packers, Ltd.; Kauai Pineapple Co.; Libby, McNeill & Libby; and Maui Pineapple Co., Ltd.

The United States produces annually approximately 18.5 million cases of canned pineapple and 12.3 million cases of canned pineaple juice, a total of 30.8 million cases. The canned pineapple pack is approximately 15 percent of the total U.S. canned fruit pack and the canned pineapple juice pack is approximately 23 percent of the total U.S. canned fruit juice pack.

The U.S. production represents 56 percent of the known world production of canned pineapple and over 81 percent of the known world production of canned pineapple juice.

Hawaii, with an annual production of 18 million cases of canned pineapple and 12 million cases of canned pineapple juice, accounts for over 96 percent of the U.S. packs of these items. The other U.S. production is in Puerto Rico with 200,000 cases of canned pineapple and 200,000 cases of canned pineapple juice and the continental United States which cans an estimated 300,000 cases of pineapple and 100,000 cases of pineapple juice. Hawaii, therefore, is not only the principal pineapple-producing area in the United States, but the major producer in the world with 54 percent of the world production of canned pineapple and 79 percent of the world production of canned pineapple juice.

In 1960, 12 percent of Hawaii's canned pineapple was exported, approximately 10 percent of the pack being exported to Europe; 9 percent of the juice pack was exported, over 2 percent of the pack going to Europe. The 1960 exports of canned pineapple were valued at $11.6 million and the pineapple juice exports at $2.3 million, making a total value of pineapple exports of $13.9 million. With exports of this proportion, our members are naturally keenly interested in foreign trade and policies which may affect it. As producers of a major canned fruit product, which ranked second in importance of all U.S. canned fruit exports based on annual averages for the 5-year period 1956–60, we are concerned with the possible effects of the Trade Expansion Act of 1962.

TITLE II. TRADE AGREEMENTS NEGOTIATING AUTHORITY

An objective of the bill, as we understand it, is to provide industry and agriculture of the United States with greater access to the markets of the European Economic Community and thereby improve our economic welfare. This objective is commendable. But the broad powers delegated to the administration to reduce tariffs, the indicated policy the EEC is taking toward protecting its own agriculture, and the recent history of tariff negotiations and agreements between this country and other countries, are reason for belief that some segments of the American economy may be seriously hurt rather than helped by the pending legislation. Such fears are not allayed by the fact that the proposers of the bill were so well aware of the fact that the authority contained in the bill could be used in such a way that it could result, for industries or firms, in significant idling of American productive facilities, prolonged and persistent inability to operate at a profit, and unemployment or underemployment of a significant number of the workers in the industry, that 60 percent of the bill is devoted to means of providing Government assistance to industries, firms, and workers who would be so adversely affected.

It is not clear as to what the effects on American agricultural exports, and specifically canned fruits, would be from the broad powers the bill would grant the Government for international trade matters. Have the proposers of this legislation had the benefit of economic studies to determine the net effect the exercise of the proposed powers would have on affected economic regions, economic groups, and product categories? An appraisal of the net economic effects on American business and agriculture would seem to be basic.

From the standpoint of the pineapple industry, the announced external tariff on canned pineapple by the European Economic Community is 25 percent ad valorem. The U.S. tariff on canned pineapple is three-fourths of 1 cent per pound which is approximately 6 percent ad valorem. The disparity in bargaining positions is obvious. Under the European Economic Community, associated oversea territories of member states will have duty-free entry in EEC. The French possessions of Guinea, Ivory Coast, and Martinique are likely to increase pine-

apple production since they would export to EEC duty free If the United Kingdom becomes a member and Australia has duty-free access to the EEC markets, Australia's canned pineapple products would have a decided advantage over Hawaiian canned pineapple in our principal export market area which is already highly competitive.

The U.S. tariff on canned pineapple juice of 20 cents per gallon is a reduction from the rate of 70 cents per gallon which applied before 1945 and 35 cents per gallon which applied from 1945 to 1948.

Pineapple and other fruits are not "politically sensitive" farm products. There would thus be the danger that the interests of the fruit industries might be bartered away in obtaining concessions for more politically important items.

As to the prospects of increasing our market in EEC countries, the Secretary of Agriculture has said that protectionism is in the air where agriculture is concerned in Europe today with the tendency to insulate the Common Market from outside competition.

With such discouraging indications for any improvement in the situation in the Common Market, the question arises as to what may be the situation in the domestic market.

One of the purposes of the bill is "to assist in the sound economic progress of countries in the earlier stages of economic development." Since most such countries are in the tropics, it is almost a certainty that canned pineapple is an export product they will attempt to develop. If the U.S. tariff on pineapple should be eliminated to help such countries, it would be to the detriment of the American industry in its domestic market where it is already faced with the competition provided by 2.5 million cases of canned pineapple imported from foreign countries which, in general, have lower production costs and, thereby have an advantage and can undersell Hawaiian pineapple. In other words, instead of expanding our market, the Government could actually restrict it by fostering competition from other areas. A case in point is Taiwan. Its pineapple industry was helped by U.S. Government aid. Canned pineapple exports from Taiwan to the United States have increased from 12,000 cases in 1958 to almost a half million cases in 1961, which undersell Hawaiian pineapple in mainland and even in Honolulu markets.

The past history of tariff negotiations is our basis for concern over future negotiations, particularly if they are conducted under the broadened powers of H.R. 9900. At a meeting of industry representatives with Department of Commerce officials, March 9, 1962, the Assistant Secretary of Commerce admitted that foreign policy considerations had largely guided trade policy in the past, the United States got traded out of a lot of things and reduced tariffs disproportionately in relationship to the concessions granted to us.

Present law provides safeguards in the "peril point" and "escape clause" procedures. Under H.R. 9900, the President would no longer have to be concerned with the "peril point" and the "escape clause" would become ineffective. Mandatory hearings are dispensed with by the bill. The present responsibility of the Tariff Commission is decreased and certain powers of Congress in regard to tariffs are deleted. The President gains in power, thereby, and the bill provides his determinations under title II "shall be final and conclusive and shall not be subject to review by any court." Such concentration of power and abridgement of the due process procedure could be prejudicial to the interests of the segments of American industry and agriculture which would be affected by Government trade policies, and specifically the pineapple industry in the U.S.

TITLE III. ADJUSTMENT ASSISTANCE

Reference has already been made to the emphasis on adjustment assistance in H.R. 9900, in terms of the large part of the bill devoted to it. Reciprocal trade to us connotes the opportunity for expanding and strengthening industries and firms engaged in the export business not paralyzing or destroying them. If the provisions for adjustment assistance under the drastic conditions specified in the bill are an indication that some old established American industries are to be sacrified in the interest of U.S. foreign policy, based upon the judgment of the President, then we oppose the entire concept of the bill.

We in no way minimize the importance of foreign policy in the present world situation but we feel that the strongest policy will be built on a strengthened rather than a debilitated business economy.

For an industry to be eligible for adjustment assistance under the act there must be the probability of occurrence on a widespread basis in the industry of significant idling of productive facilities of firms, of prolonged and persistent

inability of firms to operate at a profit, and of unemployment or underemployment of workers. All three conditions must be met to qualify for assistance. In such an eventuality, it is difficult to see how the relief measures in H.R. 9900 would be effective in the case of the pineapple industry. In a basically agricultural economy such as Hawaii, what economically sound substitute use could be found for the 74,000 acres now devoted to pineapple production; what alternate use could be found for the nine canneries with their specialized equipment for pineapple canning; what other employment could there be for the 8,000 year-round workers and the additional 15,000 seasonal workers; what replacement could be found in the Hawaiian economy for the $117 million income pineapple produces? Technical assistance to be provided by the Government would hardly be the answer. The pineapple industry now spends over $1 million a year centered in the industry-supported Pineapple Research Institute of Hawaii which is recognized throughout the world as outstanding in research on pineapple.

RECOMMENDATIONS

Our recommendations with respect to this legislation are as follows: (1) strengthening rather than diluting Tariff Commission procedures, and retention of the "peril point" and "escape clause" safeguards, thereby eliminating the need for title III; (2) guaranteeing that concessions made by this country on a product or group of products will be predicated on reciprocal concessions in the same products group; (3) elimination of concessions to nations that negate these concessions by quantitative restrictions, monopolies, import licenses, and other devices that violate the spirit of reciprocity; (4) providing for congressional review and veto to be exercised within a reasonable period of time; (5) addition of industry advisers to U.S. negotiating teams to represent product groups listed for negotiation.

If these recommendations are unacceptable, we are opposed to the bill in its entirety and recommend instead that consideration be given to extension of the present Reciprocal Trade Act.

STATE OF NEW YORK,
DEPARTMENT OF AGRICULTURE AND MARKETS,
Albany, May 9, 1962.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR BYRD: You will remember, I hope, that several years ago we had an earnest conversation about a proposed reduction of tariff on sweet cherries. At that time escape clause provisions were set up so that authority to reduce tariffs would be limited to some extent as far as our crop of sweet cherries is concerned.

My objection to lowering the tariff on sweet cherries at that time was that the French who wished to import sweet cherries into this country would not reciprocate by various devices and allow our apples to be imported to France. The French talked good but when the chips were down our apples did not get into France. It was our observation that the people who raise and pick the sweet cherries in both France and Italy do not get much of anything for these cherries, so that a reduction in our tariff will not reflect increased income and earnings to French or Italian farmers, but only to the handlers and processors.

I cannot see that the United States has been very successful in its negotiations with France and Italy on the Common Market in getting either country to agree to reciprocate; that is, they have not agreed that they will not set up all sorts of barriers against our apples, as they have in the past. If the tariff is sharply reduced, without recourse, a great number of sweet cherry producers in New York, Michigan, and on the Pacific coast, are going to suffer severe and lasting hardship.

It is all very well for our President to talk about "trading or fading." We agree perhaps in principle with this but do not agree that the French should be given any special advantage as they will be in the case of sweet cherries in the overall bargaining that we have had with them.

We can grow sweet cherries, or any other fruits just as cheaply as anyone in the world and we can compete on a fair and equitable basis. In the case of sweet cherries and apples we are not getting a square deal under the proposed law.

As you may have observed, New York State seems to be getting its feet under itself again, as far as the apply industry is concerned, with the consolidation of some of our processing operations, controlled atmosphere storages, and a good promotion and advertising campaign. It seems to us that the entire eastern seabord is beginning to gets its markets back with the greater participation of the whole industry in marketing operations. Certainly we owe Virginia a great debt of gratitude in leading the way in may of these progressive operations.

Sincerely yours,

DANIEL M. DALRYMPLE,
Assistant Commissioner,
Department of Agriculture and Markets.

AMERICAN MEAT INSTITUTE,
Chicago, Ill., April 23, 1962.

Hon. HARRY F. BYRD,
U.S. Senator, Senate Office Building, Washington, D.C.

DEAR SENATOR BYRD: The meat industry has followed with interest the efforts of the present administration to expand the exports of U.S. products. We commend these efforts. However, it is our feeling that much more needs to be done by our Government toward the elimination of trade restrictions which are definitely discriminatory against U.S. livestock products.

The meatpacking industry has observed, over a period of years, a continuous "nibbling" by various countries against the free flow of packinghouse products produced in the United States and derived from livestock grown on millions of American farms.

In addition to tariffs, the various trade barriers against the free import of U.S. meat and packinghouse products still in effect today are the following:

Quotas, import licenses, import tenders, subsidies, export premiums, exchange controls, surcharges and taxes, labeling and marketing restrictions, sanitary restrictions.

The meatpacking industry believes that the U.S. Government should insist that other countries promptly remove these restrictions. You will realize that these barriers in total are of great importance and concern to this industry and to livestock producers, especially as we are working to expand our trade and to improve our balance-of-payments position.

An example of a barrier which is restrictive is that of the German regulation which requires the defrosting for inspection purposes of all U.S. variety meats which enter Germany. These products, after inspection, are then repacked and refrozen. Such products and packages lose much in appearance, and they consequently become less competitive with the fresh product imported from competing countries. Our products are prepared under the supervision of the U.S. Department of Agriculture (Meat Inspection Division) whose high standards assure the U.S. consumer of a safe, wholesome product. It would appear that the German Government should accept the U.S. Government's inspection with only sample reinspection.

Among U.S. livestock products, lard has received the most severe treatment. The Cuban market, once the most important, has been lost. Germany will not permit even traces of antioxidants which has meant that the German market has been practically closed to American exporters. In England, failure to define pure lard has jeopardized the U.S. position because of imports of lower quality lard from European countries. Lard markets have been lost in Venezuela, Ecuador, Guatemala, and most recently Peru, because of higher duties imposed against lard from the United States. These increases were supposedly to support a national industry. Such industries, however, have been dependent on competing fats or oils, and unfortunately these usually come from origins other than this country. In some instances, such as Venezuela, the tariff increases have been approved as part of the trade agreements negotiated with the United States.

It has been a traditional policy of the American Meat Institute to avoid taking a position on tariff matters, particularly in the United States. For the most part, our own tariffs against livestock and meat food products are relatively low. When our market is high, or there is a scarcity of a given commodity, foreign products come into our market with relative ease. For example, in calendar year 1961, imports of livestock and meat products, excluding wool, were valued at $541 million, whereas our exports of livestock and meat products were valued at $366 million.

Of course, the institute is not opposed to regulations which are necessary for the protection of the health of consumers in foreign countries nor which are necessary for the protection from animal diseases.

We shall very much appreciate your making every effort toward the reduction of these obstacles to our trade which threaten the export markets for U.S. meat and packinghouse products. We sincerely hope that U.S. negotiators on livestock and meat products are fully cognizant of these restrictive barriers.

Sincerely yours,

HOMER DAVISON, *President.*

U.S. SENATE,
COMMITTEE ON COMMERCE,
August 6, 1962.

Hon. HARRY FLOOD BYRD
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I have submitted with Senator Magnuson an amendment to H.R 11970, the Trade Expansion Act of 1962, and have asked that it be printed and referred to the Finance Committee. This amendment to section 252 of the bill will support our State programs that protect our fishery resources by assuring that benefits of any trade agreement can be withheld from any country which engages in practices which conflict with the efforts of our States and Federal Government to conserve our fishery resources or engaged in activities which harass our fishermen while engaged in lawful fishing activities on the high seas. Our trade policy must not conflict with our State fishery conservation efforts. We must provide some means by which the President can withhold trade incentives to foreign governments which follow practices that tend to defeat the conservation efforts of our several States. We must not encourage further exploitation of these resources by lowering our tariffs.

I would deeply appreciate your favorable consideration of this amendment. Due to your crowded schedule on this bill, I will not request to testify on this amendment in person but I will be happy to furnish further information at your request.

Sincerely yours,

E. L. BARTLETT.

[H.R. 11970, 87th Cong., 2d sess.]

AMENDMENT Intended to be proposed by Mr. Bartlett (for himself and Mr. Magnuson) to the bill (H.R. 11970) to promote the general welfare, foreign policy, and security of the United States through international trade agreements and through adjustment assistance to domestic industry, agriculture, and labor, and for other purposes, viz:

On page 19, line 16, strike out "or".

On page 19, between lines 19 and 20, insert the following:

"(3) engages or tolerates its nationals to engage in practices which are in conflict with recognized conservation principles and tend to defeat efforts by the United States including the respective States to conserve or protect fishery resources; or

"(4) takes any action, contrary to the principles of international law, to harass or otherwise interfere with United States flag fishing vessels engaged in lawful activities on the high seas,".

On page 19, line 24, strike out "or" after the comma.

On page 20, line 3, strike out the period and insert ",or".

On page 20, between lines 3 and 4, insert the following:

"(C) take such action to adjust imports of products of such country or instrumentality as he deems necessary."

SENATOR E. L. (BOB) BARTLETT, OF ALASKA, FOR RELEASE UPON DELIVERY, AUGUST 3, 1962, WASHINGTON, D.C.

Mr. BARTLETT. Mr. President, I submit for myself and Mr. Magnuson an amendment to H.R. 11970, the Trade Expansion Act of 1962; I ask that it be printed and referred to the Finance Committee. I also request that the text of the amendment be printed in the record at this point.

This amendment is offered to section 252(b) of chapter 6, title II, that portion of the trade bill which specifies the conditions under which the President can withhold or withdraw from a particular country the benefits of trade conces-

sions given to all countries. The amendment offers two additional circumstances under which the President may take this action, and it supplements the authority given him under the present bill by adding the power to impose import quotas and embargoes, all intended to guarantee the preservation of our fishery resources.

Mr. President, I believe that the trade bill contains some of the most outstanding recommendations to come before this Congress. In many respects it is farsighted and realistic. Its passage may be necessary if we are to survive the competition which is now ours from the rapidly expanding economies of Europe and Asia.

However, our fishery resources occupy a peculiar position in our foreign trade, as well as our domestic economy, and as a part of our new economic and foreign trade policy, we must support the very considerable efforts which have been and are being made by Federal and, particularly, State Governments to conserve them. With increasing pressure on the world's stocks of fish, problems of conservation will increase over the coming years. We have participated for many years in efforts to conserve and develop these resources.

The United States is an important market for foreign fish products. Likewise, the United States is herself an important fishing nation. Therefore, it is imperative that we not only allow trade concessions with other fishing nations, but we insist upon proper conservation of our fisheries and those international fisheries upon which we rely. The United States is the leader of the free world and we must lead in every field, including fishery resources conservation.

In considering any trade policy we must, therefore, insure that its consequences are compatible with our conservation goals. We should not, through inadvertence or for any other reason, give trade incentives to foreign governments to violate sound conservation practices, to overfish certain areas and stocks of fish and to use fishing gear and techniques which are contrary to proper conservation; nor can we give trade incentives to those countries which permit and encourage harassment to our fishermen and their vessels.

In its present form, section 262(b) permits the President to suspend or withdraw any trade concession to a nation which engages in an action that burdens or restricts U.S. commerce. With the addition of this amendment, the President can take the same action when another country permits its citizens to engage in fishing activities which will defeat the efforts of our States and our Federal Government to conserve our fishery resources or when a foreign government allows its nationals to harass or interfere with our fishermen on the high seas while they are engaged in lawful activities. With this amendment the President cannot only maintain present tariffs with regard to a specific country, which is engaging in practices which do violence to our conservation efforts, but if appropriate, he can also increase our present tariff, for example, on canned salmon and crab from 15½ percent ad valorem to 25 percent. This can be done without changing tariffs on fresh or frozen salmon and crab which may be considered an important source of supply. This amendment also gives the President flexible powers to adjust imports by any other action including the use of import quotas or embargoes.

Paragraph (c) of section 252 states that the President shall provide an opportunity for a hearing and public presentation of views on these problems. In the event a foreign country is violating principles of fishery resources conservation this provision, with the amendment, amply insures that any person shall have adequate opportunity to protest.

I cannot stress too strongly the necessity for enactment of adequate measures to protect our fishing resources. It has only been within recent years that we have become fully aware of the desperate plight the industry is in. We have been at fault in many instances because of inertia and ignorance. However, our States, in cooperation with the Federal Government, are now embarked on sound and far-reaching fisheries conservation measures and these efforts must be encouraged and expanded.

Japan, Canada, and the United States joined in a salmon conservation effort 10 years ago under the North Pacific Fisheries Convention. This convention may be dissolved in 1963 and all efforts made in the fields of research and conservation may be seriously affected by its dissolution.

U.S. salmon fishermen are prohibited by State and Federal regulations from net fishing outside our territorial waters; further, they are prohibited from specific areas and from fishing altogether if it is discovered that sufficient numbers of salmon are not reaching the spawning grounds. This close regulation of our fishermen is necessary to sustain our salmon resources.

Canada and Russia, the latter not a member of the convention, have been in accord with us on this policy.

The Japanese, on the other hand, do not impose upon themselves conservation regulations of this type and, having few spawning streams of their own, have moved out into the high seas, particularly the Bering Sea, to take salmon contrary to sound conservation practices.

Years of careful studies and investigations have proved that extensive fishing on the high seas will eventually destroy the runs of salmon destined for spawning streams in Washington, Oregon, California, and Alaska because there can be no separation and control by size and species required in a balanced fishery conservation program. An area in my own State of Alaska offers an outstanding example of what can happen to salmon runs which have been overfished on the high seas. Historically, the Bristol Bay area was known as one of the great red-salmon-producing areas of the world. In the last 10 years the runs have been drastically reduced. Federal, and now State, conservation measures have been enforced during this period, but production figures reveal that these controls have not been effective and Bristol Bay has been declared a disaster area three times in recent years. Research since 1952 has also shown that the salmon which spawn in Bristol Bay roam far west of 175° west longitude, the abstention line set by the North Pacific Fisheries Convention, east of which the Japanese cannot fish.

The Japanese, while agreeing to and abiding by certain restrictions imposed by the convention, have resisted application of these restrictions to their operations west of 175° west longitude and, unfortunately, their interpretation is seriously working against salmon conservation efforts of the United States and Canada.

The Japanese not only fish for salmon on the high seas but also, in their operations, use nylon monofilament nets which are forbidden to U.S. fishermen. These nylon monofilament nets are injurious to the fish; they have a relatively small mesh and allow little escapement of immature salmon. These practices have vastly reduced the catch of our fishermen in all of the Pacific Coast States.

The amendment is directed also at protecting our halibut. Canadian and American fishermen are not permitted to fish for halibut with drag and trawl gear, because such gear takes both mature and immature halibut, seriously affecting the stocks of halibut. At the annual meeting last November of the International North Pacific Fisheries Commission the Japanese section was asked to join in a resolution recommending to the member governments that proper restraint be exercised, that extension or expansion of trawl operations on the halibut grounds not be permitted until research now being done on the halibut stocks is completed, including assessment of effects of trawl fishing operations on the halibut stocks. The Japanese were not willing to agree to this resolution.

These halibut stocks have been developed, maintained, and expanded by efforts of Canada and the United States since 1923. Now the Japanese not only expect to reap the benefits of these efforts but may, by not abstaining from trawling for halibut in certain areas, destroy the resource these efforts set about to conserve.

There is neither need nor advantage at this time in reiterating the alarm that my colleagues and I have expressed so frequently on the floor of the Senate and elsewhere over the pressure on our fishing conservation efforts by the Russians in our North Pacific and Northwest Atlantic, pressure actual or threatened.

I believe that if the United States lowers tariffs on, or in any way negotiates to encourage increased importation of fishery products of foreign countries which have come into possession of those countries through practices which conflict with those of good conservation, we not only encourage present practices of the latter kind but future expansion of them.

Moreover, the President needs, as a part of the expanding international trade program, the authority to impose economic sanctions on those countries which seek to interfere with or harass U.S. fishermen who are engaged in lawful pursuits on the high seas.

The United States recogniz territorial jurisdiction up to 3 marine miles off shore. We have never sought unilaterally to extend our own jurisdiction beyond the 3-mile limit and we do not recognize purported unilateral extensions of jurisdiction beyond that distance by other nations.

But lack of recognition of various nations' claims beyond the 3-mile limit has not been effective in preserving the rights of our fishermen. Our shrimp fishermen from Gulf Coast States and tuna fishermen from West Coast States have been fired upon, their boats seized, and fines levied upon them, and we have had no practical means for protecting them. One incident may and does lead to others. As long as we do nothing to protect our fishemen, as long as we do nothing to protect their rights on the high seas, we can only expect further oppressive acts against them at the hands of foreign authorities.

The longer this type of situation is allowed to continue, the more we are placing our fishermen in jeopardy and the worse the situation becomes. We are encouraging chaos.

The solution is not to arm our fishing vessels; it is not to send fleets of armed U.S. patrol boats to the fishing grounds; it is not to declare war. Economic force is, today, the most sensible and effective, and the only practical solution.

The amendment, therefore, would protect our fishery resources and our fishermen to assure that our expanded trade program moves in a direction consistent with sound fishery conservation policies.

I ask unanimous consent that the amendment lie on the table until the close of business on Wednesday, August 8, so that other Senators may have an opportunity to join in sponsoring the amendment, if they so desire.

STATEMENT BY THE DRIED FRUIT ASSOCIATION OF CALIFORNIA ON H.R. 11970, THE TRADE EXPANSION ACT OF 1962

The Dried Fruit Association of California is a trade association serving the interests of the dried fruit and tree nut industries of California. Its membership includes cooperatives, independent packers, and grower-packers of 95 percent of the State's dried fruit production, and includes a large percentage of California's tree nut industry. There are some 39,830 growers of record producing 10 commodities in the categories of dried fruits and tree nuts. The most recent 5-year average production of these farm commodities according to the California Crop & Livestock Reporting Service amounts to 494,112 tons with an average farm value of $163,620,000. The processed value will exceed $200 million.

Foreign trade is vital to our industry. It affects growers, packers, and shippers of most of the commodities handled and sold by our members. This industry, therefore, fully recognizes the importance of proper legislative machinery to implement the maintenance and expansion of foreign trade.

Prior to World War II the dried fruit and tree nut industries shipped an average of 210,000 tons of dried fruits and tree nuts in export, or approximately 40 percent of the entire crop. All export markets were destroyed by World War II, but the industry has been slowly regaining its position in the world market, and with production increasing it will be necessary to again export approximately 225,000 tons of dried fruits and tree nuts in order to maintain the economic health of the industry.

We have traditionally supported the Reciprocal Trade Agreements Act and its extensions as they have come up for consideration before the Congress since initial enactment. In spite of what may have been some imperfections, we believe the prosperity of the United States has been closely related to our foreign trade policy.

In our statement on H.R. 9900, we proposed that certain amendments be written into the bill by the Congress. While the bill was considerably strengthened over its original draft, there are still no provisions for adequate prenegotiation safeguards (e.g., "peril point") and true reciprocity in trade agreements. Therefore, we respectfully request that certain amendments be written into H.R. 11970 specifically as follows:

I. Page 3, after line 20, insert the following new sections:

"SEC. 203. EXEMPTION FOR CERTAIN FRUIT AND TREE NUT CROPS AND PRODUCTS.—No proclamation made pursuant to section 201(a)(2) shall apply to any fruit or tree nut crop, or any individual product thereof, which is an article referred to in Agricultural Handbook No. 143, United States Department of Agriculture, as issued in September 1959—

"(1) of which 5 per centum or less of the average annual production of such article produced in the United States in the most recent 5-year period is exported from the United States, and

"(2) for which the United States accounts for less than 50 per centum of the world's supply in the same 5-year period,

unless there is in effect a multilateral agreement with respect to such article negotiated by the President under section 204 of the Agricultural Act of 1956, as amended, with countries accounting for a significant part of the world trade in such article."

Section 212 of the House bill provides for restrictions on the duty reduction authorizations contained in section 201(a) of the bill, in the case of certain agricultural commodities.

We fully appreciate the fact that this section will benefit prunes, raisins, cut dried fruits, apricot kernels, and in certain years of abundant supply, some California tree nuts. On the other hand, figs and walnuts have a heavy dependency upon domestic markets rather than export. These crops which rank high among California specialty crops have in recent years had to meet severe competition from low-cost producing countries and whose production of these commodities remains at a high level. Fortunately, the United States has seen fit to permit some tariff protection and other legislative machinery which has in some respect maintained an orderly flow of such commodities into the United States, so as to prevent chaotic marketing conditions for both the domestic product and the foreign product.

In our opinion this amendment will serve the purpose of assuring that the utmost consideration be given to all factors surrounding the commodity prior to any tariff reductions, and again, we say this will assist in creating a stabilized market for both the domestic and foreign product involved.

II. Amend section 252 (p. 18 and 19) by changing the period on line 24 to a comma, and adding the word "or" and by adding a subparagraph as follows:

"(C) Impose additional import restrictions on the products of such country or instrumentality."

At the present time, under the recently adopted agricultural policy for the European Economic Community, a number of administrative regulations have been adopted which can, and undoubtedly will, impose a number of restrictions on the imports of the U.S. farm products. The proposal mentioned above will simply serve to place the United States in a position to impose the same type of restrictions should it become necessary. Further, it places the United States in a much stronger position to insist that foreign countries live up to their commitments made under the GATT. We believe this addition will greatly strengthen section 252 and benefit American farm products.

III. Amend section 251, most-favored-nation principle as follows:

"Except as otherwise provided in this title, any duty or other import restrictions or duty free treatment proclaimed in carrying out any trade agreement under this title or any predecessor act shall apply to product of all foreign countries *which have tariff agreements with the United States, either directly or through GATT and are not in the determination of the United States in default thereon,* whether *such products are imported directly or indirectly.*"

We again iterate our position in stating that nations who are not willing to become party to the GATT should not receive any benefits thereunder.

With respect to title III of the act, we believe that if the provisions of title II are properly negotiated and administered, there will be no need for title III. In general, we would be opposed to the provisions of title III.

STATEMENT BY DANNY DANNENBERG, CHAIRMAN, IMPORT-EXPORT COMMITTEE, WESTERN GROWERS ASSOCIATION, EL CENTRO, CALIF.

Mr. Chairman and members of the Senate Finance Committee, my name is Danny Dannenberg, from El Centro, Calif. As a farmer, and in my capacity as chairman of the Import-Export Committee of Western Growers Association, I appreciate the opportunity to submit the following statement with reference to the Trade Expansion Act which subject the Senate Finance Committee is now holding these scheduled hearings. May I now state for the record that Western Growers Association is a nonprofit, nonpolitical association, representing California and Arizona vegetable and melon farmers who produce over 40 percent of the national dollar value exceeding over one-half of $1 billion annually—and these farmers have a long record in never receiving and proudly opposing price supports, acreage controls, and Government subsidies on our vegetable and melon production.

Let it be said at the outset that we support the ideal of fair trade between nations and fair competition between the products of nations because expansion of trade on this basis is very obviously in the best interest of the United States and our allies. This much said, however, it behooves me to say that foreign trade can neither operate in a vacuum or as a one-way street. However worthy the goal of expanded markets for our export goods, the Trade Expansion Act of 1962 must not result in unfavorable advantage being taken by one group over another, nor one country over another, it is therefore assumed that no special advantages are reserved by virtue of tax structure, depreciation, subsidies, non-tariff-trade barriers, including currency devaluation and manipulation.

The consequences of initiating further reductions in U.S. tariffs have been confused by the effect of other factors at work at the same time—first, continued increase in domestic unemployment and U.S. balance-of-payment deficits, which has been an endless drain on U.S. gold reserves, plus the unremitting tensions of the cold war. Two facts, however, are clear. First, by any measure, U.S. tariffs are among the lowest in the world. Second, the main objective of the program —a similar reduction of barriers throughout the rest of the world has not been accomplished by U.S. tariff reductions in the past, and the Trade Expansion Act of 1962 gives no guarantee that even proportionate reciprocity will be forthcoming in the future. The truth of the matter is that the Common Market and other nations have a good thing going and will strive to keep it that way.

The first—that U.S. tariffs are now among the lowest in the world—may come as a surprise. This is a fact which has not been made clear to the American public. U.S. tariffs are now 70 percent lower than they were 30 years ago and, on the average, are among the lowest in the world. At this juncture, the importance of these remedies is underscored by the significance of the duties which remain after the extensive and repeated reductions of the past decade. However, as the ad valorem equivalent of our duties has been reduced since 1934 from approximately 50 percent to 12 percent last year, the current Dillon round will undoubtedly bring this level to 10 percent. A reduction of tariffs by the United States from 50 percent to the level of 10 percent is already drastic by any test. The studies giving relative tariff levels for different countries are reported in table 1.

As to the second point—the failure of the reciprocal trade agreements (1934), and the General Agreements on Tariff and Trade (GATT) (1947), to accomplish a similar reduction in the barriers imposed by other countries—the record is clear and the evidence is abundant. Tariffs, in themselves, are the mildest of trade barriers. Import licenses, embargoes, quotas, exchange controls, cartels, and state trading are much more restrictive. The way and extent to which they operate will be fully discussed later, but in the opinion of many persons engaged in both domestic and international trade, our State Department negotiators, in their enthusiasm for expansion of world trade, have often surrendered more than they gained.

While there may be some logic in the fact that our trade winds are changing, the real truth is that the American market is the most attractive in the world—thanks to the purchasing power generated by mass production, the United Sates created a mass market. Because of internal restrictions and low wages, foreign producers did not have readymade markets at home so they indeed are eager for access here.

Proposals for extending further tariff reductions are now before the 87th Congress of the United States. Many changes have occurred. We have learned much about the nature and effect of foreign barriers other than tariffs. After 20 years of tariff reductions, the Nation again has the opportunity to again debate the question. Thus, by taking a second look at the basic issues involved, we should hope to change our approach to the so-called tariff problem and build our foreign trade policy on a sound economic basis that will not leave American labor, industry, and agriculture as "sitting ducks" at home.

To simplify the trade negotiation problem, the United States adopted in 1922 the most-favored-nation clause to our Tariff Act. This policy merely meant that whatever concession we gave to some favored nation, we would automatically extend to all other nations with whom we had satisfactory trade relations the very same concession. Used correctly, the most-favored-nation clause should mean that a country must not discriminate against imports from any source if it wishes to avoid discrimination against its own exports. While on many occasions, our U.S. exports have felt the fangs of discrimination, we have adhered to the equality of treatment under the most-favored-nation clause adopted by the United States in 1922.

The most-favored-nation clause is fully retained in the Trade Expansion Act of 1962. The American public is not aware of this fact. This means there is a requirement that the full benefit of the eliminations and reductions in duty granted to the Common Market will be granted freely to Japan, India, and the other low-wage nations of the world as a bonus without any action or concession on their part in payment.

The difficulty here is that virtually all other nations of the world consider themselves perfectly free to restrict the application of the most-favored-nation principle by the use of quotas, exchange controls, import licensing, internal tax, and regulations which make tariff changes meaningless. Other nations of the world feel free, whenever their internal situation warrants, to raise duties and otherwise act contrary to the commitments made in trade agreements. In June 1961, Japan took such action, but they are not by themselves, and in June 1962, Canada applied increased tariff duties on more than half of the articles imported into that nation plus a currency devaluation of about 10 percent. Other cases could be cited but based upon policy, the United States alone insists upon unrestricted most-favored-nation treatment under circumstances which make a mockery out of our trade programs.

We Americans have, in recent years, learned and read about a phrase called "the balance of payments." For most of us, the phrase suggests financial trouble of an international nature. The term means exactly what it says. It is the balance in our reserve fund in relation to payments into the fund and expenditures from it as a result of foreign trade. The whole operation may be likened to a checking account and in short, reflects the balance or margin between what is sold to foreigners, over what Americans buy from them in various forms.

The crucial fact remains that the balance-of-payment deficit and our outflow of gold remains as a major economic problem for the United States. In the first 2 months of this year alone, the United States experienced net gold losses of $152 million, bringing the total gold stock of the Nation to an alltime low of $16.7 billion. Moreover, U.S. gold stock is doubly mortgaged, both by statutory gold cover requirements on our currency of over $11 billion and by short-term claims in excess of $21 billion. If our reasoning is correct, the proposed legislation certainly is not clear that the act would necessarily improve the balance-of-payments position of the United States. It seems fair to assume that far from helping to cure our gold drain, we could see an inrush of imports—which could further precipitate a further flight of more dollars. While such a projection may not happen, the alleged gains from the Tariff Act legislation are too small to assume a risk of such magnitude.

It seems incredible to us Americans that the monetary balance is the most sensitive problem the United States faces at home and abroad among our allies. At the same time, it is an illusion to think that our friends abroad will be willing to pull American balance-of-payments chestnuts out of the fire. Here is the risk and the rub which will require correction and greater austerity at home by the United States. This country does not have a major dollar problem on balance of trade in the usual application of commercial transactions. This country does have an unfavorable balance of payments. The United States simply pays out by gifts, aid, nondollar sales, etc., more than it receives in international dealings. These items are outlined in table 2, but the only practical correction of this unfavorable balance of payments is available to the United States at any time. The correction is to reduce our payments, not our duties.

The reporting of import-export dollar figures has, for many years and by many administrations, been a statistical puzzle which is indeed highly misleading and expresses a conclusion of far more than is indicated. A current example is shown on table 3 relating to our so-called $5 billion export surplus. This table will show that: "We export the goods—we just don't get the dollars"—and the actual balance in favor of exports is slightly more than about one-fourth of the so-called puzzling $5 billion or $1,387 million. In this respect, I would like to take the liberty of quoting the distinguished chairman of this committee, who stated: "I think it is very deceitful to do this, to publish figures on a dollar basis when we don't receive any dollars."

Mr. Chairman, I say here today that these export figures should be revised so they do not include items which are sold for nonconvertible currencies. Certainly trend lines indicate in our lifetimes, most of these currencies will remain nonconvertible. Nor should these figures include heavily export subsidized items; nor should they include charitable contributions; nor should they include equip-

ment given away abroad under the foreign aid, mutual defense and security programs.

As taxpayers, American citizens are "stockholders" of the United States and are entitled to review a true set of figures in evaluating how this foreign trade business is being run because Americans should not be taxed to put themselves out of jobs, out of business, and into industry oblivion. Permit me to briefly explain what I mean:

1. The so-called experts tell us that in rounded figures, our exports are $20 billion for fiscal year 1960–61, and imports are $15 billion, so therefore, we have a favorable trade balance of $5 billion. In weighing these statistics we should keep before us the fact that the import values are (c.i.f.) foreign values, exclusive of duty, insurance, and ocean freight. This fact tends to shrink the value of imports in terms of U.S. values and in this respect, it would perhaps take a $30 billion value to properly balance the account. So, on the basis of American employment and American value, we indeed have a very unfavorable trade balance which, no doubt, is a large part of our unemployment situation and our balance-of-payment and loss-of-gold problem.

2. The inclusion of $181 million of goods paid for by private U.S. charity and donated abroad is added to U.S. export figures and is a part of the incorrectness on U.S. export values and our so-called favorable trade balance.

3. Under Public Law 480, the Government "sells" agriculture products to other governments for foreign currency which is not convertible. In other words, we are paid in "wooden nickels." In this respect, Senator Ellender on page 12543, Congressional Record of July 26, 1961, noted as follows: "In addition to that subsidy our State Department has been negotiating sales, and has been accepting payment for the commodities sold, the currencies of foreign governments at rates 'far lower' than the market exchange rates. In my recent survey of our operations abroad, I cited an instance, it appears on page 21, of Senate Document 20, a report by me on U.S. foreign operations." These exports are also included in the official figures and further add to the incorrectness of U.S. export values.

4. The further incorrectness of U.S. export figures is cited from page A–834, Congressional Record of February 5, 1962: "It has recently been admitted by administration officials that a 'substantial part' of the $1,262,152.70 listed among the other export figures as 'special category type 1 or type 2' is given away. These are items whose nature or destination is not divulged for reasons of military security. Few thoughtful citizens object to giving away even a billion dollars if such gifts are truly in the interest of national security. But it is misleading to include the dollar value of these shipments as 'sales' in order to justify some legislative proposal."

5. The contention that agricultural exports during the past fiscal year 1960–61 reached record proportions of $4.9 billion, and that 78 percent of this was sent to countries with which we made trade agreements; while imports of directly competitive agricultural products amounted to $1.8 billion needs some reexamination. First, the import value must generally be accepted as (c.i.f.) foreign cost, less insurance and freight and not U.S. dollar value. The $4.9 billion export value is misleading as noted in a publication of the U.S. Department of Agriculture, "The Demand and Price Situation" August 1961, page 9, stated that about 60 percent of these exports received some form of Government assistance. This consisted of outright subsidies such as those that apply to our exports of wheat and cotton of which we exported over $2 billion in 1960; outright grants (gifts), etc. Only 40 percent of the total was sold for dollars with no governmental assistance. This part of our agricultural exports "was slightly below the previous year." Thus, on a sound commercial basis, agricultural exports have been pushed up 60 percent or aprpoximately $3 billion.

To attribute a favorable balance to our export trade is wholly unjustified in view of the pertinent factors as above stated. We pay hard cash for what we import. When we discuss the balance of trade, it is indeed proper to compare the value of imports and exports only if those exports are included for which we are paid for in hard cash—certainly not these items paid for by U.S. citizens either in the form of tax money or by private charity.

During the past few years there has been much discussion as to whether U.S. products were being priced out of world markets, and are unable to defend home markets. Many leaders in labor, industry, and agriculture have said that, as far as their products were concerned, their labor costs, compared to foreign producing areas, made it impossible for them to match the prices of foreign com-

petitors. I maintain that by comparing statistics on imports and exports, commodity by commodity, in years separated by enough time to allow economic factors to come into play, trend lines should become evident to show what commodities are moving ahead by capturing a larger share of the market, and which are falling behind by capturing a smaller share of the market.

What is significant, and what official figures below show, is that in both industry and agriculture, the character of our exports has changed. U.S. exports have registered large gains in share of market in raw materials, commodities, and manufactured items with low labor content. We have, by the same token, registered large losses in share of market in exports with relatively high labor content. In specific product after specific product, imports capture a larger share of market where labor content is high. Exports capture a larger share of market only where labor content is low.

See U.S. Department of Commerce table below:

[Value, in millions of dollars]

	1951	1954	1957	1960	1961	Percent change, 1951–62
1. Crude materials:						
U.S. exports	2,471	1,899	3,110	2,586	2,546	3
U.S. imports	3,365	2,413	3,211	3,014	3,152	−6
2. Crude foodstuffs:						
U.S. exports	1,401	741	1,332	1,639	1,897	35
U.S. imports	2,077	2,200	2,020	1,722	1,717	−17
3. Semimanufactures:						
U.S. exports	1,665	1,819	3,242	3,522	3,287	97
U.S. imports	2,459	2,313	2,920	3,092	3,084	25
4. Manufactured foodstuffs:						
U.S. exports	881	832	1,163	1,117	1,157	31
U.S. imports	1,022	1,117	1,272	1,566	1,602	57
5. Finished manufactures						
U.S. exports	8,462	9,691	11,823	11,435	11,741	39
U.S. imports	1,896	2,196	3,527	5,258	5,075	168
6. Subtotal, 3, 4, 5:						
U.S. exports	11,008	12,342	16,228	16,074	16,185	47
U.S. imports	5,377	5,626	7,719	9,916	9,761	82

Source: Statistical Abstract of the United States, 1961, table 1210; U.S. Department of Commerce, WTIS 62-11, table 3.

What is the significance of these facts? First, that our export advantage is in articles with far less job-creating potential than the job-displacing potential of our imports. Secondly, that we do know from the record of the past 11 years, when U.S. duties were reduced on a massive scale in three major multilateral tariff negotiations under GATT (Torquay, 1951; Geneva, on the accession of Japan to GATT, 1954–55; Geneva, 1956), that under the concessions exchanged by the United States and other countries, U.S. imports of manufactures have increased at a more rapid rate than U.S. exports. There is no evidence that a further 50-percent general reduction in duties would benefit our exports. As yet, no one knows how much the 20 percent cut in duty recently agreed to by the United States (to become effective during the next 2 years) will stimulate our exports. Further reductions or eliminations of duties will accelerate this very unfavorable import trend. Consequently, the power to reduce our already low-point duties 50 percent could very well cause harm to the economy, add to our unemployment situation, and create more balance-of-payment deficit problems.

With less than 80 percent of our industrial capacity now in use and approximately 7 percent of our labor force unemployed, we can ill afford to overlook measures which will foster continued growth and combat unemployment. The low tariff policies followed by the United States under the Trade Agreements Act have finally caught up with us. Foreign producers, paying wages far below the U.S. wage, and insuring high productivity by using the latest, most efficient machinery, in many cases provided by the Marshall and other giveaway plans, are able to beat American production in our home market as well as abroad—and where technical help is needed, it is willingly supplied by the State Department. The final conclusion is that the trade program must be so modified as to provide real safeguards for American jobs which now stand in jeopardy.

A very crucial question in America today relates itself in the field of employment. While admittedly these statements are not a precise gage, we must fully recognize that by activity the handle of exports in themselves could not be used to solve an unemployment problem which booms half again as high as the number of workers employed in all export and related activities; because, only 3.7 or 3.8 percent (less than 4 percent) of our gross national product is supplied by exports. It may be well to point out that, as a nation, Canada has proportionately a much greater share of international trade than the United States. In 1959, the per capita value of Canadian foreign trade was $691 compared with the United States per capita value of $102. It is therefore very obvious that the reduction of our already low tariffs will not take up our unemployment slack—the correction is in the adoption of sound policies which will make industry competitive and allow an expansion of job opportunities. This certainly merits consideration because it has been calculated that the United States needs to expand its economy 4 or 5 percent per year in order to avoid slipping backward in employment, and not to be overlooked is the 1 million new workers coming on the scene each year.

In today's highly competitive merchandising arena, I sometimes ponder about the marketing practices of both industry and the consumer. And so, in a sense, we might have a national marketing problem because industry and consumer should be a two-way street. Trying to make products to sell cheaper could, in itself, lead us down the road of no return. Now is it axiomatic that the buying public should always be able to buy a product at the lowest possible price, just for the sake of buying low? But I am afraid that we, at times, have the wrong ideas about the variation between low prices and fair prices. A case in point: If an American housewife can buy a West German butcher knife at a lower price than an American-made knife of the same quality, she benefits. But, if her husband loses his job in a knife factory because of this foreign competition, she loses.

Now, any legislator would favor any program which offered hope of improving the volume of exports. But there is another side to the story. After many years of so-called reciprocal tariff negotiations, the average American tariff on manufactured goods is now 11 percent; that in Japan and Austria 19 percent; that in Great Britain 17 percent; that in Canada is 16 percent; and that in the Common Market countries 14 percent. The United States, through our State Department, recently negotiated a 20-percent reduction in tariffs on automobiles with the Common Market; but this left the American tariff on cars at 6.5 percent while the Common Market tariff is 21 percent—is this reciprocity? But this is not all, because this still leaves American exports of vehicles handicapped by use taxes and horsepower taxes imposed on American vehicles in European markets. Facts to keep in mind in connection with the American automobile industry are, that in 1951, American automobile firms produced 72 percent of the world's total output of passenger vehicles; in 1959, this share was only 48 percent. In 1950, the United States imported 21,000 automobiles, but in 1960 the automobile imports into the United States rose to 444,000—a significant increase in U.S. automobile imports.

Now, as I precisely stated, this is not only true about automobiles—in tractors, we exported in 1950 a total of 93,010 units, decreasing in 1959 to 46,053 units. As the Trade Expansion Act of 1962 is debated in Congress, we find that the United States has moved from a net exporter of steel to a net importer of steel. In textiles and many other products, we are exporting less and importing more. These are uncomfortable facts in many ways—so uncomfortable, in fact, that we cannot help but once again direct attention to the paradoxical omission in the Trade Expansion Act of 1962 to make provision for genuine trade reciprocity. A distinguished committee of economists has testified before Congress that this omission is naive and dangerous.

It is most reasonable to very seriously question the implications of certain international and some specific domestic companies and their spokesmen, that the answer to our growing imbalance of payments lies in further artificial inducements to greater exports. We, in particular, challenge as self-interest the patriotic and noble implication that the best interest of America lies in removing protective barriers (for others)—tariffs or quotas—to import—vulnerable home industries in order to negotiate more room for certain favored American exports in the Euopean Common Market, while at the same time, they are beneficiaries of quota protection in the domestic U.S. market on their commodity.

We are very frankly not impressed with these noble spokesmen, who preach removal of restrictions for others, while being a generous receiver of protec-

tion for themselves. They maintain that such action would serve the principle of free competitive enterprise—even as they advocate Federal subsidies to offset the damage they acknowledge would result. If these spokesmen were not themselves so heavily protected, their pleas for action on behalf of free enterprise might be better received. A case in point is stating "that we happen to believe in free markets, as much as we can get them free, and then suggesting restrictions on certain imports, so long as they were vulnerable to imports." We, therefore, cannot look with favor upon certain of these statements, because we do not have a built-in device of protection such as wheat flour, which is limited to imports of only about one-fiftieth of 1 percent of U.S. consumption. We might envy their position, but not their statements.

Mr Chairman, the University of California reports that for 1961 California was the Nation's leading agricultural State in terms of farm value production. California produces over 200 farm products which are commercially grown and marketed. With about 2 percent of the Nation's cropland, and nearly 6 percent of the country's farms, California agriculture accounts for close to 10 percent of the Nation's farm income. California farm-value production exceeds $3 billion and when related industries, supplying marketing and production services, are added, California agriculture becomes a $10 billion industry. At harvest peak, more than a half million people are working on California farms. The university report further stated it has been estimated that "for each 10 persons employed in agriculture in California, there are 3.5 persons employed in the State in the manufacture of food and related products." It is also reported that "for each 100 persons employed in agriculture, 263 were employed in associated industries. A summary of this is that California agriculture, directly and indirectly, is responsible for about 40 percent of the jobs and about 70 percent of the cash transactions in California.

In 1960, California's hired farm labor was almost 20 percent of the U.S. total on hired farm wages, despite the fact that California farmers received only about 10 percent of the U.S. gross farm income. In 1960, California's hired labor percentage to gross farm income was 16.7 percent; as compared to the 12 leading gross farm income State average of 6.4 percent and the U.S. average of 7.9 percent. California's share of Government subsidy payments as related to gross farm income is very small, and its major crops of alfalfa, vegetables, melons, fruits, nuts, cattle, poultry, livestock, eggs, etc., receive no Government subsidies on their farm production.

The economic importance of California agriculture does not alter the fact that one of the most pressing problems in our domestic economy is a relatively low income to agricultural labor and investment here in America. That problem is especially true in California, which leads the Nation in specialty crops that require high units of labor. This condition is aggravated by large-volume imports of agricultural commodities which are directly competitive to many commodities produced in California. These imports not only affect agriculture, but also affect labor employed directly in agriculture, and indirectly, they seriously affect labor and industry, which furnish equipment, supplies and services for agriculture.

Mr. Chairman, may I recognize with this committee, that in operational terms, no single group or voice can truly represent and speak for American agriculture as a whole. Agriculture is too diverse, has many related and unrelated problems, which include many regional and commodity differences, including the large volume "basic or political sensitive crops," so to speak, with their distinct situation differing from the multitude of smaller volume and specialty crops. As a matter of policy, we in Western Growers Association have never shared the belief that one segment of our industry could, or should, be sacrificed to the benefit of another segment of agriculture. To that end, we are presenting our relevant views and position in relation to the Trade Expansion Act.

May it now be restated that the Western Growers Association is composed of 85 percent of the vegetable and melon growers and shippers of California and Arizona who annually produce crops valued in excess of $500 million and ship in excess of 300,000 carlots of this foodstuffs to the Nation's markets. This represents 40 percent of the national total value in vegetables and melons. These farmers have a long record in neither requesting nor ever receiving Government subsidies for their vegetable and melon production.

This association recognizes that California and Arizona farmers, along with other farmers, must compete for today's consumer markets. Such constant factor is good, healthy competition and is a parcel with our balance of supply and demand—and a part of our free-enterprise system. This type of domestic

competition assures our consuming public of a steady, permanent, and wholesome supply of food and fiber for the least amount of money—and, over a period of time, would provide for a fair return to agriculture, labor, and investment.

We are proud of the part which we have played in making American agriculture the most efficient agriculture in the world. It is also the most productive agriculture in the world. The statistics from the U.S. Department of Agriculture clearly establish that consumers have benefited tremendously from agriculture's resourcefulness. There is no question as to who has benefited the most from the increase in productivity of American farms. The proof that more than 180 million American consumers have benefited most is established by the fact that consumers today are spending an average of only 20 percent of their incomes for food.

Consumers today are eating better than ever before. They have more food—better food—and a larger variety of food than ever before. Today's diet would have taken 32 percent of the consumer's income before World War II. The U.S. Department of Agriculture statistics further show that, since 1950, labor and industry's share of the consumer's food dollar has increased from 50 cents to 62 cents; an increase of 25 percent and the farmer's share, of course, has dropped from 50 cents to 38 cents, a decrease of the same 25 percent. These Government statistics further prove that while industry can pass increased costs on to the consumer as part of its retail prices, the farmer, in recent years, has been forced to absorb this differential which, in agriculture, has become known as the cost-price squeeze.

The farmers who comprise the vegetable and melon industry of California and Arizona have always felt most strongly that their branch of agriculture should be on a free enterprise system—based on the law of supply and demand—and this association emphasizes its long-standing position as being firmly opposed to any price supports or agriculture subsidies on fresh vegetables and melons.

We, at the same time, recognize that the concept of a free market also requires the need for affording the domestic vegetable and melon industry reasonable incentives and protection against unforeseeable and uncontrollable conditions, and that these incentives and protection should come from realistic policies concerning foreign imports. The Federal Government must maintain a national policy of protection against excessive imports by tariff and quota protection, representing the difference between American and foreign products in the costs of labor, materials, and transportation.

The California and Arizona agricultural industry is paying the highest agricultural wages in the world and cannot fairly compete with foreign producing areas having the advantage of low tariffs and wages often 10 to 20 times less than our California and Arizona farmers are paying. This type of competition poses a real serious problem which has been "created," whereby these foreign imports result in oversupply and destroy the free enterprise system.

Today, as never before, California and Arizona vegetable and melon farmers, who pay some of the Nation's highest farm wages, are being called upon to pay even higher wages and fringe benefits to their agricultural workers. This is a serious economic problem when we must compete with labor from low-wage-paying foreign production areas. We have not argued in the past, nor do we argue now, that our labor costs are too high. In preference to this, we would rather say that it is the extremely low wages in the foreign producing areas which have advanced this problem, for both the farmer and the farmworker, with final economic effect upon our local, State, and national economy.

May I now say that when the cold facts and figures are examined, this does not tell a wholesome story for our farmers, who also have the just right of being American taxpayers. The American farmer has not only been hurt economically but a bad image has been created for agriculture because, under present law and the administration of present law, we are importing several agricultural commodities, already in surplus in such large quantities that these imports are, in effect, being placed in storage. At the same time, no mention is made of the fact that in order to export our agricultural commodities they are, in fact, being subsidized by our Government. The taxpayer, of course, must pay the storage costs on these imports as well as the subsidy on the exports, and we in agriculture join with other American farmers in receiving lower prices for our farm production. We need to look no further than the Congressional Record to find the following facts.

Page 4259 of the Congressional Record dated May 19, 1960, states as follows: "To the extent that we look to agriculture exports to bail us uot, we should not

overlook the fact that these exports are heavily subsidized and cannot be used as a gage of our general export situation. In the fiscal year 1958-59, slightly over 57 percent of agricultural exports moved under some sort of governmental assistance program, such as subsidies, sales for foreign currencies, grants, and loans. Only 43 percent was sold under straight commercial transactions by private exporters."

(NOTE.—In 1960, USDA reported that about 60 percent of agricultural exports received some form of assistance. This figure could exceed 60 percent in 1962, because a July press release by USDA stated that "sales for foreign currency reached a record total of over $1 billion from the previous high of $935 million stating that "wheat and *wheat flour* shipments set records for the year and totaled the equivalent of more than 385 million bushels." [Italic added.]

Page 5811 of the Congressional Record dated April 18, 1961, states as follows:

"From 1949 to 1959, we imported twice as much barley as our surplus grew during that period. In fact, we imported more during that period than we had on hand as surplus at the end of 1959. In oats, we imported four times as much from 1949 to 1959 as our surplus grew during the same period—imports which approximately equaled the surplus on hand at the end of 1959. The situation in rye is even more vivid. From 1949 to 1959, American farmers produced 46.5 million less bushels than the amount of the total disappearance of this crop. Yet, during this same period, our surplus increased by 4.5 million bushels, due to the fact that we imported 52.7 million bushels.

"To cite another example, the Department of Agriculture is presently engaged in a lamb-buying program to improve prices. As of March 24, they had acquired 4½ million pounds of lamb at a cost of $1¾ million. At the same time, we have imported over 14 million pounds of lamb at a cost of over $3½ million during the past 13 months. The way the program is operating, the Department is buying lamb at about the same rate that it is being imported. The latest purchase, as of March 24, was 1,700,000 pounds, and we imported 1,600,000 pounds in January.

"Looking at the lamb and mutton import problem from another angle, we note that in 1957 this country imported 3.5 million pounds of these commodities. In 2 years, these imports had increased to 56.8 million pounds, a very drastic increase, and one which has been severely felt by our domestic industry.

"And so, like the textile industry, agriculture is feeling the effects of the large quantities of imports which are presently allowed to enter this country. It would be my hope that consideration may be given to this import situation, with the goal being a policy that will be beneficial to agriculture and the entire national economy."

What is significant, and what official figures show, is that the character of agriculture imports and exports has changed. These trend lines will be outlined in table 4, but in specific product items, imports capture a larger share of market where labor content is high. Exports capture a larger share of market where labor content is low. Witness the U.S. Department of Agriculture statement on U.S. agricultural imports for fiscal year 1961:

"Complementary [noncompetitive] commodities now represent a smaller share of the value of agricultural imports. During the 1950's, an average of 56 percent of U.S. agricultural imports, consisting of items not produced in commercial volume in the United States, except for some bananas and coffee in Hawaii, were complementary [noncompetitive] to U.S. production. In the past 3 years, complementary commodities accounted for half of the agricultural total. Major complementary [noncompetitive] commodities are coffee, crude natural rubber, coca beans, carpet wool, bananas, tea, spices, and cordage fiber."

(NOTE.—[noncompetitive] added. Agriculture imports are divided into two classes, complementary or noncompetitive items, and supplementary or competitive. Note the decrease in noncompetitive imports which reflect, in the past 3 years, at 6 percent increase in agricultral imports which are competitive with domestic production.)

The complete release concerning U.S. agricultural imports for fiscal year 1961, as published by the U.S. Department of Agriculture and issued March 1962, is enclosed herewith under appendix II of enclosures.

The common denominator here is that agricultural labor has been displaced because we have been importing commodities which require a higher unit percentage of labor than the agricultural commodities exported. Thus, labor does have a vital self-interest in foreign trade, both imports and exports. This self-interest is indeed most reasonable and is based on the balance of employment resulting from the displacement of jobs by imports on the one

hand, and the addition of jobs by employment in production for export on the other hand. Again, I say that American labor should neither have jobs displaced nor be forced to compete with low-wage-paying areas whose standard of living is different from ours due to the tremendous difference between our economy and the economy of other nations. Certainly State Department officials, under the guise of foreign relations, should not lower the standard of living for American workers in order to allow low-wage foreign producing areas to increase exports into our domestic markets. Perhaps there are some people in the United States who feel that the trade policy is not injurious, but the record shows that not only are nonsubsidized farm products in danger, but that all agriculture is suffering from these unsound trade policies.

To indicate the nature, broad scope, and comprehensiveness of the European Common Market, one should start with the provisions which the founding nations committed themselves under the Treaty of Rome, effective January 1, 1958. The basic policy of the Common Market is (1) to remove internal tariffs, quotas, and other barriers to trade within the Community; (2) to create a uniform external tariff between the Community and the rest of the world, and to act as a unit in negotiating on commercial policy with others. The Common Market policy on agriculture is to become self-sufficient and they have reported a progressive trend in self-sufficiency and net imports will continue to fall further. It is indeed common knowledge that the Common Market is running ahead of schedule in attaining its objectives, and for America, the chickens started coming home to roost as on August 1, 1962, the State Department began fluttering discussions with West Germany, trying to prevent the newly adopted policy of high tariffs on U.S. poultry from raising havoc with the American broiler sales to West Germany.

This is an important issue for many brolier States who are now confronted with external barriers because the Common Market is becoming self-sufficient and less dependent on outside sources for its supplies. For American agriculture we can only pose a fair question. Today, it is broilers—what will the Common Market declare as self-sufficient tomorrow?

The crucial facts are that the Common Market countries have exceeded us on growth, and on the average, produce at a lower unit cost than the United States. However, we must not overlook the fact that the Common Market's growth is no more phenomenal than that of Denmark, Austria, Sweden, and Norway, which are not members. Japan, also a nonmember, has outpaced them all including the Common Market countries. This is also a fact which seems to be lost in the shuffle of the trade deck. Adoption of the Trade Expansion Act of 1962, now would, in simple terms, place the cart before the horse. Before this program could possibly work to achieve the results claimed for it, the United States first needs to face up to the reasons why a large share of its industry cannot today compete, and a much greater share will not be able to compete when the Common Market fulfills its goals.

In the areas of produce, manufacturing, wages, marketing, research, and taxes, we have an obligation to comment on Government programs which will assist our economy in expanding or which, conversely, will cause it to contract. Under all circumstances, any Government action promoting business stability and growth, benefits the Nation as well as industry. Government action, on the other hand, that causes business and industry growth to contract, certainly undermines our economic strength and tends to choke off employment as well as the source of tax revenue on which the Government's own manifold programs depend. We, therefore, feel that there are certain areas which require evaluation because they do have a direct and vital impact upon the subject as a whole. Let us then briefly examine certain facts in light of this concern.

I. COMPETITION

Since World War II, the United States has sent abroad its dollars, machinery, and technical knowledge to help other nations to grow and prosper. We have done such a good job that these nations are now shipping goods to our country in such great quantities that our factories, textile mills, steel plants, farms, and American workers are being idled by these foreign imports.

II. NATIONAL DEFENSE—TAXES—IMPORTS

This great Nation of ours is dedicated to a high budget in defense program in order to maintain a strong and adequate defense during this period of world-

wide tension. With all of these imports, where will the required tax money come from? The tax revenues collected in 1960 tell the following story:

	Percent
Individual income taxes	46.4
Corporation income taxes	22.9
Excise taxes	12.2
Employment taxes	11.5
Other receipts	7.0

III. FOREIGN POLICY

From July 1, 1945, to June 30, 1960, the United States has made available to foreign nations a sum of nearly $86 billion in various types of foreign assistance, grants, and loans. We shall make available an estimated $5 billion in fiscal year 1961 for a total of nearly $91 billion. After all types of repayment and returns of grants have been considered, by June 30, 1962, our net foreign assistance program will represent the astronomical sum of $86.5 billion. Such a staggering sum of money is virtually impossible to comprehend.

IV. NATIONAL DEBT

This is not a forum to discuss the political existence of some of the economic decisions which are involved. We must be realistic though, and realize that this great Nation is accumulating a national debt which is approaching $300 billion—a figure, incidentally, which is larger than all of the combined national debts of all the nations of the world since the beginning of recorded history.

V. FOREIGN POLICY AND TRADE AGREEMENTS

There is every indication, as the years go by, that the American economy will be forced to compete with the state-controlled economy of the Soviet Union in many areas of the world. American business can only participate in such competition as it is allowed to grow and expand. The vital area of our foreign policy which has been comingled with trade agreements and tariffs must be reexamined and placed on a truly reciprocal basis if American industry is to compete, not only with our opponents, but also with our friends. The subject of reciprocal trade as it particularly relates to agriculture has been fully stated in a separate part of this report.

VI. DOMESTIC POLICY

We must now take a good look at our fiscal policies because as of March of 1962, the dollar was worth 46.1 cents on the 1939 index. This Nation has been on deficit financing basis for 25 of the past 31 years. The interest alone on our national debt takes up 10 percent of our budget. Our balance-of-payments deficits continue. The deficit in the past year came to $2.5 billion. Our $5 billion in gold, not dedicated to backing the dollar, could be claimed overnight. For more than 15 years, the United States has been acting as a policeman for the free world, the banker of the free world, and in far too many cases, the Santa Claus for the free world. We also recognize that the time has come when our Government should recognize and implement its full responsibility to adopt labor relations, antitrust, tax, depreciation, and fiscal policies which shall better enable American agriculture and industry to compete with other nations of the world.

VII. NATIONAL INTERESTS

While this portion of the report could cover a multitude of topics, as well as a variety of production items, the following items have been selected for discussion with relationship to our national interests, the American merchant marine, and our coal, petroleum, and steel industries. As never before, it certainly is in our public interest to have more understanding on these specific subjects.

The American merchant marine is an arm of defense. The existence of a merchant marine is so critical to our national security that Congress, in its wisdom, has made provision in certain instances, for operation and construction subsidiaries to keep the American merchant marine abreast of national needs. The problem here is our very weak position as revealed by figures taken from page 587, Statistical Abstract of 1961, Department of Commerce, showing that in

cargo tonnage, our merchant marine has lost its position of primary importance. In 1950, U.S.-flag ships handled 39.3 percent of the United States (combined) import-export cargo tonnage. The percentage of related tonnage of imports hauled by U.S.-flag ships into American ports stood at 43.7 percent, and the percentage of related tonnage of exports hauled by U.S.-flag ships hauled from American ports stood at 32.5 percent. The impact of competition by foreign vessels has been felt, and by 1960, the 1950 percentage of 39.3 percent, on United States (combined) import-export cargo tonnage, had been reduced to 12.4 percent by U.S.-flag ships. The 1960 ratio of import tonnage stood at 9.9 percent (1950—43.7 percent), and the export tonnage ratio stood at 16.4 percent (1950—32.5 percent).

The American coal industry has suffered from residual oil imports. In speaking about this problem, the United Mine Workers of America, District 2 of Pennsylvania, have shown a decrease in unemployment and 25,889 lost jobs from 1950 to 1961; while residual oil imports increased from 54 million barrels in 1948 to 233 million barrels last year.

The same story unfolds itself for the U.S. (domestic) oil and gas production industry. Nationwide, the employment has suffered a companion decline. In 1957, there were 326,000 employees in the production end of the industry. By 1960, this employment figure had dropped to 288,000 employees. But wait, for America, that is not all—while imports were going up—domestic employment and domestic production was going down—except during the Suez crisis, when it became necessary for the American (domestic) industry to supply full requirements at home, and to our allied abroad. In a very troubled world, it would appear in our best national interest to gear domestic requirements to domestic production, instead of doing this only in periods when foreign supply lines are shut down.

While this double-standard policy was going on, we find that our American merchant marine was taking a real dunking on tanker-cargo import tonnage. While our imports on tanker-cargo tonnage more than doubled between 1950 and 1960, U.S.-flag ships lost their relative 54.8 import position it held in 1950, declining to a very insignificant 5.6 percent in 1960.

On dry cargo freight, it is very much the same story. The ratio from 1950 to 1960 finds that import tonnage into the United States has doubled. While this import tonnage was increasing, the U.S.-flag ship tonnage declined from 31.8 percent in 1950 to 14.5 percent in 1960. The ratio for U.S. export tonnage was about the same. In 1950, U.S.-flag ships handled 30.7 percent of the export tonnage, declining to 15.9 percent in 1960. The weak tonnage position of the American merchant marine can neither be justified nor tolerated as being in the best public interest of our Nation.

Steel, in many ways, is the bellwether of our national defense and economy. The influx of imports has shifted the steel industry from a net exporter of steel to a net importer. Witness the August 7, 1962, Dow Jones News Service release stating that: "Last year the United States imported 3.2 million tons of finished products, while exporting 2 million tons. Some steel men figure imports this year will total 4 million tons against 2 million of exports." In my opinion, the conclusions here are exactly as indicated, and nothing seems to wipe out the many resolutions of good will and friendly relations like the threat of the loss of profits as measured in taxes, income, jobs, and economic growth.

Mr. Chairman, we Americans, in recent years, have been exposed to timeworn phrases, oftentimes sincere, sometimes though profit motivated by importers and exporters, who demand concessions for more imports as being strictly to the advantage of the American consumer. As I ponder those statements and translate it to the 38 cents per gallon I am paying today for gasoline, I come to some very definite economic conclusions. One of these conclusions is that 38 cents per gallon should support an expansion of domestic production and employment. Another conclusion is that as a farmer, my products must also be consumed and this can only be fully accomplished when American workers are enjoying full employment; partial employment requires partial need for the products we produce. Another conclusion about imports and the argument of protecting the consumer is vastly overrated. Its results have, in the long run, proven very much to the contrary, as self-interest and competitive advantages come into play.

When the chips are down we see some very strange factors and factions come into play. However, what is not so strange and what is very apparent, is that there is no difference in injury to one industry as against injury to another. Subsidies for displaced industry and workers do not change this situation and

only becomes a substitute for facing up to the real issues; representing a vast scheme of Government adjustment assistance into the field of industry and the free enterprise system. I urge most serious consideration—in terms of cost, efficiency, and the ultimate implication—that the proposed legislation envisages a comforting reason for our negotiating teams to sacrifice very readily some domestic industries in return for international considerations and political concessions. On the whole, title III, the adjustment assistance portion raises more questions than answers, one of which being as to the program's administration in agriculture, where many workers are employed seasonally and agriculture's pattern of different crops provide a different set of year-to-year problems.

While it has been pointed out that U.S. agriculture production exports 1 acre out of 6, the footnote should have also included the fact that the United States accounted (fiscal year 1961) for about one-sixth of the world's agricultural imports. Further lowering of our tariffs on agricultural products will bring the average close to zero and may only increase imports. The import duties average relatively low on U.S. agricultural imports. For fiscal year 1961, about 55 percent of agricultural imports were duty free. For the 45 percent of imports, which were dutiable, the ad valorem equivalent of all duties averaged 11 percent. The ad valorem equivalent for all agricultural imports—free and dutiable—averaged 6 percent. More than half (53 percent) came from 10 countries, none of which are members of the Common Market.

Imports are unrestricted except for certain products. Legislative authority exists to regulate imports of commodities only under specific conditions. For example, whenever imports materially interfere with the marketing quota, price support, or other programs conducted by the U.S. Department of Agriculture, the law provides for regulation of such imports under section 22 of the Agricultural Adjustment Act, as amended. Commodities controlled at present under section 22 are wheat and wheat products; cotton, certain cotton waste, and cotton produced in any stage preceding spinning into yarn (picker lap); certain manufactured dairy prdoucts; peanuts, and tung nuts and tung oil. Sugar imports are regulated by quotas under the Sugar Act of 1948, as amended.

There cannot be any sound reason for advancing any beneficial results from the reduction of tariffs on our agricultural products because about 60 percent of U.S. agricultural exports receive some form of governmental assistance. Certainly we do not have to reduce our tariffs to get foreign nations to accept gifts of our agricultural products.

The resolution of Western Growers Association relating to general policy on foreign trade is set forth under appendix I of enclosures. We would, at this time, like to direct attention to our position of providing reciprocity which is, in fact, reciprocal with due regard for individual commodities in the negotiation of tariff concessions. As vegetable and melon farmers, we receive no Government subsidies, nor are we recipients of import protection under section 22, Agricultural Adjustment Act, as amended; so, therefore, we find the broad categories of items subject to elimination of duties under section 212, H.R. 11970, as very objectionable. This list of articles is set forth under appendix IV. We also urge that effective peril point and escape-clause mechanisms should be retained and their administration should be subject to judicial review. The statutory language of the escape-clause language should be strengthened, particularly the definition of "industry" in the present law.

The American public depend and rely upon the Congress of the United States to express our diverse views and opinion, fully realizing that this medium of self-expression translates public opinion to the Congress of the United States. The individual citizen from a self-interest point of view, may not always agree with the laws that Congress enacts, but as private citizens of America, we are obedient to these laws because our great political society accepts the fact that Congress has debated the issues and, in its final wisdom, has acted in the public interest of the American people.

In conclusion, may I once again state that we in agriculture want good foreign relations, we want a good foreign trade policy, but we want these policies to not only be fair, but reasonable. The American economy must be safe and sound on the domestic front in order ot support sound and strong policies abroad.

APPENDIXES TO STATEMENT OF DANNY DANENBERG

Appendix I. Resolution of Western Growers Association.
Appendix II. USDA agricultural fact sheet on U.S. imports for fiscal year 1961.
Appendix III. U.S. statistical table on import-export values.
Appendix IV. Category of items listed under section 212, H.R. 11970.
Table No. 1. Industrial tariffs from Joint Economic Committee report.
Table No. 2. Table adjusting U.S. import-export values from Congressional Record, February 27, 1962.
Table No. 3. Table relating to export surplus taken from Congressional Record, February 27, 1962.
Table No. 4. Trend lines of selected agricultural imports, including statements. Sources: USDA; Congressional Record; U.S. Tariff Commission; State Board of California Agriculture; Dent subcommittee and Ways and Means Committee, U.S. Congress; California Strawberry Advisory Board.

APPENDIX I. RESOLUTION—GENERAL POLICY ON FOREIGN TRADE

Whereas the Western Growers Association favors the expansion of commerce with other nations and advocates the following guidelines in connection with tariff and other foreign trade proposals currently under consideration by Congress, be it

Resolved, That any new Federal legislation establishing U.S. policy and regulation of trade relationships with other nations contain the following provisions:

Provide for the vesting in the Tariff Commission, instead of in the President, the discretionary authority, after hearings, for the setting of tariffs. Judicial review, based upon policy and limitations established by Congress on the setting of tariffs, should be provided.

Provide for reciprocity which is in fact reciprocal with due regard for individual commodities in the negotiation of tariff concessions. U.S. negotiators should achieve agreements which forbid the imposition of nontariff restrictions not contained in trade agreements.

Provide for rates and progression of tariff cuts in mandatory reduction categories which shall enable vulnerable industries and agriculture to adjust to foreign competition without special assistance for this purpose. Effective peril point and escape clause mechanisms should be retained and their administration should be subject to judicial review

Provide for retention and growth of key industries and agriculture which are important to this country's economic mobilization base and required in order to make the Nation as self-sufficient as possible in time of national emergency.

That, in giving due consideration to trade policies, our Government give consideration to our balance of payments.

That the most-favored-nation treatment which has been accorded to many nations should be withdrawn when such nation establishes any trading policies which are not truly reciprocal.

Engrossed: Board of Directors, Western Growers Association, Los Angeles, Calif., May 4, 1962.

APPENDIX NO. II. U.S. AGRICULTURAL IMPORTS

Fact sheet: U.S. Department of Agriculture, Economic Research Service

FISCAL YEAR 1961

U.S. agricultural imports in fiscal year 1961 (July 1960–June 1961) were smallest in 11 years. Amounting to $3,641 million, they were 9 percent below the $4,010 million in the previous fiscal year. Volume fell by 4 percent. The decrease—to a large extent reflecting the slowdown in U.S. business activity throughout most of fiscal 1961—was about equally divided between supplementary (partially competitive) and complementary (noncompetitive) items. Agricultural commodities accounted for 26 percent of total imports for consumption in both 1960 and 1961.

The United States is the world's second largest agricultural importer, accounting for about one-sixth of world agricultural imports. Running slightly ahead is the United Kingdom.

U.S. market for agricultural imports is relatively stable. Although U.S. population has increased over 50 percent since the late 1920's, the volume of agricultural imports has risen only 10 percent. The import quantity index rose to 103 (1952–54=100) in fiscal year 1961 from an average of 94 in 1925–29. Upward movements in world prices, for the most part, have accounted for the two-thirds rise in value since the late 1920's.

Supplementary commodities comprise about half of the value of U.S. agricultural imports. During the 1950's, an average of 44 percent of the agricultural imports supplemented the output of U.S. agriculture. In the past 3 years, supplementary imports have risen to half of the agricultural total mainly due to larger purchases of cattle, meats, fruits, vegetables, copra, and tobacco. Imports of meats and nonbreeding cattle—the major factor in the rise—totaled $382 million in 1961, 25 percent below the 1959 peak and 2½ times the 1957 level. Some fruits and vegetables are imported, mostly from Canada and Mexico, in greatest amounts during the winter and early spring months. Also imported are commodities such as cheese specialties, certain types of hides and skins, short harsh Asiatic cotton, and various oriental tobaccos representing varieties or types not produced at all in the United States or not produced in large enough volume to meet domestic demand. Other important supplementary imports are sugar, vegetable oils, nuts, and grains.

Supplementary agricultural imports are usually smaller than agricultural exports. During the past three decades, supplementary imports as a group have exceeded agricultural exports only twice: by $135 million in fiscal year 1937 and by $279 million in 1941. Combined imports of complementary and supplementary commodities have surpassed agricultural exports in 19 of the past 30 years, during the 1930's and 1950's.

Complementary commodities now represent a smaller share of the value of agricultural imports. During the 1950's, an average of 56 percent of U.S. agricultural imports—consisting of items not produced in commercial volume in the United States, except for some bananas and coffee in Hawaii—were complementary to U.S. production. In the past 3 years, complementary products have accounted for half of the agricultural total. Major complementary commodities are coffee, crude natural rubber, cocoa beans, carpet wool, bananas, tea, spices, and cordage fiber.

Domestic price changes have an important effect on imports. Agricultural imports show a definite response to price changes in the domestic market. Higher domestic prices stimulate imports while lower prices discourage them. An example of this is the recent fluctuation in cattle and meat imports as prices changed. Reduced cow slaughter in 1958 accompanied by higher prices for processing beef caused imports of nonbreeding cattle and meat to rise to $507 million in fiscal year 1959. As domestic cow slaughter increased in the summer of 1960, the price for slaughter cows broke sharply, and nonbreeding cattle and meat imports fell to $382 million in 1961. Larger-than-normal beef imports in the past 3 years can be associated with a level of cow slaughter so low that prices for canner and cutter cows at Chicago were well above $12 per hundredweight. When prices remained below this level, imports dropped sharply.

More than half of agricultural imports come from 10 countries. The United States imports agricultural commodities from more than 125 countries, but over half comes from only 10. In fiscal year 1961, 53 percent came from these 10 countries, which shipped more than half of the supplementary as well as the complementary imports. Most major suppliers have predominantly agricultural economies. Brazil was the principal supplier, with $471 million of shipments.

Imports are unrestricted except for certain products. Legislative authority exists to regulate imports of commodities only under specified conditions. For example, whenever imports materially interfere with the marketing quota, price support or other programs conducted by the U.S. Department of Agriculture, the law provides for regulation of such imports under section 22 of the Agricultural Adjustment Act, as amended. Commodities controlled at present under section 22 are wheat and wheat products; cotton, certain cotton waste, and cotton produced in any stage preceding spinning into yarn (picker lap); certain manufactured dairy products; peanuts; and tung nuts and tung oil. Sugar imports are regulated by quotas under the Sugar Act of 1948, as amended, to provide a stable market for domestic sugar.

Import duties average relatively low on U.S. agricultural imports. About 55 percent of agricultural imports in fiscal year 1961 were free of duty, including nearly all of the complementary commodities. For the 45 percent of imports which were dutiable, the ad valorem equivalent of all duties averaged 11 percent.

The ad valorem equivalent for all agricultural imports—free and dutiable—averaged 6 percent.

U.S. agricultural imports by country of origin, fiscal year 1961

[In millions of dollars]

Country	Supplementary	Complementary	Total
Brazil	56	415	471
Colombia	1	259	260
Mexico	194	66	260
Philippines	239	10	249
Canada	156	3	159
New Zealand	81	33	114
Dominican Republic	81	30	111
Indonesia	2	104	106
Australia	102	(1)	102
Argentina	53	32	85
Other	846	879	1,725
Total	1,811	1,831	3,642

1 Less than $500,000.

SUPPLEMENTARY AGRICULTURAL IMPORTS

Sugar: Four million short tons, valued at $440 million, smallest volume in 6 years, mainly from Philippines, Mexico, Dominican Republic, and Peru.

Sugar accounted for 12 percent of U.S. agricultural imports. The United States accounts for almost one-fourth of world sugar imports.

Meats: Beef, 532 million pounds, product weight, valued at $189 million, mainly from New Zealand, Australia, and Argentina; pork, 166 million pounds, at $112 million, mainly from Europe.

Total meat imports included manufacturing-type boneless beef, corned beef, specialty pork items, and canned hams.

Meat imports accounted for 5 percent of U.S. meat consumption, 9 percent of total U.S. agricultural imports.

Dutiable cattle: Six hundred thirty-six thousand head, valued at $55 million, up slightly from the previous year.

Most were stockers and feeders from Canada and Mexico.

Cattle imports were less than 2 percent of U.S. slaughter, 2 percent of total U.S. agricultural imports.

Vegetable oils and oil-bearing materials: Oil equivalent of imports was 1,040 million pounds, valued at $143 million, principally from the Philippines, Brazil, Argentina, Spain, Italy, the Netherlands, and Republic of Congo.

Imports included copra, coconut oil, castorbeans and oil, and tung, olive, palm, and palm kernel oils.

Imported oils have special characteristics for industry.

Imports of oils and oil-bearing materials accounted for 9 percent of U.S. vegetable oil consumption, 4 percent of total U.S. agricultural imports.

Tobacco: One hundred sixty-five million pounds, valued at $115 million, a record high.

Imports, principally from Greece, Turkey, and Cuba, consisted mainly of oriental types for blending, cigar filler, and scrap.

Imports accounted for one-tenth of total U.S. tobacco use, 3 percent of total U.S. agricultural imports.

Apparel wool: One hundred seventeen million pounds, actual weight, valued at $79 million, well below earlier postwar years, mainly from Australia, Union of South Africa, Uruguay, and New Zealand.

The National Wool Act of 1954 has supported prices to encourage domestic production. Output has risen slightly, but smaller use of wool and greater use of synthetics have done more to cut imports.

Apparel wool imports account for about one-third of U.S. consumption of apparel wool, 2 percent of U.S. agricultural imports.

Fruits and preparations: Eighty-eight million dollars, highest on record, mostly specialized commodities or supplements to production in off seasons.

Main sources were Spain, Mexico, Canada, and Philippines.

Imports were equal to 5 percent of U.S. cash receipts from fruit marketings and 2 percent of all agricultural imports.

Vegetables and preparations: Seventy-four million dollars, about one-fourth above the 15-year average.

Half were vegetables imported in winter and spring months, principally from Mexico and Italy.

Imports were equal to 4 percent of U.S. cash receipts from vegetable marketings and 2 percent of all agricultural imports.

Grains and preparations: Fifty-three million dollars, principally barley and feed wheat from Canada.

Wheat and wheat product imports are regulated by quotas.

Imports of grains and preparations were 1 percent each of cash receipts from grain marketings and agricultural imports.

Dairy products: Fifty-three million dollars, principally cheese from Switzerland, Denmark, the Netherlands, New Zealand, and Italy; and casein from Argentina.

Dairy products were less than 2 percent of all U.S. agricultural imports. Cheese imports constituted 4 percent of U.S. consumption.

Cotton: One hundred and forty thousand bales, at $24 million, mainly long staple.

Except for short harsh Asiatic cotton, imports are regulated by quotas.

Cotton imports, mainly from Egypt and Mexico, were about 1 percent each of U.S. consumption and farm imports.

COMPLEMENTARY AGRICULTURAL IMPORTS

Coffee: Three billion pounds, valued at a 10-year low of $1 billion, over 80 percent from Latin America—mainly Brazil and Colombia.

Coffee accounted for 28 percent of agricultural imports.

The United States buys over half of world coffee exports.

Crude natural rubber: Eight hundred and forty million pounds, valued at $245 million, second lowest volume since 1946, practically all from Asia.

Rubber accounted for 7 percent of agricultural imports.

The United States buys about one-fourth of world rubber exports.

Cocoabeans: Seven hundred and thirty-five million pounds, valued at $167 million.

Three countries—Ghana, Brazil, and Nigeria—supplied two-thirds of U.S. imports.

Cocoabeans equaled 5 percent of agricultural imports.

The United States buys one-third of world cocoabean exports.

Carpet wool: One hundred and ninety-eight million pounds, valued at $105 million, mainly from Argentina, New Zealand, Pakistan, Syria, and Iraq.

Carpet wool was 3 percent of U.S. agricultural imports.

Bananas: Fifty-five million actual stems, valued at $76 million.

Main suppliers were Ecuador, Panama, Honduras, Costa Rica.

Bananas amounted to 2 percent of all U.S. agricultural imports.

The United States buys nearly one-half of world banana exports.

(Issued March 1962.)

APPENDIX III. WESTERN GROWERS ASSOCIATION STATEMENT BEFORE SENATE FINANCE COMMITTEE, U.S. SENATE, AUGUST 10, 1962

Statistical table U.S. import-export value in dollars as stated in Congressional Record, Tuesday, February 27, 1962. The following simple table on imports and exports for 1960 show the facts.

	Billions of dollars
We exported merchandise valued at	19,409
We paid for imports from abroad	14,722
Thus, we shipped abroad merchandise which, in value, exceeds our payments for imports by	4,687
No dollars were received for the following exports: Nonagricultural products valued at (shipped on U.S. grants or foreign-aid credits, U.S. suppliers being paid from U.S. Government funds)	.5
Agricultural products valued at[1] (U.S. Government paid U.S. suppliers. Foreign nations gave credits in their currencies to be used as grants or loans for projects in the foreign nation)	1.2
Agricultural products given for famine and emergency relief valued at (U.S. Government paid domestic suppliers)	.2
The total value of merchandise exported for which the United States received no hard cash	1.9
Of the merchandise which we shipped abroad exceeding in value our payments for imports, the amount for which the United States received dollars was	2,787
Some exports for which the United States received dollars were not strictly commercial transactions such as the sale of cotton at prices below cost and $42.50 per bale below the price to domestic mills. Some other sales were on credit, "loans" or, in effect, Government subsidy. These "sales" are estimated at	1.4
Thus, on commercial transactions in international trade, the favorable export trade balance was only slightly less than 30 percent of the mythical $5 billion export trade surplus	1,387

[1] The goods bartered by the United States for strategic raw materials have been excluded from the exports for which no dollars were received. These exports are valued at $118,000,000.

Sources: "Statistical Abstract of the United States, 1961," p. 865; U.S. Department of Agriculture, Economic Research Sevice, Rept. No. 84, June 1961; Survey of Current Business, December 1961, p. 16.

APPENDIX IV. CATEGORIES OF ITEMS SUBJECT TO ELIMINATION OF DUTY UNDER SEC. 212

Sugar.
Molasses and sugar sirups.
Unmanufactured tobacco.
Live animals.
Meat products, including fresh, chilled, or frozen beef, mutton, lamb, and pork, bacon, hams and shoulders, pork sausage, canned beef and meats.
Poultry, live or dressed, fresh, chilled, or frozen.
Eggs, fresh, frozen, or dried.
Dairy products, including milk and cream, fresh or sour, dried, condensed or evaporated, butter, oleomargarine, and cheese of all types.
Miscellaneous animal products, including gelatin, glue, casein, meat extract, bristles, edible oils, tallow, and lard.
Animal and fish oils, inedible.
Vegetable oils and fats.
Essential or distilled oils.
Oilseeds, including cottonseed, soybeans, and the like.
Grains and preparations, including flour and meal, cereal breakfast foods, biscuits, wafers, cakes, and bread.
Fooders and feeds.
Fruits and preparations, including all fruits in the natural state, green or ripe, in brine, dried, or prepared or preserved, or frozen.
Jellies, jams, marmalades, and fruit butter.

Fruit paste and pulp.
Fruit juices.
Beverages, including still wines, vermouth, champagne, beer, ale, malt extract, and nonalcoholic beverages.
Vegetables and preparations, green or ripe, dried, or prepared or preserved.
Nuts and preparations, shelled or unshelled, blanched, roasted, or otherwise prepared or preserved.
Seeds.
Nursery and greenhouse stock.
Raw cotton and cotton waste.
Other vegetable textile fibers and silk, unmanufactured.
Wool and other animal hair, unmanufactured.
Hides and skins, raw.
Drugs, herbs, and the like, including those advanced in condition, and fish oils.
Miscellaneous vegetable products, including monosodium glutamate, yeast, flavoring extracts, vinegars, sauces, soups, pastes, coffee essence, cocoa, chocolate, chewing gum, and other edible preparations.

TABLE NO. 1.—*Industrial tariffs*

[Weighted averages]

	Percent		Percent
Japan	19	Australia	12
Austria	19	United States	11
United Kingdom	17	Norway	11
New Zealand	17	Benelux	11
Italy	16	West Germany	9
Canada	16	Sweden	8
France	15	Switzerland	8
EEC	14	Denmark	6

TABLE NO. 2

(See app. III.)

TABLE NO. 3

(See app. III.)

TABLE NO. 4.—*Trend lines of selected agricultural imports, including statements*

(A) DISPLACEMENT OF DOMESTIC ACREAGES RESULTING FROM BEEF IMPORTS IN 1961

1961 live beef imports, 910,000 head (USDA estimates); domestic acres displaced	18, 200, 000
1961 frozen and processed beef imported, 527,500,000 pounds; carcass equivalent (USDA estimates) 1,376,775 head; domestic acres displaced	27, 535, 500
Total domestic acres displaced by beef imports in 1961	45, 735, 500
1961 live beef exports, 24,012 head: acres required to produce	480, 240
1961 processed meat exported, 29,900,000 pounds; carcass equivalent (USDA estimates), 72,657 head; acres required to produce	1, 453, 140
Total acres required to produce beef exported in 1961	2, 932, 380
Total acres displaced by beef imports	45, 735, 500
Total acres producing beef exports	2, 932, 380
Net loss of acreage displacement through beef imports	42, 803, 120

Source: P. 76, committee report, Dent subcommittee of the Committee on Education and Labor, May 1962.

(B) LAMB AND MUTTON IMPORTS

	Pounds
1957	3, 500, 000
1960	56, 800, 000

Source: Statistics from p. 5811, Congressional Record, Apr. 18, 1961.

(C) SUGARBEET IMPORTS

Domestic acreage displaced.. 1,380,000
Domestic sugar mills displaced.. 51

(D) FROZEN STRAWBERRY IMPORTS

Year	Mexico	United States	United States & Mexico	U.S. share of market	
				Percentage Mexico	Percentage United States
1956	11,000,000	312,292,681	313,392,681	3	97
1957	13,750,000	260,863,821	274,613,821	5	95
1958	14,000,000	269,647,013	283,647,013	5	95
1959	14,000,000	248,252,806	219,652,806	5	95
1960	25,500,000	231,758,996	257,258,996	10	90
1961	30,000,000	235,000,000	238,000,000	13	87

Source: California Strawberry Advisory Board.

(E) CANTALOUP IMPORTS

Year	April	May	June	July	Carlots, season total
1950	55	150	13		[1] 259
1951	61	87	2		169
1952	88	153	6		269
1953	203	521	4		539
1954			3		1,236
1955			41		1,537
1956			55		2,162
1957			23		2,073
1958			124		937
1959			122		2,343
1960 to June 6					2,646

[1] Increase in imports from 1950 to 1960 over 1,000 percent.

Source: U.S. Department of Agriculture.

(F) WATERMELON IMPORTS

Year	Pounds	Year	Pounds
1950 [1]	1,346,000	1958	43,160,000
1952	5,085,000	1959	57,747,000
1953	10,300,000	1960 [1]	71,655,000

[1] Increase in imports from 1950–60 over 5,000 percent.

Source: U.S. Department of Agriculture.

(G) TOMATO IMPORTS (FRESH), SHARE OF MARKET LOS ANGELES AND SAN FRANCISCO RECEIVING POINTS IN CARLOT QUANTITIES

Year	Mexico carlots	Imperial Valley carlots
1956	824	1,044
1960	1,903	418

Source: Statistics from Dent subcommittee of Congress, Nov. 29, 1961.

(H) PROCESSED TOMATO IMPORTS

Tomato paste and tomato sauce (U.S. imports):

[Cases]

1959	240,209
1960	299,216
1961	1,282,430

Italy represents 772,213 cases of 1961 imports.
Tomatoes (U.S. imports):

1959	3,250,750
1960	3,640,800
1961	5,392,319

Italy represents 5,352,475 cases of 1961 imports.

Source: Canners League of California.

U.S. exports fell during this same period.
U.S. exports (all tomato products):

[Cases]

	1959	1960	1961	Down from 1959
Tomato paste and puree	685,863	622,500	503,452	159,048
Catsup, chili sauce, and table sauce	527,052	516,190	472,203	54,849
Tomato cooking sauce	305,977	47,440	41,467	264,510
Tomatoes	314,091	377,415	158,757	155,334

Source: California State Board of Agriculture, April 1962.

(I) GARLIC INCREASE IN IMPORTS

[In pounds]

	Amount	Increase
1956 Mexico base	6,409,630	
1957	7,714,109	1,304,479
1958	12,271,888	5,862,258
1959	8,186,893	1,777,263
1960	11,553,971	5,144,341
Total		14,088,341

Source: U.S. Tariff Commission.

(J) IMPORTS—BARLEY, OATS, AND RYE

Page 5811, Congressional Record, dated April 18, 1961, states as follows:

"From 1949 to 1959, we imported twice as much barley as our surplus grew during that period. In fact, we imported more during that period than we had on hand as surplus at the end of 1959. In oats, we imported four times as much from 1949 to 1959 as our surplus grew during the same period—imports which approximately equaled the surplus on hand at the end of 1959. The situation in rye is even more vivid. From 1949 to 1959, American farmers produced 40.5 million less bushels than the amount of the total disappearance of this crop. Yet, during this same period, our surplus increased by 4.5 million bushels, due to the fact that we imported 52.7 million bushels."

(K) U.S. IMPORTS—SELECTED ITEMS PURSUANT WITH WAYS AND MEANS COMMITTEE, U.S. CONGRESS, JULY 1, 1960

Trends: Data for the past decade on total U.S. imports of products considered in detail in this report are shown in the following tabulation:

[In millions of pounds]

Product	Average 1950-51 to 1954-55 or 1951-55	1955-56 or 1956	1956-57 or 1957	1957-58 or 1958	1958-59 or 1959	1959-60 or 1960
Cantaloups [1]	18.2	51.9	50.2	44.0	56.5	79.4
Watermelons [1]	11.8	37.7	24.5	43.5	58.0	72.0
Miscellaneous melons [1]	8.9	15.1	11.0	12.7	20.3	35.5
Snap beans	1.4	2.3	6.3	6.5	8.1	6.9
Garlic [1]	19.8	17.3	17.8	21.5	24.2	23.5
Onions [1]	25.6	26.4	27.0	54.6	59.1	31.1
Tomatoes	165.8	82.1	120.9	270.4	242.5	309.1
Cucumbers	22.6	42.1	40.8	45.1	34.7	65.7
Eggplant	2.2	2.0	1.9	3.5	3.4	4.8
Peppers	15.5	5.3	9.5	17.1	17.8	21.4
Squash	.3	(2)	.5	.6	1.6	1.2

[1] Calendar-year basis.
[2] Less than 50,000 pounds.

Imports of all the products shown above were significantly larger in each of the last 3 years than average annual imports in 1951–55. Comparing the data for 1960 (or 1959–60) with the annual average for 1951–55 (or 1950–51 to 1954–55), imports of watermelons increased by 510 percent; snap beans by 393 percent; cantaloups by 336 percent; miscellaneous melons and squash by about 300 percent; and cucumbers by 191 percent. Imports of eggplant and tomatoes approximately doubled; and imports of peppers, onions, and garlic increased by 38, 21, and 19 percent, respectively.

(Source: Page 19, "Investigation 332–39 Resolution," Ways and Means Committee, U.S. House of Representatives, July 1, 1960.)

(L) SELECTED IMPORTS FOR FISCAL YEAR 1961, AS REPORTED BY U.S.D.A., MARCH 1962

Sugar: 4 million short tons, valued at $440 million, smallest volume in 6 years, mainly from Philippines, Mexico, Dominican Republic, and Peru.

Sugar accounted for 12 percent of U.S. agricultural imports. The United States accounts for almost one-fourth of world sugar imports.

Meats: Beef, 532 million pounds, product weight, valued at $189 million, mainly from New Zealand, Australia, and Argentina; pork, 166 million pounds, at $112 million, mainly from Europe.

Total meat imports included manufacturing-type boneless beef, corned beef, specialty pork items, and canned hams.

Meat imports accounted for 5 percent of U.S. meat consumption, 9 percent of total U.S. agricultural imports.

Dutiable cattle: 636,000 head, valued at $55 million, up slightly from the previous year.

Most were stockers and feeders from Canada and Mexico.

Cattle imports were less than 2 percent of U.S. slaughter, 2 percent of total U.S. agricultural imports.

Vegetable oils and oilbearing materials: Oil equivalent of imports was 1,040 million pounds, valued at $143 million, principally from the Philippines, Brazil, Argentina, Spain, Italy, the Netherlands, and Republic of Congo.

Imports included copra, coconut oil, castor beans and oil, and tung, olive, palm, and palm kernel oils.

Imported oils have special characteristics for industry.

Imports of oils and oilbearing materials accounted for 9 percent of U.S. vegetable oil consumption, 4 percent of total U.S. agricultural imports.

Fruits and preparations: $88 million, highest on record, mostly specialized commodities or supplements to production in off seasons.

Main sources were Spain, Mexico, Canada, and Philippines.

Imports were equal to 5 percent of U.S. cash receipts from fruit marketings and 2 percent of all agricultural imports.

Vegetables and preparations: $74 million, about one-fourth above the 15-year average. Half were vegetables imported in winter and spring months, principally from Mexico and Italy.

Imports were equal to 4 percent of U.S. cash receipts from vegetable marketings and 2 percent of all agricultural imports.

Grains and preparations: $53 million, principally barley and feed wheat from Canada. Wheat and wheat product imports are regulated by quotas. Imports of grains and preparations were 1 percent each of cash receipts from grain marketings and agricultural imports.

Dairy products: $53 million, principally cheese from Switzerland, Denmark, the Netherlands, New Zealand, and Italy; and casein from Argentina.

Dairy products were less than 2 percent of all U.S. agricultural imports. Cheese imports constituted 4 percent of U.S. consumption.

Cotton: 140,000 bales, at $24 million, mainly long staple. Except for short harsh Asiatic cotton, imports are regulated by quotas.

Cotton imports, mainly from Egypt and Mexico, were about 1 percent each of U.S. consumption and farm imports.

AUGUST 9, 1962.

Hon. HARRY F. BYRD,
Senate Finance Committee, Washington, D.C.:

Requesting that this telegram be made a part of your record, and it is intended to clarify Secretary of Commerce Luther Hodges' widely publicized letter to the President of the United States on the condition of the textile industry at this time.

The textile industry consumed 11,436,000 bales of cotton during the calendar year 1942. In July 1942 the population in the United States was approximately 135 million people, and the installed capacity of the textile industry, expressed in spindles, averaged 24,157,000. In July 1961 the population of the United States is estimated at more than 183 million, an increase of 48 million people. The average installed capacity of the textile industry declined to 19,678,000 spindles in 1961. The consumption of cotton declined to 8,541,000 bales.

The installed capacity of the textile industry continues to decline steadily. The ability to consume cotton has declined more than 25 percent in the last 20 years in spite of the increased population. Secretary Hodges' letter, trying to show an improvement based on the bottom of the depression in 1961 compared to the general improved economic condition as of the first 6 months of 1962, does not tell a true story.

I furnished each member of your committee a brochure in March 1962, "In the Balance," showing the condition of the textile industry. This brochure is in the Congressional Record of March 12, page A-1847, put in at the request of Congressman Jonas. Also, on other dates, by Congressmen Alexander and Hemphill. I request this information, as contained in the Congressional Record, be made a part of the records of your committee.

C. A. CANNON.

IN THE BALANCE: THE JOB OF ONE AMERICAN WORKER OUT OF EVERY EIGHT EMPLOYED IN MANUFACTURING IN THE UNITED STATES OF AMERICA

The American textile and apparel industries

LACK OF PROPER IMPORT QUOTAS HURTS THE AMERICAN TEXTILE WORKERS

(By Charles A. Cannon, president of Cannon Mills Co., Kannapolis, N.C.)

The continued existence of many thousands of business units and the jobs of more than 2,105,000 employees in the American textile industry are threatened by our import policies. Combined, the textile and apparel industries currently employ 2,105,000 men and women—one-eighth of the 16,636,000 persons engaged in all manufacturing enterprises in the United State of America.

The extent of the damage already done to employers and the employees of the textile industry is shown by the following figures for the industry (excluding 1,213,000 employees in the apparel and related industries):

	1947	1957	1961	Decrease
				Percent
Number of employees	1,335,000	1,000,000	892,200	34
Cotton system spindles	28,800,000	21,200,000	19,600,000	32
Profit on sales, percent	8.2	1.9	1.9	77
Profits on net worth, percent	18.0	4.2	4.0	78

Average annual consumption all cotton

[In thousands of bales]

	United States	World	United States as percent of world
1924-30	6,645	24,769	26.8
1930-40	5,902	27,385	21.6
1940-50	9,672	26,646	36.3
1950-60	9,013	41,259	22.1
1959-60	9,025	48,194	18.1
1960-61	8,268	46,919	18.0

Only a small part of the decrease in the United States is explained by the increase in domestic production of manmade fiber products.

These figures show the upward trend in imports and downward trend in exports of cotton products and manmade fiber fabrics:

The cotton content in cotton products

[Units of 1,000 bales]

	Imports	Exports		Imports	Exports
1954 (1st year for Public Law 480)	101.0	604.5	1957	199.1	579.1
1955	181.2	547.5	1958	233.8	521.0
1956	225.0	530.4	1959	360.0	492.6
			1960	525.5	485.6

NOTE.—Imports increase 420 percent; exports decrease 20 percent.

Manmade fiber fabrics

	Imports	Exports		Imports	Exports
	Pounds	*Sq. yds.*		*Pounds*	*Sq. yds.*
1954	1,174,000	200,846,000	1958	4,865,000	156,767,000
1955	1,641,000	198,882,000	1959	11,012,000	168,004,000
1956	2,773,000	192,743,000	1960	10,215,000	154,449,000
1957	3,284,000	171,429,000			

The chief exporters of textile products to our country are Japan, Hong Kong, Portugal, Spain, Egypt, India, France, and Italy.

The increase in textile-product imports and resulting loss in domestic production and jobs are explained largely by these factors:

1. Our furnishing modern equipment at low cost or no cost to so-called underdeveloped countries.
2. The low wages paid in the foreign countries range from less than 10 percent to not above 50 percent of the American wage level.
3. The availability of American cotton at no real cost to foreign countries under Public Law 480.
4. Our low tariff rates.
5. Our export subsidy of 8½ cents per pound or $42.50 per bale.
6. Our failure to establish proper import quotas and regulations.

These factors are in addition to the advantage which the foreign spinner has in securing his cotton at one-third less than the American manufacturer. The foreign cotton is excluded from the American market by quotas. The total amount of Upland cotton being allowed to come in in any 1 year is less than 1 day's requirement for American spinners.

Our Public Law 480 sales of cotton to so-called underdeveloped countries has hurt the American textile business. Beginning about 1947, we furnished money and equipment to Japan and other countries so that in many places the foreign producer has newer and more effective machinery than we have at home. Beginning in 1954 and through December 5, 1961, under Public Law 480 we have shipped or authorized 6,011,344 bales of cotton valued at $994,564,652 to various countries, all of which is supposed to be in excess of their traditional consumption of American cotton. These 6 million bales, at a value of $1 billion, were not paid for in dollars but in restricted local currencies which could be spent only in the foreign importing country which received the Public Law 480 cotton, all of which contributed to their local economy.

The goods manufactured from American or foreign cotton are available to be exported to the United States and sold to us for dollars which they can readily exchange for gold.

Some of the beneficiaries through Public Law 480 cotton have been:

Burma	$32,000,000	Indonesia	$58,000,000
Taiwan	7,000,000	Italy	77,000,000
Korea	47,000,000	Japan	52,000,000
Pakistan	35,000,000	Poland	94,000,000
Colombia	12,000,000	Spain	119,000,000
India	157,000,000	Yugoslavia	82,000,000

Japan, Pakistan, India, Italy, and Spain (as well as Hong Kong, Portugal, and Egypt) have been substantial exporters of cotton goods to the United States and are pressing to increase their shipments at the expense of the American manufacturer.

The following shows price differentials on a number of fabrics in the New York market during December 1961:

Comparative gray goods prices

[Prices per yard]

Construction	American price	Japanese-Free Chinese price
	(Cents)	*(Cents)*
40-inch-136/60-3.65 (combed)	26	24
47-inch-136/60-3.10 (combed)	30	29
47-inch-109/58-2.84	27½	25½
46½-inch-80/84-3.43 (combed)	30	28¾
40½-inch-42/44-3.00 (soft filled sheeting)	21	17½-18
40½-inch-42/44-3.50	17¾	14¾-16¾

The above figures readily explain how the foreign competition can quote lower prices than the American mills can possibly afford to make. It is a well recognized fact that many textiles are sold at very close prices. A difference of one-eighth of a cent a yard, which is less than 1 percent of the value, often is the controlling factor as to whether a mill is to continue to operate or run short time.

UNEMPLOYMENT

Unemployment is high in the United States. A continuation of our import policy on textile goods threatens to increase that unemployment. By contrast, we know that many foreign countries have a labor shortage including Japan, West Germany, and Switzerland who are profiting as a result of our failure to protect ourselves against imports from low-wage countries.

In the apparel industry, there are about 1,213,000 employees and, therefore, in the combined textile industries there are about 2,105,000 out of a total of 16,636,000 employed in all manufacturing industries, or 12.6 percent (Labor Department's Monthly Report on Labor Force, November 1961, issued December, table 3).

The administration recognizes that the textile and apparel industries are employers of a large part of our whole manufacturing employees (12.6 percent and are probably more vulnerable to imports of competing products than any other large industry on account of the foreign countries having lower raw material prices (American cotton available to foreigners at 33⅓ percent under American support price, and cotton represents, in many instances, one-half the cost of American gray goods). The foreign countries have advantage of lower wage costs, their rate being 10 to 15 percent of the American wage rate (the American labor cost frequently runs as high as 50 percent of the sales price of gray goods).

Further decrease in employment in the textile and apparel industries will add to the serious problems of unemployment. In many areas, the textile or apparel workers are a large portion of the entire labor force in the area and State.

In addition to present loss of employment in the textile and apparel industries, the entire future of our cotton farmers, ginners, compressors, and warehousemen (not included in manufacturing industry figures) is threatened. If the domestic mills, which pay the Government support price, or higher, for the greater portion of U.S. cotton consumed, are destroyed, then it follows that raw cotton interests must live on the world price plus such additional subsidy or dole that the Government may wish to pay them.

We are familiar with the depressed conditions in the coal mining areas of West Virginia and Pennsylvania. Those same conditions will probably arise within a few years in the many areas in many States where a large proportion of all manufacturing industry employees are those engaged in producing textile products and apparel. In many places this proportion is 50 percent or as high as 80 percent of the total number of employees in the manufacturing industry in the State.

It will be impossible to retrain or to move a large number of the employees, many of whom have made the textile industry their life's work, are skilled employees in the industry, and have established their homes, their families, and their expected future, based on the stability of the textile industry. The liquidation of this industry, employing a large number of people and so necessary in time of peace or war, will bring social unrest, family disruption, and heartaches to a great number of people in wide areas of the country where the industry is located.

The suggestion that these people be retrained and possibly moved to other localities is not realistic when we consider that we have not retrained and taken care of some 4 million employees who are now unemployed and, yet, it is proposed that we begin to add to this number an additional 2 million employees. If this program were put into effect today, our unemployment would rise from 6 to 9 percent.

It seems quite clear that our import policy has largely caused this decrease in American jobs. The textile industry is hurt by our cotton pricing controls. But we probably can survive if we get an equalization fee to offset the 8½ cents-per-pound subsidy on cotton exported to foreign countries, plus protection in the form of fair tariff rates and quotas against excessive importation of fabrics and apparel from low wage countries.

Foreign countries have no just basis to object to any of these procedures. Practically all of them have restrictions which prevent or limit our shipping many items into their borders. There is little reciprocity in practice.

THE COMMON MARKET APPROACH

In his state of the Union message, President Kennedy ties his foreign trade recommendations to his concept of the European Common Market (comprising France, West Germany, Italy, the Netherlands, Belgium, and Luxembourg), which is still in experimental form.

He recognizes we need a new law. The Reciprocal Trade Act has not accomplished true reciprocity and has resulted in our giving up much and getting very little in return.

No one as yet can be sure as to how the Common Market will operate and how it will affect our country. The six European countries in that group along with the United Kingdom form (as the President says) "an economy which nearly equals our own." The Common Market principles will apply, if at all, only to countries of a somewhat similar economy. Therefore, it would be unwise to apply to low wage countries practices which some persons think will work

well with seven nations whose wages and living standards are more like ours than is true with many other parts of the world.

And yet, in his message the President says, "nor are we abandoning our non-European friends nor our traditional most-favored-nation principles."

We should insist that the principles of reciprocity and fair dealing be practiced by all the nations with whom we desire to have trade. We certainly should look long and hard before we make commitments which may make a bad situation worse.

RECOMMENDATIONS

The administration recognizes that the textile industry is so important to our American economy and employs such a large proportion of our manufacturing labor force that it must be given special treatment.

I recommend such special treatment through legislation as follows:

1. Collect from importers an equalization fee to offset the advantage given to foreign producers who now buy American cotton 8½ cents per pound under the price paid by American mills.
2. Establish fair quota limitations on imports of textile products, including yarns, based on the average of 1955–59 imports.
3. Insist that many other countries increase their imports from the areas requiring help through increase in exports of the products of those areas and thus relieve the growing pressure on the United States.

These actions are necessary in order to keep our American textile industry healthy and strong—ready for war and other emergencies and meanwhile employing our American men and women.

CHARLES A. CANNON.

February 1962.

After the above article had been delivered to the printer, I learned through the press some of the details of the International Cotton Agreement reached in Geneva.

I believe the tentative agreement, subject to the approval of 19 nations, insures a continuing threat to the employment in the textile and garment industries in the United States. I believe that legislation making mandatory my recommendations will be required to protect the American textile industry, recommendation No. 1 calling for an import fee of 8½ cents a pound on cotton and recommendation No. 2 calling for the establishing of ceilings by quotas on imports.

The preamble provides protection for all participating countries except the United States, as follows:

"Recognizing further that such action should be designed to facilitate economic expansion and promote the development of less developed countries possessing the necessary resources, such as raw materials and technical skills, by providing larger opportunities for increasing their exchange earnings from the sale in world markets of products which they can efficiently manufacture: * * *"

I anticipate increasing hardships in and liquidation of the American textile and garment industries if this provision is carried out.

C.A.C.

RESOLUTIONS UNANIMOUSLY ADOPTED BY THE 13TH ANNUAL MEETING OF THE AMERICAN COTTON MANUFACTURERS INSTITUTE, MARCH 31, 1962

FOREIGN TRADE RESOLUTION

A national foreign trade policy

The ACMI reaffirms its support of the President's textile program on an industrywide basis and recognizes the constructive action and the progress made to date in the implementation of the program since its inception on May 2, 1961. The arrangements covering international trade in cotton textiles coupled with efficient and vigorous enforcement will contribute to the growth of the industry, to increased employment, to the national security and to the overall economy.

The textile program accepts and treats the problems of textiles on an industrywide basis and avoids inadequate, piecemeal remedies. The President has used the authority available to him to secure on a global basis an expansion of world trade in cotton textiles and apparel while providing the means of preventing further disruption of the markets of domestic producers such as the United States.

Action affecting wool and manmade fiber segments of the industry is anticipated shortly.

In addition, the Department of Agriculture, in accordance with point 4 of the President's program, has requested the Tariff Commission for an equalization fee to offset the disparity which exists between United States and world prices for cotton. The prompt correction of this disparity in its entirely is absolutely essential.

The President has proposed a policy of trade expansion intended to improve the U.S. balance-of-payments position, to meet the challenge of growing free world markets to win the economic struggle against the Communist bloc, and to accelerate the economic growth of the United States. The proposals for trade expansion include new procedures and authority to meet the conditions and challenges which face the United States and preserves the national security safeguards.

The development of a textile program and its implementation through international arrangements demonstrates that the authority of the President has been exercised vigorously and prudently in the interests of national security and economic growth within the framework of policy of expanded world trade. In view of our experience, we believe that the authority to deal with foreign nations proposed by the President will be wisely exercised and should be granted by the Congress.

We desire to assist the administration and the Congress to obtain a Trade Expansion Act which will encourage and stimulate international trade, and at the same time will assure the continuance of the jobs of our American employees, the expansion of our domestic production, and will provide for the maintenance of our national security.

Foreign Trade Resolution—An Expression of Appreciation

Since the last annual meeting of ACMI, our Government has devoted to the foreign trade problem of the U.S. textile industry an unprecedented degree of thoughtful consideration and constructive action. For this activity, we express our deep appreciation to the President and to his Special Cabinet Textile Committee.

We are genuinely indebted to a wide cross section of the Congress for its continuing understanding, interest, and activity with respect to the disruptive textile import situation. This congressional interest has provided a foundation of support and encouragement upon which the executive branch could build and extend its efforts.

The Geneva arrangements, along with vigorous enforcement and the anticipated early implementation of the remaining portions of the President's program, provide a basis for encouragement and for sound forward planning of future growth by this industry.

Resolution—The Cotton Offset Import Fee

In 1956 the Government instituted a cotton export program to make U.S. cotton competitive in world markets. World cotton prices were than some 6 cents per pound under U.S. cotton prices and the differential has since widened substantially.

This means that American cotton textile manufacturers are required to pay approximately one-third more for cotton than foreign mills pay.

The incredible inequity of the cotton cost differential has, of course, led to a sharp upsurge of certain categories of textile imports already stimulated by the lower wage and other cost advantages possessed by foreign manufacturers, to the great detriment of cotton farmers and textile employees.

These imports not only constitute very damaging and unfair competition to the U.S. textile industry, but also reduce the domestic consumption of the U.S. farmers' cotton and thereby interfere with the programs of the U.S. Department of Agriculture which the Government has established for the benefit of these cotton farmers.

Section 22 was written into our basic agricultural law to provide a remedy for precisely this type situation. However, despite the combined efforts of the

textile industry and the raw cotton industry over the past several years, we have been unable to secure the relief which section 22 prescribes.

The administration has recognized this disparity and has requested the U.S. Tariff Commission to institute a section 22 proceeding, specifically suggesting the desirability of an equalization fee on the cotton content of textile imports at a rate sufficient to offset the raw cotton cost differential.

We commend the U.S. Department of Agriculture and its representatives for the excellence of the case made so strongly by them in behalf of such a fee, in the recent hearings before the U.S. Tariff Commission.

A healthy and growing domestic textile industry is indispensable to the maintenance and economic well-being of domestic cotton agriculture.

Prompt action in recommending the proposed fee and its prompt establishment by Presidential proclamation are essential to the preservation and expansion of the American cotton industry and to the most successful implementation of the Geneva cotton textile arrangements.

FOREIGN TRADE RESOLUTION

The case pending before the OEP

Thirteen days after the textile program was announced on May 2, 1961, the combined textile-apparel industry, in accordance with point 7 of the President's program instituted an action before the Office of Emergency Planning under the national security provision of the Trade Agreements Act.

This action is without question the most comprehensive and exhaustively documented presentation ever made to this agency. The record was closed October 16, 1961.

An early and favorable finding by the OEP is indispensable to a full implementation of the overall textile program which is essential to economic and military security of the United States.

FOREIGN TRADE RESOLUTION

Extension of President's program to other fibers in addition to cotton

Completion of the President's program for dealing with the import problems of other fiber divisions of the industry is imperative.

The interfiber relationships of manufacturing and marketing textile products are such that failure to deal promptly with the total textile import problem inevitably would create distortions throughout the industry. This would render the administration of the Geneva arrangement more difficult and would make needed corrective action much more drastic.

To avoid this we again urge the administration to move promptly in the development and implementation of a program covering products manufactured from manmade fibers, wool, and silk.

CANNON MILLS CO.,
Kannapolis, N.C., August 1, 1962.

Hon. HARRY F. BYRD,
U.S. Senate, Washington, D.C.

DEAR SENATOR BYRD: First, I want to express to you my appreciation for your letter of July 30. I think it is one of the most understanding letters of the predicament we find ourselves in that I have ever received from anyone in a long time.

You can rest assured I am putting every ounce of pressure I know how to exert on anyone who has any standing in this proposition to try to have the President's May 1961 program implemented, the 8½-cent fee on cotton activated, and a favorable OEP decision.

The Department of Commerce's own figures show that the Geneva agreement has not only failed to work, but the rate of imports has exceeded the estimate to such an extent that we will be in serious trouble, even if the long-term agreement

is activated as of October 1. This long-term agreement will be based on the actual imports during the present period instead of the agreed-on imports.

I understand the Japanese imports, which run from January to January, are practically 101 percent completed at the end of June. Our cloth and yarn markets are demoralized on account of the low prices which the foreigners can quote in our markets on account of the 8½-cent cotton preference for them and their low wages.

We received in the mail today an official press release from the State Department, copy of which I am enclosing, thinking that possibly it had not come to your attention.

I have underlined in the press release the reference to the most-favored-nation treatment; in the next paragraph, a reference to the Central American common market; and in the third paragraph, the statement that El Salvador's tariffs will increase on U.S. exports.

This most-favored-nation clause in our national policy has always given me a lot of concern as to how it was going to be applied under the new trade bill which is now before your committee.

Mr. Rusk has publicly stated that the greatest pleasure he got out of his job was trading with the other nations. I am afraid he was not a good horse trader. It seems to me that every time we have a meeting we give up any advantage we have while the foreigners protect themselves as best they can.

I appreciate very much your getting for me a coy of Secretary Hodges' cross-examination before your committee. If I understand correctly, some very interesting statements were made by him on which I think he is going to find it right hard to give you a written report that will prove to be a satisfactory explanation.

With best wishes,

Sincerely yours,

C. A. CANNON.

THE WHITE HOUSE, *July 2, 1962.*

PROCLAMATION BY THE PRESIDENT OF THE UNITED STATES TERMINATING IN PART THE PROCLAMATION OF MAY 1, 1937, AND CONTINUING THE APPLICATION OF A PORTION OF THE FEBRUARY 19, 1937, TRADE AGREEMENT WITH EL SALVADOR

PART I. STATEMENT OF PURPOSES

The purposes of this proclamation are:

First, to terminate the proclamation of May 1, 1937, 50 Stat. 1564, insofar as it put into effect the schedules of concessions and related provisions of the trade agreement of February 19, 1937, between the United States and the Republic of El Salvador, 50 Stat. 1564. The two Governments have, by an exchange of notes dated June 29, 1962, agreed to terminate, as of the close of August 8, 1962, the schedules of concessions and the related provisions, including article I, the first paragraph of article II, articles III, V, VI, XVI, and in article XVII the references to article VI.

Second, to continue in effect the language of the note originally appended to schedule I of the 1937 agreement, which relates to pharmaceutical specialties or patent medicines, and which by the agreement of June 29, 1962, has been transferred into a new aritcle III of the 1937 agreement.

PART II. TERMINATING IN PART THE PROCLAMATION OF MAY 1, 1937, AND CONTINUING THE APPLICATION OF A PORTION OF THE 1937 AGREEMENT WITH EL SALVADOR

Now, therefore, I, John F. Kennedy, under the authority vested in me, as President, by the Constitution and statutes, in particular section 350(a) of the Tarift Act of 1930, as amended, do proclaim that, as of August 8, 1962:

(1) Termination: The proclamation dated May 1, 1937, 50 Stat. 1564, shall be terminated insofar as it relates to the schedules of concessions, and related provisions, contained in the agreement of February 19, 1937, between the United States and El Salvador (50 Stat. 1564), and identified in the first paragraph of part I of this proclamation.

DEPARTMENT OF STATE

PROCLAMATION BY THE PRESIDENT OF THE UNITED STATES TERMINATING IN PART THE PROCLAMATION OF MAY 1, 1937, AND CONTINUING THE APPLICATION OF A PORTION OF THE FEBRUARY 19, 1937, TRADE AGREEMENT WITH EL SALVADOR

EXPLANATION

The Governments of the United States and El Salvador have agreed to terminate the individual tariff concessions in the United States-El Salvador Trade Agreement of 1937. The general provisions of the agreement relating to rules of trade are to remain in effect, including most-favored-nation treatment.

The request for this termination was made by the Government of El Salvador, in order to facilitate its participation in the Central American common market.

The exchange of notes terminating parts of the United States-El Salvador Trade Agreement of February 19, 1937, took place on June 29, 1962, at San Salvador and will become effective as of the close of August 8, 1962. The partial termination will probably result in higher Salvadoran tariff rates on certain U.S. exports.

The attached Presidential proclamation implements the agreement reached with El Salvador.

CANNON MILLS CO.,
Kannapolis, N.C., July 11, 1962.

Hon. HARRY F. BYRD,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BYRD: I know of your long interest in the constructive work on the Reciprocal Trade program, dating back to the time when Mr. Doughton, my Congressman, was Chairman of the Ways and Means Committee.

I have only had an opportunity to discuss this legislation with you briefly on several occasions, but I understood you recognized, some years ago, that there were some serious problems involved in tariffs for the American textile industry and that you were instrumental in seeing that the Reciprocal Trade Act was renewed from time to time for a short period of time.

We are greatly concerned at the moment over the legislation which is now before your committee vesting in the President the power to control our foreign trade far in excess of anything that has ever been done.

In this same field, title III provides what appears to me to be a dole. In any event, it would destroy the States' control of unemployment compensation and put it on a national basis.

We were told that when legislation was in the House, the administration objected to the elimination of the provision of the bill which set up powers for the Federal Government to retrain employees who lose their jobs on account of imports and to help industries that are being put out of business by this. I am under the impression that the payment by the Government will be for a much longer period than provided by the States, and at much higher rates.

It seems to me we have gone far afield when we are asked to support legislation to improve our economic condition and, at the same time, admit that we must have vast sums of money to retrain employees who have lost their jobs on account of this legislation and to help industries that are being put out of business by the same legislation.

I request, in this letter, that you give most careful consideration to this part of the bill, and, as far as the textile industry is concerned, I believe we would rather see no trade bill than to have the law passed with the above provision included.

There seems to have been considerable misunderstanding about the position of the textile industry at our meeting in Palm Beach, at which we passed a resolution supporting the President, insofar as we could, on his trade bill. The resolution passed at Palm Beach did not support title III of the trade bill. In fact, this resolution opposed that portion of the trade bill which calls for retraining of workmen, unemployment insurance, and aid to businesses hurt by imports.

I would like to give you a little background as to the buildup of the action of the textile industry at Palm Beach. The President, in May of 1961, spoke to a group of textile representatives at the White House about a program which he had in mind to help the textile industry. There were seven points to this pro-

gram. Among these seven points were several we feel are vital to the textile industry and that we must have, one of which was to allow us increased depreciation. As you know, increased depreciation has been allowed.

I would like to comment, at this point, that the textile industry has been terribly punished for the last 30 years when we were called on to operate three shifts and pay the ever-increasing cost for new replacement machinery. We were not allowed increased depreciation and, so far as I know, not $1 of obsolescence was ever allowed the textile industry until the year 1961. Under this type of depreciation, the textile industry has shrunk in size until our present installed capacity is less than it was in 1900, although our population has more than doubled in this period. The statement is often liberally made that improved machinery and longer working hours are responsible for the shrinkage in the installed capacity of the textile mills and that we are not telling the whole truth when we mention the decrease in the amount of cotton we use. The textile industry, in 1942, consumed 11,400,000 bales of cotton; and in the last few years, when we have had our best consumption of cotton, it has been less than 9 million bales, and in 2 of these most recent years, we consumed nearer 8 million. This simply means that the textile industry cannot consume the 11,400,000 bales of cotton per year that it consumed in 1942. The population has gone up over 30 million in the past 10 years. We have continued to go downhill in our producing capacity. I know you are well acquainted with the fact that the number of employees in the textile industry has dropped from about one and a quarter million to less than 900,000. It seems to me this is a convincing enough reason why a practical approach by the Government to the textile industry's problems is the only answer to our present serious condition.

We were shocked at what we saw in the paper this past week concerning the Secretary of Commerce's statement made on February 5, 1962, when he appeared before a subcommittee of the Appropriations Committee, although he is, I believe, Chairman of the President's Interagency Committee on Textiles, which Committee has representatives from the Commerce, Treasury, State, Agriculture, and Labor Departments. There has been some attempt to explain what the Secretary of Commerce meant. All the explanation in the world is not going to help the textile industry, which has to pay $42.50 per bale more than the foreign mills for its cotton and at the same time allow foreign goods to come back into this country made with cheap cotton and with cheap labor.

The President also suggested in his seven-point program that the textile industry could make application to the OCDM (now OEP), asking that the textile industry be declared vital to our national security. This application was made long, long ago. The OEP has rendered no decision.

You can well imagine the consternation we felt when we learned that the Secretary of Commerce has prejudged the OEP case, announcing that some voluntary negotiations in Geneva that had not even been completed at that time might supersede the OEP proceedings.

The Secretary might try to explain that he was talking about cotton only, but his explanation establishes no reassurance in my mind as to just why the question of the adequacy of the textile industry for our defense would be set aside by the Secretary of Commerce when the President had taken the position it would be considered on its merits. Certainly, our defense should be considered on its merits and, certainly, cotton alone could not be considered the textile industry. Silk, wool, manmade fibers are involved, and a certain amount of these other fibers must go through the cotton-processing machinery which is not available on account of legislation which reduced the capacity of this industry during the past 10 years.

Also, as the suggestion of the President as a followthrough on one of the seven points of his program for the textile industry, the textile industry filed before the Tariff Commission a petition requesting an offset import fee of 8½ cents a pound for the cotton content of goods being imported into this country.

The textile industry moved promptly in presenting this case to the Tariff Commission. The Department of Agriculture did a good job in preparing the case. The Tariff Commission allowed all the foreigners and their representatives full time to heckle our witnesses, put in their case, and deal out unlimited propaganda which would allow them the American market for cotton textiles when they are paying $42.50 less a bale for cotton and their wage scale is 10 percent of the American wage scale. We think the Tariff Commission should have handed down their decision in this case long before this.

I appeal to you to block the passing of the trade bill unless we do get relief under the President's program, as outlined above.

Under any conditions, I appeal to you to block title III of the trade bill which provides for the retraining of and payment of unemployment compensation to employees put out of work due to the excess influx of imports brought on by the trade bill, and the aiding of businesses hurt by the excessive imports.

The above requests are in line with the resolution adopted by the textile industry. We have never endorsed any part of the trade bill which looks to a dole nor the continuation of cotton goods coming into this country, subsidized by our own Government, but we did endorse the part of the bill which provided for the textile industry's being considered an essential industry, and it should be protected for defense purposes, if for no other reason.

I wish to express to you my thanks for the news that came over the wire today, that the withholding tax on dividends and interest was not put into effect.

Sincerely yours,

C. A. CANNON.

(Whereupon, at 1:10 p.m., the committee adjourned, to reconvene at 10 a.m., Friday, August 10, 1962.)

TRADE EXPANSION ACT OF 1962

FRIDAY, AUGUST 10, 1962

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

The committee met, pursuant to recess, at 10 a.m., in room 2221, New Senate Office Building, Senator Harry F. Byrd (chairman) presiding.

Present: Senators Byrd, Kerr, Williams, Carlson, and Curtis.

Also present: Elizabeth B. Springer, chief clerk, and Serge N. Benson, professional staff member.

The CHAIRMAN. The committee will come to order.

The first witness is Virginius Shackelford of the American Silk Council.

Virginius, I greet you as a fellow Virginian and we are glad to have you.

Mr. SHACKELFORD. Thank you, sir.

The CHAIRMAN. Proceed.

STATEMENT OF VIRGINIUS R. SHACKELFORD, JR., ON BEHALF OF THE AMERICAN SILK COUNCIL, INC.

Mr. SHACKELFORD. Mr. Chairman and members of the committee, my name is Virginius Shackelford. I appear on behalf of the American Silk Council, Inc., a trade association organized for the purpose of promoting the domestic silk manufacturing industry and affiliated component parts. Among its members are weavers who account for at least one-half of the domestic output of broad woven silk fabric.

The silk manufacturing industry is located primarily in small towns in New Jersey, Pennsylvania, Virginia, New York, and the New England States. In many localities, such as the town of Orange, Va., where I live, the silk mill is the principal industry and its payroll contributes importantly to the economy of the community.

In addition to my representation of the silk council, I speak for the community in which I live, which is representative of many small communities, the economy of which is dependent in large measure on the continued existence of a thriving industry, and which would suffer immeasurably if the industry should have to close down.

The American Silk Council supports the concept of the Trade Expansion Act of 1962 as a means for increased trade with foreign countries, primarily with those of the European Common Market. We feel, however, that additional safeguards for domestic industry should be written into the bill and that this can be done without jeopardizing its basic purpose.

Every industry in this country will, of course, be affected by the enactment of this bill but there are some industries which have particular problems which are unique.

The provisions of the bill should, therefore, be broad enough to allow these problems to be solved in an orderly way, particularly if this can be done without destroying the basic concept of the bill.

The woven silk industry in this country differs from most industries in that woven silk, the end product, is in direct competition with woven silk produced in Japan which, for all practical purposes, controls the world supply of raw silk.

There is no duty on raw silk imported into this country. There is a duty on woven silk. This has already been reduced from 50 and 60 percent to 22½ and 30 percent ad valorem.

Even with existing tariff regulations, the Japanese, because of low labor costs, can at any time flood the domestic woven silk market with the consequent destruction of the domestic silk industry.

In 1955 Japanese fabric imports comprised only 27 percent of American production. Between 1955 and 1959 Japanese imports increased from 15 million to 76 million square yards, and the percentage of such imports to domestic production rose to 211 percent.

There has been some decline since 1960, but the ratio of imports to domestic production is still considerably in excess of 125 percent.

In any event, the Japanese because oı the low wage rate prevailing in their country, may at this time sell woven silk fabrics below cost of production in this country and thereby put the domestic woven silk industry out of business.

This contingency is one which the American Silk Council, as the representative of the domestic industry, wishes to guard against. Actually the problem is less difficult to solve than the problems of many industries adversely affected by excessive imports from low labor cost countries in that for all practical purposes, there is only one nation with which we have to negotiate.

We submit that the way should be left open in this bill to allow our Government to negotiate arrangements with low labor cost countries which will allow those countries to participate in supplying consumer requirements here and at the same time reserve to domestic industry a fair share of the market.

The amendments to this bill offered by Senator Muskie and now before the committee would make this possible and deserve your careful consideration.

These amendments will in no way jeopardize the basic purpose of the bill in promoting domestic trade expansion. They merely open up another avenue of approach which could be of substantial help in making it possible for our own domestic industry to share our consumer market on an equitable basis with low labor cost and underdeveloped countries.

As has been recognized by the countries comprising the European Common Market, true free trade between nations cannot be achieved until the nations have reached substantial parity on labor costs.

There are other features of the bill which would be strengthened by the adoption of the amendments offered by Senator Bush and now before the committee.

One of the problems which has beset our industry as well as many other industries has been that tariff and other import restrictions im-

posed by the countries of Europe to keep out imports from low labor cost countries have diverted the products of these countries to the American market where we have had to absorb far more than our share.

We, therefore, commend the Bush amendments which will require the recipients of U.S. concessions on goods to admit such goods from Japan and other countries with the same liberality as is accorded by the United States.

Too often in bargaining for concessions we have not obtained value received for concessions granted. Our effectiveness at the bargaining table would be strengthened by seeking the advice and participation of representatives of domestic industry affected by the negotiations.

We, therefore, commend the Bush amendments which would provide for participation in negotiations by representatives of industry which may be affected thereby.

We think that it is most important, in view of the delegation of authority by Congress provided for in the bill, that definite guidelines be established and findings of fact be required.

In each case where the delegated powers are used, the circumstances should meet the principles specified by Congress. The Bush amendments serve to greatly strengthen the bill in this respect and restore to the bill the traditional principle of a selective tariff reduction which will avoid causing or threatening serious injury to domestic industries.

Both the Muskie and Bush amendments deserve your careful consideration, and if the underlying principles contained in these amendments can be incorporated in the bill, we feel that the resulting legislation will represent a great improvement over the old Reciprocal Trade Act which has now expired.

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

I note that you mention the difference in wages between this country and Japan. When I was over there in December, I went through some of the factories there, textiles and silk factories, and was informed that the average wage was about 28 cents an hour.

Is that what you understand?

Mr. SHACKELFORD. That is substantially the information that I have, Senator, and, of course, it is very low compared with the wages which the industry pays in this country.

The CHAIRMAN. That includes the fringe benefits.

Mr. SHACKELFORD. Yes, sir.

The CHAIRMAN. In Hong Kong, I think it is less than that, perhaps?

Mr. SHACKELFORD. I think it is less and I think that the problem with Hong Kong is really, that it more or less channels into world trade fabrics and other goods that come out of China. They have some way of getting them out from there and it is a very difficult proposition to control and it is a very serious proposition as far as industry in this country is concerned.

The CHAIRMAN. You think there is a good deal of smuggling from Red China through Hong Kong?

Mr. SHACKELFORD. I don't have much to base it on, Senator, but it is my understanding there is a tremendous volume.

The CHAIRMAN. When I was there I went through a wire wall. I went to the opening where the railroad comes through. There was almost a constant traffic between Red China and Hong Kong in among the people who took me around. There was a lot of smuggling through Red China, which could be prevented by requiring the place of origin be marked on the article that is shipped out of the free port of Hong Kong. That is very easy to do with things like silk.

They can simply put a mark on it, "Made in Hong Kong." I don't think there is any doubt but there is a lot of smuggling going on.

Mr. SHACKELFORD. I think that even in the European Common Market, they have recognized under the Treaty of Rome, that there actually can't be any true free trade unless the nations that participate arrive at some sort of parity on wages.

I think that they themselves in Europe are trying to work out something in that connection in order to make the program they have outlined work. It is tremendously difficult, even with the tariffs which are in existence today, for our industry to compete with the low wage and low labor costs that exist in the country which is our principal competitor.

The CHAIRMAN. What is the average wage now in the silk mill?

Mr. SHACKELFORD. It runs around $1.70.

The CHAIRMAN. $1.70?

Mr. SHACKELFORD. I think so, substantially.

The CHAIRMAN. In comparison to around 28 cents.

Thank you very much.

Senator Carlson.

Senator CARLSON. Mr. Shackelford, do we get any silk in quantities from southeast Asia like Thailand?

Mr. SHACKELFORD. No, sir.

There is some silk that is produced in Korea, but primarily the raw silk market is dominated by Japan. There is, of course, raw silk that is produced in Italy, it is a different type of silk, though. But for all intents and purposes the Japanese dominate and control the world supply of raw silk.

Senator CARLSON. I noticed in your statement you say there is practically only one country that we need to deal with it.

Mr. SHACKELFORD. That is right, sir.

Really if we could negotiate, as I think the Muskie amendments would permit, in our particular instance it would be less difficult because we would only have one country with which to negotiate.

Senator CARLSON. That is all.

The CHAIRMAN. Thank you very much.

Mr. SHACKELFORD. Thank you very much, Senator.

The CHAIRMAN. Our next witness is Mr. Gordon Laughead on behalf of the National Piano Manufacturers Association of America, Inc.

Please proceed, Mr. Laughead.

STATEMENT OF GORDON LAUGHEAD, PRESIDENT, GORDON LAUGHEAD CO., AND SECRETARY OF NATIONAL PIANO MANUFACTURERS ASSOCIATION OF AMERICA, INC., ON BEHALF OF NATIONAL PIANO MANUFACTURERS ASSOCIATION OF AMERICA, INC.—MEMBERS AEOLIAN AMERICAN CORP.; AMERICAN PIANO PLATE CO.; AMSCO-WIRE PRODUCTS CORP.; THE BALDWIN PIANO CO.; CONOVER-CABLE PIANO CO.; THE CORNWALL & PATTERSON CO.; ESTEY PIANO CORP.; EVERETT PIANO CO.; GRINNELL BROS.; HARDMAN, PECK & CO.; IVERS & POND PIANO CO.; JANSSEN PIANO CO., INC.; O. S. KELLY CO.; KOHLER & CAMPBELL, INC.; KRAKAUER BROS.; KRANICH & BACH; GORDON LAUGHEAD CO.; THE MAPES PIANO STRING CO.; NATIONAL PIANO CORP.; NORTH HUDSON WOODCRAFT CORP.; PRATT, READ & CO., INC.; SOHMER & CO., INC.; P. A. STARCK PIANO CO.; STEINWAY & SONS; STORY & CLARK PIANO CO.; THE WICKHAM PIANO PLATE CO.; WINTER & CO., INC.; WOOD & BROOKS CO.; THE WURLITZER CO.

Mr. LAUGHEAD. Historically, America exports few pianos. Our market is the United States. Germany appears to have a monopoly upon Mexican, Central and South American piano imports. European countries take care of their own needs as does Australia, Canada, and South Africa. Japan sells at home, in Asia, and the United States. American sales have increased because of low wages (30 cents per hour versus $2.48). The increased American Japanese sales alarm us for good reason. Their unit price is less than half of ours or our European imports.

The National Piano Manufacturers Association are not alarmed over imported pianos from countries other than Japan. (See exhibit A.) The Bureau of Census figures January–June 1962 (6 months) show 734 pianos, other than Japan, for $398,176, or average—

Unit price of	$542.47
From Japan same period, 1,839 units for $384,510, unit price	209.09
Estimated average U.S. wholesale price same type of units	437.53

We are justifiably concerned over this impending peril. Piano dealers are also radio dealers. Japan moved from 80 percent of America's radio set sales to 90 percent in June 1962. The plywood industry, an allied industry, is suffering increased distress for the same reason.

We depend upon the good judgment and commonsense of Congress not to cause the progressive destruction of our industry which historically helped create American music culture and whose 22 factories and suppliers have financially contributed in excess of $300,000 in the past 10 years to the American Music Conference (a nonprofit musical culture promotion organization).

SUMMARY OF STATEMENT

Section 1: Possible financial Government income loss.

Section 2: Economists projected Japanese figures with danger point and necessary escape.

Section 3(*a*) : Industries relation to American culture.

Section 3(*b*) : An American way of life.

1. PROSPECTIVE FINANCIAL LOSS TO GOVERNMENT

Estimated loss: (*a*) Excise taxes; (*b*) income tax, employees wages; (c) business profit taxes.

See exhibit B.

Under section 322 of original House bill, because of age, unique services, and character of piano industry, the estimated unemployment compensation cost will be $7,804,000.

Retraining is not estimated for the obvious reason—10 percent of our people are handicapped blind, balance have skills not usable otherwise. Total possible loss to Government might exceed $20 million.

2. ECONOMISTS PROJECTED JAPANESE FIGURES WITH DANGER POINT AND NECESSARY ESCAPE

See exhibit C.

Reason for temporary decline Japanese imports for 1961:

(*a*) Japan needed time to copy and restyle to American standards in case designs and finishes.

(*b*) Sent their technicians to piano-building school in Germany.

(*c*) Established their own finance companies to floor plan and buy dealer installment contracts.

3. (*a*) One hundred years ago, leading piano manufacturers began to bring artists here from all over the world, sponsoring piano concerts throughout America. Millions were exposed to best piano music. We became a nation with good pianists. Today several leading firms continue this cultural exposure. Pianists, unlike violinists, cannot carry their instrument under their arm. Therefore, American companies maintain artist grand pianos in all major areas for the concerts of these artists. They arrange transportation and tuning service. To further smooth the growth of piano music, our association cooperated in the establishment, organization, and training (through workshops) of the Piano Technicians Guild of Independent Piano Tuners. Your piano now may be tuned and serviced anywhere in America by competent tuner-technicians who maintain the highest standard of professional and business ethics. Piano manufacturers also make special pianos for leading university and music colleges, including Juilliard, New York; Jordan, Indianapolis and about 75 more. These are the important training tools for our pianists in the years to follow. In addition to contributing to the American Music Conference (strictly cultural) our association has inaugurated, after a $50,000 study by three Harvard professors, a piano group instruction program for children under Dr. Pace, of Columbia University, New York.

(*b*) Our industry supplied the piano to accompany you singing "America" during your first day in school. We supplied the pianos for your college graduation and we participate in your child's music training.

Large fortunes have not been created and taken out of our industry in the past 35 years.

CONCLUSION

Only 50 years ago there were almost 300 piano manufacturers in the United States. By 1959 only 22 were left. There are about 26 other companies which manufacture piano components but do not manufacture complete pianos. Most of the members of the industry are relatively small firms, employing anywhere from 30 to 500 employees. The industry has two significant geographical characteristics in terms of the location of the manufacturing firms. (1) These firms are found in every corner of the country. (2) They are located in small towns. For example, members of the association have plants in towns whose populations range from less than 2,500 to less than 15,000: Hoquiam, Wash.; Granite Falls, N.C.; Niles, Mich.; Ivoryton, Conn.; Bluffton, Ind.; South Haven, Mich.; Grand Haven, Mich.; De Kalb, Ill.; Lafayette, Tenn.; and Conway, Ark. Although even in the aggregate it is a small industry, it is one that has roots in all sections of the country and it is noteworthy that it is an industry adapted to the economy of a small town. This would also mean that such small towns would suffer greatly from the loss of the industry.

American piano manufacturers have done everything possible to take advantage of modern technological improvements and production techniques, but the very nature of the instrument and its specialized components does not permit complete automation.

Skillful hand labor will always be required in a high proportion of the manufacturing process.

This association and its members constitute a vigorous and energetic American industry which can and will continue to operate profitably in the domestic market provided its foreign competition is not given an unfair advantage. Due to the wage differential, it would become impossible to compete if the present tariff is lowered any further. Indeed, if there is serious interest in sustaining this old and valuable domestic industry, it would be more suitable at this time to consider raising the tariff to 60 percent ad valorem.

(The exhibits referred to follow:)

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Pianos: U.S. imports for consumption, specified sources, 1954–61 and January–June 1962

Country	1954	1955	1956	1957	1958	1959	[1] 1960	[1] 1961	Jan.-June [1] 1962
	Quantity (number)								
Japan	168	202	184	144	274	1,624	3,873	1,874	1,839
United Kingdom	285	272	389	359	596	525	457	574	392
West Germany	17	44	80	156	119	207	210	294	141
Austria	26	18	35	13	13	17	24	19	9
Canada	3	105	10	1	348	6	33	28	5
Netherlands	12	37	34	33	46	137	107	120	56
Denmark	----	3	55	35	76	83	169	78	95
Spain	109	284	114	54	37	112	3	7	----
Italy	----	1	----	1	364	462	10	15	15
All other	7	7	9	61	9	20	40	27	21
Total	627	973	910	857	1,882	3,193	4,926	3,036	2,573
	Foreign value (in American dollars)								
Japan	$10,700	$6,878	$7,435	$17,017	$33,087	$220,157	$647,455	$418,835	$384,510
United Kingdom	89,771	96,217	151,394	136,085	205,214	203,072	181,705	245,112	163,419
West Germany	21,603	39,494	54,231	34,447	56,984	126,519	141,115	192,504	135,030
Austria	33,462	23,617	47,218	17,295	20,075	22,536	36,332	29,777	15,138
Canada	1,419	5,016	2,531	255	19,788	2,833	25,350	15,304	3,457
Netherlands	4,808	12,126	12,376	9,668	15,750	45,257	36,503	50,099	23,324
Denmark	----	1,997	24,290	15,534	33,393	35,538	54,719	34,156	40,854
Spain	5,479	6,300	9,141	4,900	2,964	9,547	334	828	----
Italy	----	659	----	1,111	24,073	15,706	2,663	7,194	5,921
All other	3,896	5,844	6,495	12,055	8,316	11,072	19,961	8,844	11,033
Total	171,138	198,148	315,111	248,367	419,644	692,237	1,146,137	1,002,653	782,686

[1] Preliminary.

Source: Compiled from official statistics of the U.S. Department of Commerce.

EXHIBIT A

U.S. exports of musical instruments, January–September 1961 and 1960

[Value in dollars]

	1961				1960			
	Pianos	Organs	Musical instruments [1]	Total	Pianos	Organs	Musical instruments [1]	Total
Canada	338,439	1,232,221	1,341,536	2,912,196	366,273	1,713,958	1,821,415	3,901,646
United Kingdom	6,975	340,512	241,593	589,080	1,580	535,817	273,958	811,355
Australia	1,710	276,381	171,745	449,836	470	237,442	182,150	420,062
West Germany	----------	107,604	207,033	314,637	1,234	204,665	220,233	426,132
Mexico	152,945	52,171	66,880	271,996	142,409	87,652	94,704	324,765
Japan	1,512	25,332	231,126	257,970	700	15,847	122,397	138,944
Union of South Africa	----------	113,871	61,761	175,632	----------	186,815	76,655	263,470
New Zealand	----------	51,654	85,012	136,666	----------	38,515	61,052	99,567
Netherlands	----------	101,103	23,827	124,930	----------	59,201	19,937	79,138
Sweden	1,615	28,187	94,410	124,212	952	16,509	85,045	102,506
Switzerland	400	13,697	68,401	82,498	----------	19,230	64,153	83,383
Italy	790	17,414	49,105	67,309	----------	6,851	61,503	68,354
Norway	----------	38,518	25,926	64,444	----------	30,055	17,406	47,461
Indonesia	----------	624	58,799	59,423	----------	----------	74,688	74,688
France	1,222	11,929	41,921	55,072	633	14,029	15,774	30,436
Panama	2,697	10,104	41,008	53,809	6,064	6,943	3,396	16,403
Venezuela	3,649	6,768	42,285	52,702	8,885	40,368	42,079	91,332
Denmark	----------	3,921	47,847	51,768	----------	2,140	66,505	68,645
Other	61,243	171,020	368,614	600,877	52,723	193,110	622,700	868,533
Total	573,197	2,603,031	3,268,829	6,445,057	581,923	3,409,147	3,925,760	7,916,820

[1] Not elsewhere classified.

Source: Bureau of Census Rept. FT-410. Prepared in Consumer Durables Division, Business and Defense Services Administration, U.S. Department of Commerce, November 1961.

EXHIBIT B

Prospective financial loss to Government

		Loss
(a) Excise tax:		
Piano unit sales	200,000	
Average wholesale price	$437.53	
Dollar volume of piano sales	$87,506,000	
Less sales exempt from excise tax (7½ percent)	$6,562,950	
Sales subject to excise tax	$80,943,050	
Excise tax on taxable sales		$8,094,305
(b) Income tax—Employees' wages:		
Average hours to manufacture 1 piano	45	
Average hourly wage	$2,488	
Wages per piano manufactured	$111.96	
Piano unit sales	200,000	
Total wages	$22,392,000	
Individual income taxes based on 20 percent of wages		$4,478,400
(c) Business profit taxes:		
Dollar volume of piano sales	$87,506,000	
Estimated net taxable income at 5 percent	$4,375,000	
Federal income tax on net taxable income at 52 percent		$2,275,156
Total		$14,847,861

EXHIBIT C

Projected imports from Japan

Year	Units sold	Foreign value	Average value per unit
1954	168	$10,700	$63.69
1955	202	6,878	34.05
1956	184	7,435	40.40
1957	144	17,017	118.17
1958	274	33,087	120.75
1959	1,624	220,157	135.56
1960	3,873	647,455	167.17
1961	1,874	418,835	223.50
January to June 1962	1,839	384,510	209.09

Source: Imports from Japan as compiled from official statistics of the U.S. Department of Commerce.

The sales of imports from Japan increased from 168 units in 1954 to 3,873 units in 1960. This increase expressed in percentage to 1954 year is 2,205.35 percent. If this rate of increase is maintained for the next 6 years, sales of these imports would increase to 85,206 pianos for the year 1968 or 42.6 percent of pianos produced in the United States for the year 1961.

The CHAIRMAN. Thank you, Mr. Laughead.

Our next witness is the Honorable Thomas B. Curtis of Missouri.

Please proceed, Mr. Curtis.

STATEMENT OF HON. THOMAS B. CURTIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. CURTIS. Mr. Chairman, I am Congressman Thomas B. Curtis of the Second District of Missouri and a member of the House Ways and Means Committee. I appreciate having this opportunity to appear before your committee to comment on H.R. 11970, the Trade Expansion Act of 1962.

I was one of five Republicans on the Ways and Means Committee who voted to report H.R. 11970 and I wish to take this opportunity to point out what I feel is the need for legislation of this nature, and, at the same time, to indicate those provisions of this measure which I believe are undersirable and even dangerous. Both the majority report of the Ways and Means Committee and the separate Republican views, including the dissents, do an excellent job of bringing into focus the ideas which are embodied in this bill.

Mr. Chairman, I speak with an underlying belief that the needs of our time require that the Congress delegate additional authority to the Executive in order to stimulate international trade on a fair and reciprocal basis through entering into further trade agreements with foreign nations.

The primary issue in this area now is not whether we should delegate authority to the President, nor was it the issue in the past. Our experience in the delegation of these powers under the reciprocal trade agreement program, the delegation of powers over interstate commerce to various agencies under similar constitutional authority and the experience of the Smoot-Hawley Tariff Act of 1930, when Congress last attempted to write the details of tariff legislation, has led to a unanimity of opinion that the Congress should delegate much of this authority either to a tribunal or to the Executive, or both. The primary issue, then, that the Congress must face is that of setting

guidelines within which the President may exercise his delegated authority.

On the positive side, this proposal contains new and important guidelines for the exercise of Executive power in the trade field, guidelines vastly improving the manner in which the President may utilize his authority. They consist mainly of procedures, procedures which have been badly needed in our trade program. These procedures, used with wisdom, can be developed into an efficient mechanism establishing certainty, promptness, and justice in matters which touch upon our citizens' property rights and job rights, as affected by our trade relations.

The new procedures fall into two categories.

First, there are the prenegotiation and negotiating procedures. The great innovation in this area is in the negotiating team. This team will be given greater responsibility and will no longer be a faceless, anonymous group. Together with this responsibility, the negotiating team is to be given greater status. The chief negotiator will bear the rank of Ambassador Plenipotentiary and he and his deputy will be appointed by the President subject to confirmation by the Senate. This enhanced status and responsibility will put our negotiating team on a par with those of foreign nations, whose teams are often led by Cabinet-rank officers.

Second, there are the enforcement procedures. At present there is no established body before which American business and labor can present allegations of unfair trade practices which are in violation of international commercial agreement. This bill establishes such procedures. The Interagency Trade Organization is created as a forum where interested persons can establish the truth of alleged unfair foreign trade restrictions in violation of trade agreements. If the Executive carries out the intent of the Congress when a violation of a trade agreement is established he may withdraw concessions. This can become an important part of our foreign trade policies and practices. It should be pointed out that the Interagency Trade Organization is not set up to hear only the complaints of our domestic industry and labor. It will be available as well for our importers to register complaints of alleged unfair practices by our domestic industry against foreign imports. The importance of this device should not be played down. It can be an effective force in the effort to establish the type of fair trade practices in international commerce which are essential to the stimulation of increased foreign trade. This procedure can work toward the elimination of the barriers which hamper and restrain international commerce, barriers including weak or nonexistent anticartel legislation and the manipulation of exchange rates and currency values as well as the more familiar tariff, license, and quota restrictions.

The escape clause, the national security clause and the perilpoint procedure remain, although the unrealistic requirement of specific peril points is eliminated. Commonsense dictates that a good negotiating procedure include the finding of peril points, whether required by Congress or not. It is important for the negotiating team to know what effect concessions would have upon American business and jobs, upon the economy overall. The Committee for Reciprocity Information and the Tariff Commission will continue their previous functions

in this area and the chief negotiator will have the responsibility for seeing that this groundwork is accomplished.

In essence, H.R. 11970 is not a new approach to negotiating trade agreements. It is really a refinement of the existing procedure, the last step to be taken under the Smoot-Hawley Tariff Act. After the powers granted by H.R. 11970 have been exercised, we will have a little or no trading material left. We will have traded it all away.

There are two dangerous innovations in this bill.

The first is that it may not turn out to be, as the Kennedy administration so vociferously proclaims it to be, a free trading bill. Rather it might well be a measure laying the groundwork for substituting a system of licenses, quotas, Government subsidies, cartels, and other governmental regulations of trade for the tariff mechanism. So employed, it would establish Government control through the exercise of discretionary power in the imposition of these trade limitations and substitute bureaucratic decision for the operation of the marketplace in international trade. Free trade is based upon fair trade and a system of trade regulation which has no basic concept of what constitutes fair and reciprocal trade cannot produce either free or increased trade in the long run.

Western European countries, and most other countries of the world except the United States, have long used these more restrictive and bureaucratic devices for regulating international trade. A trade policy based upon tariffs, if regulation is to be presumed, on the other hand, is more progressive and liberal in that it retains a basic portion of the decision making function in the marketplace.

It may be that the present administration, under the cloak of free trade, is seeking to substitute these more regressive trade regulators for the tariff system. It denies that this is the case, but it utilized section 204 of the Agriculture Act in order to bring about an international cartel in textiles at the Geneva conference in January. The Kennedy administration has opposed attempts to repeal section 204 and has requested, in fact, that this broad section be further broadened so that agreements setting quotas and licenses under it would have application to nations not parties to the agreement. This course of action indicates that there is an intent to utilize this power further. So long as section 204 remains on the books, the beneficial procedures of H.R. 11970, establishing rights in our citizens as opposed to privileges, to be handed out at will by the executive bureaucracy, become almost meaningless.

The second dangerous innovation is the concept of relief provided in the trade adjustment sections of the bill. Relief is not limited to governmental aid so a business can move out of a field in which it cannot efficiently compete with foreign concerns, relief may be a subsidy to enable a business to become sufficiently efficient to compete.

The difference can be illustrated by an actual case. Our west coast tuna fishermen were having a difficult time competing with the Japanese tuna fishermen. Tariff increases were requested and denied. Instead, the Government, because private bankers would not, lent money to certain of the tuna fishermen to "modernize" their boats. (NOTE.—The net result is the same. The fishermen stayed in business. Or at least the objective was the same. The difference, however, is quite marked when one realizes that if the tariff had been used to help the west coast tuna fishermen, then all tuna fishermen would have had an equal opportunity of modernizing their boats and the ones who

proved to be the most efficient would have been successful. When a Government loan, which is a subsidy, is used, the tuna fishermen who had the ability to persuade the Federal bureaucrats to grant a loan were the ones who survived. Thus the survivors could be less efficient fishermen, but the more proficient persuaders.)

I join in the reservation stated by many, including the minority members of the Ways and Means Committee, in regard to the trade adjustment sections of this bill. I wish to emphasize, however, that the reason I oppose them, and seek to eliminate them, is because I am concerned about the damage that unfair foreign trade competition can do to our workers and our industries, and the inadequacies of these provisions for repairing the damage done. The best thing to do is to avoid the wound, not bare our breast to it and concentrate on the first aid treatment of it.

If the wound does come about we already have mechanisms for the assistance of small business to enter fields in which they can compete. We recently passed the Manpower Training Act for the retraining of workers, if the overreaching reasons of national policy requires that tariffs be lowered to the point at which these workers and businesses sustain economic injury. It is shameful that the administration ignores the mechanisms that already exist and seeks to impose upon them new systems, conflicting and competing with them. Following this path will damage the good programs we have, including the unemployment insurance program, and will fail to produce the results sought.

It is also unfortunate that the administration has been so irresponsible in responding to questions about how the powers granted in H.R. 11970 would be carried out with respect to the GATT, section 4 of NATO, the OECD and the U.N. If thought had been given to the integration of H.R. 11970 into these important international organizations, the administration officials were not sharing them with the committee. It is difficult to decide whether lack of candor is more ominous for the future of our country than is ignorance.

In conclusion, I would like, once again, to note the inconsistency in the goals established for this bill and the effects of the foreign tax provisions of H.R. 10650. We are asked by passing this bill to help build a stronger international community through the ties of commerce; the foreign tax provisions of the tax revision bill, on the other hand, hobble the operation of American companies working abroad in the market they serve and go far toward severing an important part of the commercial ties which can help strengthen the international community of nations.

Once again, Mr. Chairman, I wish to thank you for giving me this opportunity to appear before your committee on behalf of the Trade Expansion Act.

The CHAIRMAN. Thank you, Mr. Curtis.

Our next witness is Mr. B. C. Deuschle, president of the Shears, Scissors & Manicure Implement Manufacturers Association.

Please proceed, Mr. Deuschle.

STATEMENT OF B. C. DEUSCHLE, PRESIDENT, SHEARS, SCISSORS & MANICURE IMPLEMENT MANUFACTURERS ASSOCIATION

Mr. DEUSCHLE. Mr. Chairman, and members of the Finance Committee, my name is B. C. Deuschle. I am vice president of the Acme

Shear Co., located in Bridgeport, Conn. I appear before this committee as president of the Shears, Scissors & Manicure Implement Manufacturers Association, the only national trade association of domestic manufacturers of scissors and shears. The scissor and shear industry is a distinct industry and should not be confused with the larger cutlery and flatware industries.

The members of the association respectfully wish to record with this committee their strong opposition to H.R. 11970, the Trade Expansion Act of 1962, in its present form.

We seriously question whether the stated purposes of the act can be achieved by its present provisions and we recommend and urge that the Senate Finance Committee amend H.R. 11970 to—

(1) Include a strong escape clause provision.
(2) Include an adequate peril point procedure.
(3) Delete the "adjustment assistance" provisions.
(4) Limit the authority to not more than 2 years.

It is our judgment from the experience of our industry during the past 12 years that the above amendments are necessary, not only for the continued existence of a domestic scissor and shear industry, but also to insure the continued economic growth of the United States.

H.R. 11970 provides for a radical departure from the trade policy the United States has followed since 1934. There are many factors of this new program that demand close examination by the Senate Finance Committee. Under the terms of this act Congress will abdicate to the President most of its constitutional responsibilities "to regulate commerce with foreign nations." We urge the Congress to retain this power and preserve our constitutional system. Any authority in this area delegated to the President must contain definite guidelines. H.R. 11970, without necessary guidelines, grants the President absolute power to reduce or eliminate duties. Much of this unlimited authority would no doubt be delegated by the President to the State Department, which in the past has shown little regard for the welfare of domestic industries such as ours, which have suffered serious injury from low-cost imports.

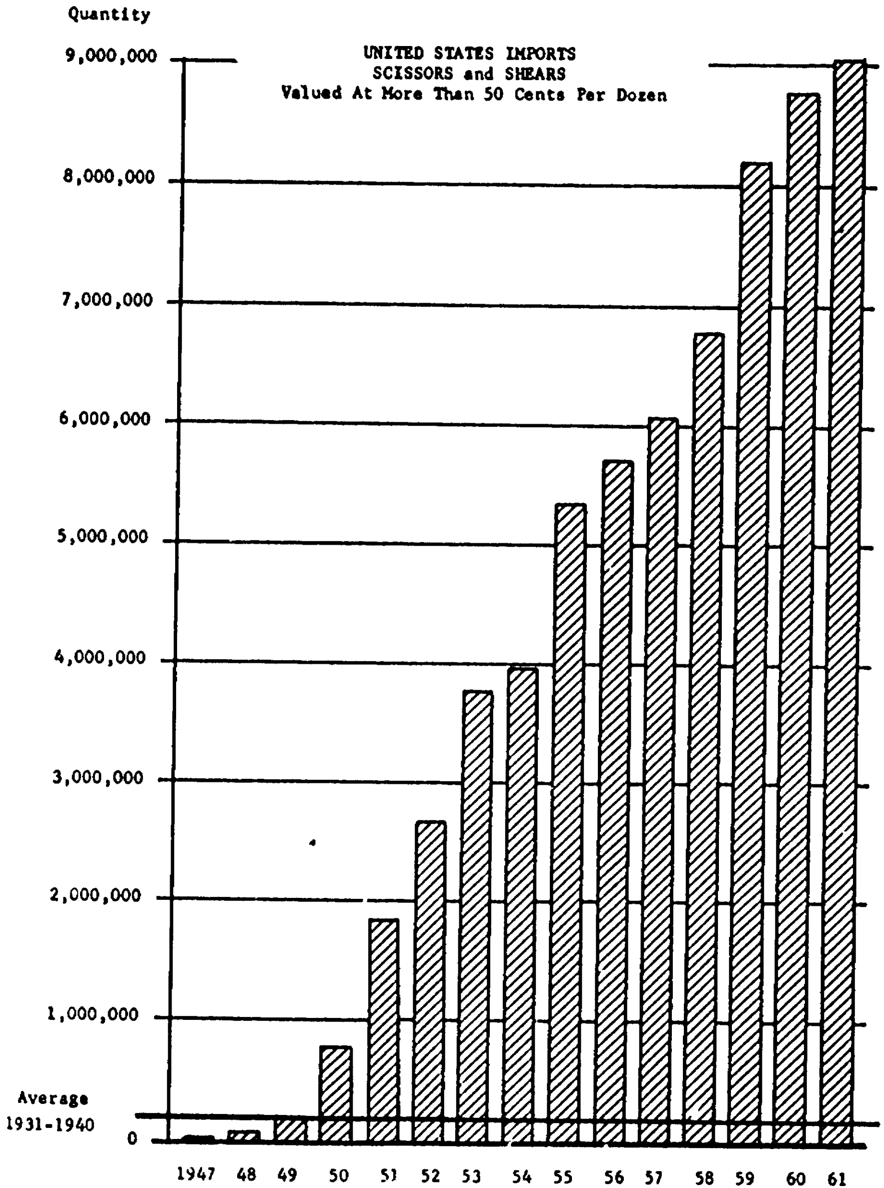
A keystone of our trade agreements legislation in the past has been the "no serious injury" policy. This policy is completely abandoned under the provisions of H.R. 11970. The act acknowledges that industries such as our will be destroyed by the fact that a large portion of the act is devoted to "adjustment assistance" provisions. How can such eventualities be compatible with the stated purpose of the act, to "stimulate the economic growth of the United States"? How can greater unemployment in the scissor and shear industry "stimulate the economic growth of the United States"? How can the abandonment of productive equipment in the scissor and shear industry "stimulate the economic growth of the United States"?

Gentlemen, we ask you to look for a few minutes at what has happened to the domestic scissor and shear industry during the past 12 years as a direct or indirect result of excessive imports.

The chart attached to my statement shows better than any words I could use the import problem faced by the domestic scissor and shear industry. I offer this chart for the record and ask that it be printed immediately following my remarks.

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

(The chart follows:)


UNITED STATES IMPORTS
SCISSORS and SHEARS
Valued At More Than 50 Cents Per Dozen
Quantity
9,000,000
8,000,000
7,000,000
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
Average
1931-1940
0
1947
48
49
50
51
52
53
54
55
56
57
58
59
60
61

Mr. DEUSCHLE. On the chart is a line which indicates the average level of imports during the prewar years. The sharp increase in imports during 1950 and 1951 immediately followed a 50 percent reduction in the rate of duty which become effective as a result of the Trade Agreements negotiations held at Annecy and Torquay. Record imports have been recorded each succeeding postwar year and there are no indications that the trend will be reversed. Imports of scissors and shears valued at more than 50 cents per dozen during the first 6 months of 1962 totaled 4,750,449 pairs, indicating a total for the year of approximately 10 million pairs, an increase of 10 percent over the 9 million pairs imported during 1961.

Imports of scissors and shears valued at more than $1.75 per dozen, import value, now equal 95 percent of the domestic production of scissors and shears in this category. This category represents 75 percent of total sales of all scissors and shears in the domestic market.

In 1950 there were 50 domestic firms producing scissors and shears. Since 1950, 42 of these firms, or 84 percent of the domestic manufacturers of scissors and shears, have ceased manufacturing, discharged their employees and gone out of business. A list of the 42 firms which have gone out of business and of the 8 remaining manufacturers who are desperately trying to maintain a domestic scissor and shear industry is attached to my statement, and I request it be printed in the record following my remarks.

The CHAIRMAN. Without objection the list will be printed at the end of your testimony.

Mr. DEUSCHLE. This almost complete annihilation of our industry has taken place during the period of "no serious injury" policy. While the State Department has negotiated away our industry we have not just sat idle. The domestic manufacturers have installed semi-automatic grinding and polishing machines and made every effort to reduce production costs. However, foreign manufacturers also have modern equipment and with their lower wage rates, particularly in West Germany, Italy, and Japan, they are underselling domestic firms in the U.S. market. In many cases imported scissors and shears are sold in the domestic market at prices below domestic production costs.

During the past 15 years representatives of our association have appeared before this committee and other congressional committees, the Committee for Reciprocity Information and the Tariff Commission, to present our views on the impact of imported scissors and shears on our domestic industry. We have never requested or suggested that a complete embargo be placed on the import of scissors and shears. All that we have asked for and desire is a fair competitive opportunity, not an advantage.

To date we have not obtained relief in any form. Nevertheless, we do not believe this is a reason to abandon the "no serious injury" policy and repeal the so-called escape clause. The escape clause must be retained and strengthened by amendments to establish definite criteria to guide the Tariff Commission in the determination of injury or threat thereof. And, the Tariff Commission findings of fact in escape clause cases have got to be binding upon the President. Injury or threat of injury as it is written into the present escape clause cannot be properly defined.

There have been two escape clause investigations of the domestic scissor and shear industry, one in 1953 and again in 1958. Neither of these investigations resulted in any relief for our industry. When the Tariff Commission and President decide that there is no injury or threat of injury in an industry such as ours, it is time that something should be done by Congress.

Members of the association concluded after the most recent investigation that it would be futile to request a third investigation until Congress amended the escape clause to restrict the Tariff Commission's interpretative powers and the President's unlimited discretion over the Commission's recommendations. Now we find ourselves faced with H.R. 11970, which provides for the repeal of the escape clause, the only hope for relief that import ravaged industries have available.

The scissor and shear industry of the United States is a small industry in number of establishments, employees and value of products. The industry is truly "small business." We realize that our industry accounts for only a fraction of 1 percent of the gross national product, but we see this as no justification for letting the industry be completely destroyed by imports produced with low cost labor. The workers in the domestic scissor and shear industry do not want "adjustment assistance" and to become wards of the State; they want to use their skills, which have taken years to develop. These workers are not interested in retraining; over many years they have developed a skill they are proud of and want to continue the work they are happy in doing.

The "adjustment assistance" provided for in H.R. 11970 is no answer to the plight of the scissor and shear industry. It is a hoax and must be deleted from the act. It will not promote economic growth; it can only aggravate the U.S. unemployment problems and balance of payments problems.

If the scissors and shears imported during 1961 had been manufactured in the United States, their production would have provided over 2 million man-hours of factory work, or full-time employment for over 1,000 American employees. It is quite obvious that the tremendous growth of high labor content imports (as in the case of scissors and shears) is responsible in large part for the excessive unemployment in the United States, while at the same time many of the major foreign exporting countries like Germany and England report labor shortages. The comparison of imports versus exports in terms of dollars does not reflect the economic imbalance that is created by the export of low labor content products and the import of high labor content commodities.

Surely, it is neither constitutional nor a democratic practice to sacrifice, by legislation, manufacturers of high labor content products such as scissors and shears so as to make it possible for manufacturers of low labor content commodities such as certain farm produce, raw materials, etc., to increase their exports.

H.R. 11970 would grant the President unrestricted authority to reduce duties and thereby further reduce the cost of imported scissors and shears in our market. Under the provisions of this act, scissors and shears could be buried in a category with many other items and the duty cut 50 percent. This would mean a reduction of at least 20 cents per pair at the retail level for scissors and shears now being re-

tailed at $1 to $1.29 per pair. This would further depress the prices on domestically manufactured scissors and shears.

If this is permitted, we do not need a crystal ball to see the results. There are only 8 domestic firms now remaining of the 50 operating in the United States prior to the 50-percent reduction in import duty during 1950-51. These few remaining manufacturers would be forced to close their doors and discharge their employees The United States would then become wholly dependent on imported scissors and shears.

We cannot understand how it could be in the national interest to permit such a loss. We would lose the skills of the employees and management of the industry as well as the capital investment in production equipment. In the event of a national emergency, and with imports cut off, the United States would be without a source of scissors and shears, basic tools for many industries and trades essential to our defense.

The scissor and shear industry is one of the oldest in the world. The skill was brought to the United States from Germany at a time when the United States needed new industry and a scissor and shear industry in particular.

Scissors and shears of all sizes and types are used in every school, retail establishment, office, factory, hospital and home in the United States. Scissors cannot be classified as a luxury, gimmick or novelty. Scissors are used to separate us from our mothers at birth; to cut our toenails; to trim the leather in our shoes, to cut and trim the materials used in every piece of clothing that we wear. They are used to cut our fingernails, to trim our mustaches, the hair in our ears and nose, and to cut the hair on our heads, even down to the end of the road when our best suit or dress is cut down the back so that the undertaker can dress us for the last ride. Scissors are truly used from birth to death. They are essential to our health, education and general welfare. I ask you, gentlemen, is this an industry that should be permitted to become extinct in this country?

We request the committee to refuse the President the authority he has requested in H.R. 11970, and to amend the act along the lines we have suggested.

We urge that Congress retain its power over duties as is provided in section 8 of article I of the Constitution.

We request that the escape clause be retained, strengthened, and clearly defined as to what will constitute injury or threat of injury, and that an adequate peril point provision be included. We recommend that the Senate Finance Committee strike the so-called "adjustment assistance" provision from H.R. 11970, and limit the remaining authority to not more than 2 years.

I thank the chairman and the members of the committee for the time afforded me to present this statement.

(The list of 42 companies manufacturing scissors and shears follows:)

LIST OF 42 COMPANIES MANUFACTURING SCISSORS AND SHEARS IN 1950 THAT HAVE SINCE CEASED PRODUCTION

Ace Cutlery Co., Newark, N.J.
Atomic Cutlery Co., Irvington, N.J.
H. Balke, Newark, N.J.
H. Boker & Co., Inc., New York, N.Y.
C. J. Bates & Son, Chester, Conn.

Belmar Instrument Co., Belmar, N. J.
Berridge Shear Co., Sturgis, Mich.
Birmingham Cutlery Co., Birgmingham, Ala.
Cameron Manufacturing Co., Emporium, Pa.
Case-Smiley Co., Fremont, Ohio.
Clayton Manufacturing Co., New York, N.Y.
Crown Cutlery Co., Newark, N.J.
Cueto & Stanek Cutlery Co., Newark, N.J.
Cutlery Corp. of America, Bridgeport, Conn.
Arthur Dorp, Newark, N.J.
Essex Cutlery Co., Newark, N.J.
Harjan, Inc., East Orange, N.J.
A. Henkey Manufacturing Corp., Keene, N.H.
W. V. Hershey & Sons Co., Fremont, Ohio.
Carl W. Heuser, Irvington, N.J.
International Edge Tool Co., Newark, N.J.
Kafelt Manufacturing Corp., Keene, N.H.
La Cross Manicure Accessories, New York, N.Y.
William Longbein & Bros., Brooklyn, N.Y.
Ernest Melchoir's Cutlery, Irvington, N.J.
Metroloy Corp., Canton, Ohio.
Midwest Tool & Cutlery Co., Sturgis, Mich.
Monarch Cutlery Manufacturing Co., North Bergen, N.J.
Carl Monkhaus, Ellicottville, N.Y.
Progress Cutlery Co., Fort Smith, Ark.
Revlon Implement Corp., Irvington, N.J.
Rex Cutlery Corp., Irvington, N.J.
Schneffel Brothers, Newark, N.J.
T. E. Schneider Corp., South Norwalk, Conn.
Smileys, Inc., Fremont, Ohio.
Springfield Cutlery, Springfield, N.J.
Tri-Ess Products, Inc., Jersey City, N.J.
U.S. Shear Co., Bronx, N.Y.
W. L. W. Manufacturing Co., Chicago, Ill.
Wallace Manufacturing Co., West Springfield, Mass.
Wigder Manufacturing Co., Newark, N.J.
Witte & Schmitz Cutlery Co., Bridgeport, Conn.

LIST OF 8 COMPANIES NOW MANUFACTURING SCISSORS AND SHEARS

Acme Shear Co., Bridgeport, Conn.
John Ahlbin & Sons, Bridgeport, Conn.
Case Shear Corp., Nashville, Ark.
Clauss Cutlery Co., Fremont, Ohio
The W. H. Compton Shear Co., Newark, N.J.
The A. Lincoln Co., Bridgeport, Conn.
Wahl Clipper Corp., Sterling, Ill.
J. Wiss and Sons Co., Newark, N.J.

The CHAIRMAN. Thank you, Mr. Deuschle.

Our next witness is Mr. E. M. Norton, secretary of the National Milk Producers Federation.

Please proceed, Mr. Norton.

STATEMENT OF E. M. NORTON, SECRETARY, NATIONAL MILK PRODUCERS FEDERATION

Mr. NORTON. The National Milk Producers Federation is a national farm organization. It represents dairy farmers and the dairy cooperative associations which they own and operate. Through these associations farmers acting together process and market at cost in their own plants the milk and butterfat produced on their farms.

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 through the federation.

The policies of the federation are determined at annual meetings attended by some 1,000 or more dairy leaders. These delegates are selected locally and provide broad regional representation as well as representation of the various forms in which milk and dairy products are marketed. Under our bylaws, 75 percent of our board of directors must be dairy farmers.

As a result of this broad representation, the federation's policies provide an accurate cross section of the thinking of the American dairy farmer.

The federation does not profess to be expert in the field of international trade.

Nevertheless, within our staff and board of directors there is represented an accumulation of many years of practical, operating experience with foreign trade policies and import controls as they apply to dairy farmers and the dairy industry.

We believe, therefore, that our comments on the bill pending before this committee are important, because they reflect the practical viewpoint of a very important segment of American agriculture.

OUR FOREIGN TRADE POLICIES

The foreign trade policies of the federation are simple and fundamental.

We believe that every effort should be made to develop beneficial foreign trade, but that imports should not be admitted which are destructive in character.

Beneficial trade results when nations trade to each other things which the importing nations want and need and which can be put to constructive use. Trade is not beneficial when one nation forces upon another products which are neither needed or wanted, and which only add to an already difficult surplus problem.

We believe, also, that it is extremely important that Congress retain within its hands its constitutional power to regulate foreign trade. This power was reserved to Congress because Congress is representative of the people. Once that power has been delegated to the President and through him to the State Department, Congress, in a very large measure, will have rendered itself impotent to serve the very people it was chosen to represent in this important area.

We have opposed entry into an international trade organization where the effect would be to further remove from Congress its power to intercede in behalf of the American people in foreign trade matters if that should become necessary.

FOREIGN TRADE AFFECTS DAIRY FARMERS

Dairy farmers have a vital stake in foreign trade legislation for a reason which is quite obvious. Domestic dairy prices, even at the low parity prices now prevailing, are substantially above the world price level.

As long as this condition exists, effective import controls must be maintined to prevent the dumping of world surpluses on our shores.

At the same time, export subsidies are required to permit a fair share of our dairy products to move in international trade.

Historically, a relatively small volume of dairy products was both imported and exported and differences in costs of production were offset by modest tariffs.

The wars brought on inflated prices and increased costs of production. Out of the depression we learned the important bearing which the purchasing power of farmers, or the lack of it, has on the economy of the Nation as a whole. From this, the concept of parity was developed, under which the prices farmers receive are related to the cost of the things that farmers buy.

The agricultural program which Congress has authorized for dairy farmers supports the prices which farmers receive for milk in the domestic market at between 75 and 90 percent of parity. This is accomplished through Commodity Credit Corporation purchases of all butter, cheddar cheese, and nonfat dry milk offered at the support level.

Prices for the marketing year April 1, 1962, to March 31, 1963, are being supported at 75 percent of parity. This is the lowest level permitted by law. It indicates that the prices dairy farmers receive are out of line to this degree with the cost of the things they buy and that their purchasing power is not being maintained.

In terms of product, the current support price for grade A butter in New York is 58.75 cents per pound, for cheddar cheese 34.60 cents per pound, and for spray process nonfat dry milk 14.40 cents per pound.

In sharp contrast with these prices are the current f.a.s. export prices of Commodity Credit Corporation. These run approximately 23.42 cents per pound for butter (August 8, 1962), 23.58 cents per pound for cheddar cheese (August 8, 1962), and 6.15 cents per pound for nonfat dry milk (August 13, 1962). These are announced prices based on bids, so they reflect accurately the prices at which dairy products can be moved in world trade.

The U.S. tariff on butter is 7 cents per pound on 60 million pounds and 14 cents per pound on all over that. The tariff on cheddar cheese is 3 cents per pound and on nonfat dry milk 1.5 cents per pound. Shipping charges are roughly 4 cents per pound.

Import controls are currently in effect under section 22 of the Agricultural Adjustment Act in the form of annual quotas on the following products:

	Pounds		Pounds
Butter	707,000	Dried buttermilk	496,000
Butter oil	1,200,000	Cheddar cheese	2,780,100
Dried cream	500	Edam and Gouda cheese	9,200,400
Malted milk	6,000	Blue-mold cheese	5,017,000
Dried whole milk	7,000	Italian type cheese	11,500,100
Nonfat dry milk	1,807,000		

A voluntary agreement with New Zealand on Colby cheese proposes to limit its imports to 6,720,000 pounds.

It is readily apparent that the substantial price differential between our domestic support prices and world prices for dairy products makes effective import controls essential if the support programs are not to be destroyed and domestic prices broken to disaster levels.

A stock argument in favor of free trade is that American efficiency will offset lower wage rates and lower living standards of competing nations. However valid this may be in other cases, the fact remains

that in the dairy industry the price disparity noted above exists in spite of all the advances that have been made in efficiency and mechanization.

THE IMPORTANCE OF DOMESTIC SUPPLIES

We are fortunate to have within our shores the capacity to produce adequate supplies of such essential foods as milk and dairy products. We would only be fooling ourselves if we did not recognize that in the event of war an offshore source of supply for these foods would be most uncertain and undependable.

If our domestic source of supply should be displaced to any substantial extent by excessive imports, it could not be rebuilt in time to meet emergency needs.

Agriculture is an important segment of the national economy, and dairying is an important segment of our agricultural economy.

We do not dare to permit this important and essential industry to be traded off for vague and uncertain benefits. Congress should retain the power to prevent that from happening.

This is not idle conjecture. Remember that the State Department did everything in its power to strike down import controls under section 104 of the Defense Production Act without offering other controls in their place. Had Congress not been firm on that issue, we believe a large part of the American dairy industry would now be gone. Later, after controls were shifted from section 104 of the Defense Production Act to section 22 of the Agricultural Adjustment Act, there have been repeated attempts by the State Department to trade off or give away substantial parts of the American market for dairy products.

Remember too that the State Department has entered into an agreement with foreign nations, the General Agreement on Tariffs and Trade, in which it undertook to bind this country not to use import controls under section 22 to protect our agricultural programs. Then it obtained a weak, apologetic, and uncertain waiver which in effect says we can maintain section 22 controls only at the sufferance of the GATT nations.

Surely this is a warning to Congress that it cannot safely surrender to the State Department its constitutional responsibilities in this important area.

IMPORTS AND THE AGRICULTURAL PROGRAMS

The agricultural program established by Congress for dairy farmers is protected against excessive imports by import controls imposed under section 22 of the Agricultural Adjustment Act. Import quotas have been established through hearings before the U.S. Tariff Commission. The rights of foreign countries are taken into consideration under section 22 in that imports cannot be cut back to a level lower than 50 percent of the level that prevailed in a representative period.

Although these controls are not adequate, and the administration of section 22 leaves much to be desired, nevertheless, important restraints on excessive imports are in effect under section 22.

If it were not for the import controls imposed under section 22, the support programs would have to be abandoned, or we would find

ourselves in the unhappy position of trying to support world prices at 75 percent of the American parity price.

Congress has under consideration the difficult problem of developing a farm program which will bring about a better balance between the supply and demand for dairy products. Any program of this kind must, of course, be accompanied by effective import controls. Otherwise, all gains that are made in reducing domestic production would be promptly nullified by increased imports.

If Congress is to retain the power to legislate domestic agricultural programs when such programs are necessary, then it must retain also the power to protect the programs against a destructive level of imports.

SECTION 22 CONTROLS IMPERILED

We are concerned that import controls under section 22 will be imperiled by H.R. 11970. The bill is broadly worded in many respects, and it leaves much room for confusion and doubt.

Section 201(a) of the bill authorizes the President to enter into trade agreements and to proclaim the reduction or elimination of any existing duty or other import restriction which he deems appropriate to carry out the trade agreements.

Section 225 of the bill requires the President to reserve from negotiations certain controls established under the escape clause and the national security provisions. It seems to us significant that reservation of controls established under section 22 is omitted from this section.

Section 212 of the bill also contains broad authority to wipe out tariffs and controls on agricultural products.

Section 22 controls are too important to leave open to doubt. If they are not to be affected by the bill, then no harm will be done in saying so in clear and positive language in the bill itself or in the report.

EUROPEAN COMMON MARKET

The Common Market is an economic union of European nations whose basic economies, prices, and wage rates are sufficiently related to make it practical for them to operate a common program for trade and agriculture. Internal barriers are being removed and goods, labor, and capital will be permitted to move between member nations in much the same manner as they do between our several States. An external tariff will be applied to trade with outside nations. Raising agricultural prices and improving the income of farmers is an impressive part of the program.

Increased agricultural prices in the community will be above world price levels, making it necessary to control imports and subsidize exports. Variable import levies will be used to equalize competition between Common Market products and lower priced imports moving in world trade.

The Common Market does not offer opportunities for increased agricultural exports from the United States. On the contrary, as the market develops trade within itself and develops its agriculture toward greater self-sufficiency, its need for such exports will decrease.

Reducing U.S. tariffs on agricultural products will not solve the Common Market problem. Since our own agricultural prices are

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above those in the Common Market, such reductions would attract imports to this country without a corresponding flow of exports to the Common Market. Furthermore, the most-favored-nation rule would make such reductions apply also to other nations and thus attract additional world surplus to our markets already burdened with surplus.

Neither would it solve this problem for the United States to join the Common Market as long as our wage rates are three to four times as high as those in the Common Market and our agricultural prices are far above those in the Common Market.

The Common Market should be appraised realistically and not used as an excuse to lower U.S. tariffs and thus bring about a destructive level of agricultural imports to this country.

CONCLUSION

(1) The bill is drawn in very broad language and conveys sweeping power to the President in matters of foreign trade. Once commitments are made to foreign countries under the authority of the bill, Congress may find itself seriously limited in its ability to protect our domestic agricultural programs from excessive and destructive imports under section 22 of the Agricultural Adjustment Act.

(2) The bill represents practically a complete transfer of power from Congress to the President and ultimately to the State Department in the important area of foreign trade. Congress is charged by the Constitution with responsibility in matters of foreign trade. Congress should retain the power to act in behalf of American farmers, workers, and industries if that should become necessary.

(3) Practically all of the safeguards developed in the Congress over the past 10 years would be cast aside. These safeguards should be retained and strengthened. They do not interfere with sound trade agreements. To some extent they help to deter unsound ones.

(4) The President would have almost unlimited power in matters of international trade. The few uncertain standards provided for his guidance are dependent in many cases on determinations to be made by him and which are not subject to review.

(5) Practically all of the democratic procedures in the present law relating to tariffs and trade would be repealed.

(6) The bill would permit the President to trade off one commodity to benefit another or one industry to benefit another.

(7) The value of private property could be destroyed without compensation by trading off the market for a commodity.

(8) American markets could be traded off for foreign political considerations.

(9) There should be added to the bill a provision that its approval would not indicate congressional approval of the General Agreement on Tariffs and Trade.

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

The next witness is Mr. William R. Brown of the Council of State Chambers of Commerce.

Mr. Brown, take a seat, sir.

STATEMENT OF WILLIAM R. BROWN, RESEARCH DIRECTOR, MISSOURI STATE CHAMBER OF COMMERCE, AND MEMBER OF SOCIAL SECURITY COMMITTEE OF COUNCIL OF STATE CHAMBERS OF COMMERCE; ACCOMPANIED BY EUGENE F. RINTA, EXECUTIVE DIRECTOR, COUNCIL OF STATE CHAMBERS OF COMMERCE

Mr. BROWN. I am William R. Brown, research dirctor of the Missouri Chamber of Commerce.

I appear before you today as a member of the Social Security Committee of the Council of State Chambers of Commerce in behalf of 29 State and regional chambers of commerce that are listed at the end of my statement.

I have with me Mr. Eugene Rinta, the executive director of the council of State Chambers of Commerce. It is not news to you, gentlemen, that the business community is sharply divided on the merits of the Trade Expansion Act of 1962. There is one point in this bill, however, upon which the business community is agreed. That is that the provisions for so-called trade readjustment allowance for unemployment or partial unemployment due to imports, much higher than regular State unemployment benefits, are extremely objectionable.

We believe that enactment of these trade readjustment allowances would establish a precedent that threatens the integrity and autonomy of State unemployment benefit programs.

I want to file my prepared statement with the committee and just briefly hit the highlights and summarize for us in order that I might develop one point that I understand has not been presented sufficiently to the committee.

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

Mr. BROWN. The Ways and Means Committee report states that the formula reducing worker allowance by only one-half of any remuneration received for services will give the worker an incentive to find work.

However, when the total context of this proposal is examined to those of us who have been in close contact with the operation of State unemployment benefit programs this proposal would be almost laughable to think it would preserve an incentive to find work.

But I am not laughing because of the deadly serious implications that this entire worker allowance proposal has for the continued operation of the State unemployment benefit programs.

I can best illustrate what I mean by citing what is a common example in Missouri. That is the worker who comes out of the Ozark hills into a relatively high-paying plant in Kansas City or St. Louis. When that worker is laid off he naturally goes back to his home in the Ozarks where the living is easy and cheap.

Now, under the provisions of this bill presently before this committee, this worker could conceivably draw a combination of trade readjustment allowances, remuneration for services, unemployment benefits, and training allowances under the manpower training and area redevelopment acts totalling up to 75 percent of his average wage based on high quarter earnings in the big city.

Now, when you consider that most of this income would be tax free, we would have workers down in the Ozarks who would be doing better by not working than working, and when you consider also that perhaps the fishing is good, the incentive to go out and find work would be mighty slim.

I cite this example to show how undesirable it is to set unemployment benefits at the Federal level.

There is a determination which needs to be made at the State level based on the situation in the particular State.

Now, the benefit formula contained in this bill may be appropriate for some few States. It certainly is not appropriate for Missouri and most other States.

If time permits we can cite only a few of the many precedents which the so-called trade readjustment allowances proposed in this bill would set for future State and Federal legislation.

For example, if I were a legislator with rural constituents, I would be very much concerned that agricultural labor is apparently covered by this proposed program, whereas the States generally have chosen not to cover or include agricultural workers in their State unemployment benefit programs.

As a matter of fact, this bill goes beyond setting precedents for State legislation and the imposition of Federal standards. It would impose some standards of its own in that it would require the States to amend their unemployment benefit laws in certain respect, if they are to participate in the program. I understand that 44 States have specific provisions which cast doubt on the legal authority of these States to make an agreement with the Federal Government to pay trade readjustment allowances.

Now, the Missouri provision in this respect is typical of these 44 States. Missouri law provides that a claimant is ineligible for unemployment benefits for any week he has received or is seeking unemployment benefits "Under an unemployment insurance law of another State or of the United States."

Yet, section 331(c) of the proposed Trade Expansion Act requires that agreements between the State and the Secretary of Labor allow supplementation of State unemployment benefits without any denial or reduction of the benefits to which the worker would otherwise be entitled.

The CHAIRMAN. Mr. Bowen, did I understand you to say that your interpretation of this bill is that it covers agricultural workers?

Mr. BROWN. I can see nothing in it that would rule it out.

The CHAIRMAN. I don't assume it is intended to cover them, is it? How would it cover agricultural workers?

Mr. BROWN. Perhaps it should be clarified if it is not intended to cover them.

The CHAIRMAN. It certainly should be clarified. I share your concern about that entire section because I have always been very much opposed to federalizing the unemployment insurance program.

We have had several battles on the floor of the Senate, one at one time with the now President, who was then Senator. He had a bill pending to federalize the entire program and the Senate defeated it by a substantial majority.

Certainly, it ought to exclude the agricultural workers. This is the first I have heard that they could be under the coverage provision for assistance.

But you think they are?

Mr. BROWN. I see nothing to exclude them. It looks like they could be covered. Apparently the agricultural related industries and agricultural workers would be able to apply for trade adjustment assistance.

The CHAIRMAN. In other words, take the cotton industry, if that were injured by imports you think then that those who produce the cotton, the farmers and the workers on the farm could be included in the assistance provisions and receive unemployment compensation?

Mr. BROWN. I think it could be so interpreted under the present law. Of course, they would not qualify for State unemployment benefit without some amendment in the State laws, because most States do not now cover such workers under their State laws.

Now, in regard to the point I mention as to the conflict between this proposal and the provisions in some 44 State laws, I understand that the Interstate Conference of Employment Security Administrators have polled the State administrators. I also understand that the Department of Labor has exerted considerable pressure on many of the State administrators in this regard, and we know from personal experience in Missouri, that the Bureau of Employment Security is able to draw its purse string controls very tight over State administrators, even to the extent of causing them sometimes to overlook the provisions of their own State laws.

Now, unfortunately, the results of this poll conducted by the Interstate Conference have been kept confidential; therefore, we don't know the exact results. We do know that some States have definitely decided that they could not participate without amending their law.

For example, the Colorado attorney general has so ruled, and the Colorado law is almost identical with the Missouri law that I quoted in this respect, but the State agencies, and even the attorneys general of the States are not the final authority as to what can be done under State law.

The State courts, of course, are the final authority in this case, and in Missouri and in the other States that I am representing, we intend to go to court if an effort is made to pay regular State unemployment benefits with the Trade Adjustment benefits supplementing those benefits because it would be contrary to the State law.

The CHAIRMAN. You say great pressure is being brought on State administrators.

Are any State administrators in favor of this provision in this bill?

Mr. BROWN. I would probably think there is a division of opinion there. Their natural inclination, I think, would be very conservative about it because it does undermine the State programs.

The CHAIRMAN. They have always been opposed to any Federal interference with unemployment insurance.

Mr. BROWN. That is right.

The CHAIRMAN. And I gathered from you that perhaps some of them now have changed.

Have any of them changed that you know of?

Mr. BROWN. I don't know that they are changing their basic position. However, when you have funds to administer to a State agency and even salary schedules have to be approved by the Federal Bureau of Employment Security they can exert considerable pressure. In fact, in Missouri, we have even had them on at least two occasions in which I have been involved threaten to hold our State law out of conformity if we didn't get in line.

The CHAIRMAN. Have any of them yielded to that pressure to your knowledge?

Mr. BROWN. Yes, some of them are yielding.

The CHAIRMAN. And favor the federalizing the unemployment?

Mr. BROWN. No, no, I don't think many of them would go so far as to so obviously cut their throat, but I think they would yield to terms of perhaps ignoring some provision of their State law especially if they thought they were not going to be challenged.

The CHAIRMAN. Do any of the State administrators that you know of favor the provision in this bill?

Mr. BROWN. Not to my personal knowledge.

The CHAIRMAN. My administrator is an extremely able man, he will be here Monday to protest against this provision in the bill.

Mr. BROWN. I am pleased to hear that, Mr. Chairman.

The CHAIRMAN. Do you desire to strike out the whole adjustment assistance section of the bill?

Mr. BROWN. I think that would be the most desirable answer, Mr. Chairman.

The CHAIRMAN. In other words, not only the unemployment end of it but the loans that are made to industry as well?

Mr. BROWN. I might say in that regard that I am testifying only on the worker adjustment provision because I am appearing for the Social Security Committee of the Council of State Chambers which is concerned with that particular aspect.

Now, maybe Mr. Rinto would like to add a point to that phase.

Mr. RINTA. I think the majority of the State chambers from the expression we have had would as soon see the whole adjustment provision stricken.

The CHAIRMAN. Stricken out. That has been the testimony pretty generally before this committee.

Mr. BROWN. Now to summarize, Mr. Chairman, the payment of these trade readjustment allowances would result in a special system of unemployment benefits for a special class of unemployed with conditions of eligibility, benefit levels, and duration differing greatly from those under existing State programs, and the recently enacted Federal Manpower Development and Training Act.

We object because of the impact of these proposals upon the existing State programs, and because of the attempt to create preferential treatment for a segment of the unemployed.

Our objection is based, too, on the attempt to create standards that eventually could substantially alter State programs.

Finally, we believe that the existing State programs operated in conjunction with the recently enacted Federal Manpower Development and Training Act, should be relied upon to meet the problems of unemployment regardless of the cause of unemployment.

Thank you, Mr. Chairman.

(The prepared statement of Mr. Brown follows:)

STATEMENT OF WILLIAM R. BROWN, ACCOMPANIED BY EUGENE F. RINTA, EXECUTIVE DIRECTOR, COUNCIL OF STATE CHAMBERS OF COMMERCE, WITH RESPECT TO THE WORKER ADJUSTMENT ASSISTANCE PROVISIONS OF H.R. 11970

My name is William R. Brown. I am research director of the Missouri State Chamber of Commerce, Jefferson City, Mo. I am a member of the Social Security Committee of the Council of State Chambers of Commerce, and I appear before you on behalf of the 29 State and regional chambers of commerce which are listed at the end of my statement.

It is not news to you gentlemen that the business community is sharply divided on the merits of the Trade Expansion Act of 1962. There is one point in this bill, however, upon which the business community is agreed. This point of agreement is that the provisions for so-called "trade readjustment allowances" for unemployment or partial unemployment due to imports, much greater than other unemployment benefits, are extremely objectionable.

Enactment of this "trade readjustment allowance" program will establish a precedent that threatens the integrity and autonomy of State unemployment benefit programs. I am aware that the Ways and Means Committee report states, "The terms of worker assistance are not meant to be precedents for the unemployment insurance program." But, no matter how sincere the desire, this statement will not keep them from being widely used as precedents both for State and Federal legislation. I know from my years of intimate experience in drafting and working for and against unemployment benefit legislation that they definitely will be so used in Missouri and other States, as I will demonstrate, I hope, to your satisfaction.

For example, the proposed Trade Expansion Act provides for an automatic escalator for worker allowances of 65 percent of the annual average wage for production workers for the latest calendar year published by the Bureau of Labor Statistics. This means that the maximum payment will go up automatically each year as long as wages continue to rise. The Missouri Legislature rejected just such an automatic escalator proposal last year while increasing maximum unemployment benefits from $33 to $40 a week and providing for State retraining benefits. In Missouri we strongly opposed the automatic escalator proposal because we believe that the State legislatures should maintain control of the maximum unemployment benefit. Certainly if Congress were to enact an automatic escalator provision, it would make a much more impressive "precedent" than to say that some seven States now have such provisions.

The Ways and Means Committee report estimates that this escalator provision will result in an initial maximum of $61. This compares to the $40 maximum in Missouri which is in the middle group of States. In fact, no State has a maximum unemployment benefit for single persons anywhere near the $61 a week with which this bill would start. Even when dependency allowances are taken into consideration only three States—Alaska, Connecticut, and Massachusetts—have maximums that go as high as $61. Of course, no State has a maximum duration for unemployment benefits of anything like the 52 weeks plus provided for in this bill. Only eight States go beyond the common 26-week, half-year, provision found in Missouri. Oklahoma has the longest duration—39 weeks.

The Ways and Means Committee report states that the formula reducing the allowance by only one-half of any remuneration received for services, will give the worker an incentive to find work. However, when the total context of the proposal is considered, to those of us who have been in close contact with the operation of State unemployment benefit programs it would be almost laughable to think that this formula will preserve an incentive to find work. But I'm not laughing because of the deadly serious implication that this entire worker allowance proposal has for continued operation of the State unemployment benefit programs.

I can best illustrate what I mean by citing what is a common example, in Missouri, of the worker who comes out of the Ozark hills to work in a relatively high paying plant in Kansas City or St. Louis or even the Ozark cities of Springfield or Joplin. When he is laid off he naturally goes back to live in his home in the Ozarks where the living is easy and cheap. Under the proposal now before this committee this worker could conceivably draw any one or a combination of trade readjustment allowances, remuneration for services, unemployment benefits and training allowance under the Manpower or Area Redevelopment Acts total-

ing up to 75 percent of his average weekly wage based on high quarter earnings in the big city. When you consider that most of this income could be tax free, and fishing is good, the incentive to find work can be mighty slim. I cite this example to show how undesirable it is to set unemployment benefits on the Federal level. This is a determination which needs to be made on the State level based on the situation within the particular State. The benefit formula contained in this bill may be appropriate for some few States—it certainly is not for Missouri and most other States.

It should be noted in this connection that the Manpower Development and Training Act which became law earlier this year provides for a weekly allowance equal to the average benefit in the particular State involved. As initially inaugurated in Missouri this is $33, at present, which is probably not far from the national average.

Time permits citing only a few of the many precedents which the so-called trade readjustment allowances proposed in this bill would set for future State and Federal legislation. For example, if I were a legislator with rural constituents, I would be very much concerned that agricultural labor is apparently covered by this proposed program whereas the States generally have not chosen to include agricultural workers in their State unemployment benefit programs.

The precedents which would be established by this proposed act are not all one sided. In fact, if the House provisions should be enacted, I personally intend to use the provision requiring that the worker must have earned wages of $15 or more in at least 26 weeks as a precedent since Missouri law presently requires $15 or more in only 17 weeks.

As a matter of fact, this bill goes beyond setting precedents for State legislation and imposition of Federal standards. It would impose some standards of its own in that it would require the States to amend their unemployment benefit laws in certain respects. I understand that 44 States have specific provisions which cast doubt on the legal authority of these States to make an agreement with the Federal Government to pay "trade readjustment allowances." The Missouri law provides that a claimant is ineligible for unemployment benefits for any week he has received or is seeking unemployment benefits "under an unemployment insurance law of another State or of the United States." Also the 1961 retraining benefit law enacted by the Missouri Legislature specifically provides that "no payment of retraining benefits shall be made to any individual for any week or part of any week with respect to which he is entitled to receive retraining benefits as a result of participation by this State pursuant to the provision of any Federal law providing for the payment of such benefits." Yet section 331(c) of the proposed Trade Expansion Act of 1962 requires that the agreements between the States and the Secretary of Labor allow supplementation of State unemployment benefits without any denial or reduction of the benefits to which the worker would otherwise be entitled.

Since section 323(c) provides for reduction in a worker's "trade readjustment allowance" if he is found ineligible for State unemployment benefits, the States would be under considerable pressure to make their laws conform just as they were from the tax offset provision in the original Federal Unemployment Tax Act. I know from personal experience in Missouri that the Federal Bureau of Employment Security can draw its "purse string" controls very tight even to the extent of threatening to hold a State law out of conformity with the Federal law, thus resulting in the loss of the all-important tax credit.

In conclusion, I think that I have said enough to indicate that the top union leaders who are reported to be insisting on the "trade readjustment allowance" provision as the price of their support of the proposed Trade Expansion Act, have a "good selfish reason" for doing so.

The payment of these trade readjustment allowances would result in a special system of unemployment compensation benefits for a special class of unemployed with conditions of eligibility, benefit levels, and duration differing greatly from those under existing State unemployment compensation programs and the recently enacted Federal Manpower Development and Training Act.

We object because of the impact of these proposals upon the existing State programs and because of the attempt to create a program of preferential treatment for a segment of the unemployed. Our objections are based, too, on the attempt to create standards that eventually could substantially alter the State unemployment compensation programs. Finally, we believe that the existing

State unemployment programs, operating in conjunction with the newly enacted Federal Manpower Development and Training Act, should be relied upon to meet the problems of unemployment regardless of the cause of unemployment.

The organizations endorsing this statement are:

Alabama State Chamber of Commerce.
Arkansas State Chamber of Commerce.
Colorado State Chamber of Commerce.
Connecticut State Chamber of Commerce.
Delaware State Chamber of Commerce.
Florida State Chamber of Commerce.
Georgia State Chamber of Commerce.
Idaho State Chamber of Commerce.
Indiana State Chamber of Commerce.
Kansas State Chamber of Commerce.
Kentucky Chamber of Commerce.
Maine State Chamber of Commerce.
Mississippi State Chamber of Commerce.
Michigan State Chamber of Commerce.
Missouri State Chamber of Commerce.
Montana Chamber of Commerce.
New Jersey State Chamber of Commerce.
Empire State Chamber of Commerce (New York).
Ohio Chamber of Commerce.
Oklahoma State Chamber of Commerce.
South Carolina State Chamber of Commerce.
Greater South Dakota Association.
East Texas Chamber of Commerce.
Lower Rio Grande Valley Chamber of Commerce (Texas).
South Texas Chamber of Commerce.
West Texas Chamber of Commerce.
Virginia State Chamber of Commerce.
West Virginia Chamber of Commerce.
Wisconsin State Chamber of Commerce.

In addition to the above organizations, there is one State chamber of commerce in the council which has not taken a position with respect to this statement.

The CHAIRMAN. Thank you very much.

Senator CARLSON. Mr. Brown, I notice you are representing the great State of Kansas and I am sure you are speaking their views on it, because I am somewhat familiar with them.

I was interested in the discussion with the chairman with regard to agricultural workers.

I can see where, I believe some of the operations like canning factories, those are listed as agricultural workers, are they not?

Mr. BROWN. That is the situation.

Senator CARLSON. I share your concern regarding it and I shall certainly keep it in mind.

Mr. BROWN. Thank you, Senator Carlson.

The CHAIRMAN. Thank you very much, sir.

The next witness is Mr. Robert A. Ewens, Conference of State Manufacturers Association.

Take a seat and proceed.

STATEMENT OF ROBERT A. EWENS, ON BEHALF OF THE CONFERENCE OF STATE MANUFACTURERS ASSOCIATIONS

Mr. EWENS. Mr. Chairman, my name is Robert A. Ewens, executive vice president of the Wisconsin Manufacturers Association. I am appearing here today on behalf of the Conference of State Manufacturers Association and I am authorized to speak on behalf of 36

State manufacturers associations. I have them listed in my formal statement and I don't think I should take up the time of the committee to read them.

I should like to ask the permission of the Chair if I may at this time to have my formal statement incorporated as a part of the record, and I should like to very briefly synopsize some of the points I have made in there and add a few other thoughts of my own.

The CHAIRMAN. Without objection.

Mr. EWENS. In the formal presentation I attempted to explain the position of the various States regarding Federal aid to persons losing their employment.

In that statement I did not allude to the State legal prohibitions, which Mr. Brown just touched upon, against the kind of Federal aid which is provided for displaced workers in H.R. 11970. I should like to call to the committee's attention two communications. One is dated April 4, 1962, and is directed to the Honorable Wilbur D. Mills, chairman of the Committee on Ways and Means of the House. It is signed by all three of the industrial commissioners of the State of Wisconsin which has jurisdiction in my State over unemployment compensation matters. I should also like to direct your attention to a communication of June 18 addressed to all Wisconsin Congressmen and signed by Mr. Paul Rauschenbush, director of our unemployment compensation department.

It is my understanding that Mr. Rauschenbush is to appear before your committee on Monday and he can elaborate on the contents of those communications.

Both of these communications, Mr. Chairman, can be found on page 11170 of the Congressional Record of June 28, 1962.

With the Chair's permission I should like to read, if I may, a portion of the Wisconsin statute on this subject. It is section 108.04, paragraph 12. The title of that section is "Prevention of Duplicate Payments" and among other things the law says, and I quote:

> Any individual who receives a Federal readjustment allowance for a given week shall be ineligible for benefits paid or payable for that same week under this chapter. Similarly any individual who receives, through the commission, any other type of unemployment benefit or allowance of a given week shall be ineligible for benefits paid or payable for that same week under this chapter.

Now, if I understand H.R. 11970, the benefits to displaced workers would be paid through the States under an agreement with the Secretary of Labor and the State agency would be acting as an agent of the United States in making such payments.

It is difficult for me to understand how such payments would be valid in the face of such clear, unambiguous language forbidding it.

I have here an analysis of similar laws of the 44 other States, that Mr. Brown alluded to, prohibiting such Federal supplementation.

The language varies from State to State but the prohibition is nevertheless there.

If this law were passed in its present form the Federal Government, the Department of Labor, aggrieved workers or displaced workers, employers, State agencies, and anyone connected with the unemployment compensation program would be faced with a deluge of lawsuits and it would take years for the courts to determine who was or who was not eligible for the benefits outlined in this proposed legislation.

With the chairman's permission I should like to incorporate in the record the list of those States having such prohibitions which shows their State statute numbers.

The CHAIRMAN. Without objection.

(The list referred to follows:)

Status of unemployment compensation laws as to Federal supplementation of State unemployment compensation benefits

State, district or territory	Section of law prohibiting supplementation	Section of law permitting supplementation	Comments
Alabama	214G		
Alaska	741(e)		
Arizona	23-775(3)		
Arkansas	81-1106(f)(2)		
California	1255		
Colorado	82-4-13		
Connecticut	31-236(4)a		
Delaware	3315(5)		
District of Columbia	10(e)		
Florida	443.06(5)		
Georgia	5(f)		
Hawaii		93-29(f)	
Idaho		72-1366(k)	Gives discretion to director.
Illinois	605		
Indiana	1506		
Iowa	96.5(6)		
Kansas	44-706(e)		
Kentucky	341.360(2)		
Louisiana		1601(5)	
Maine	15VB		
Maryland	6(g)		
Massachusetts	26		
Michigan	421.29(3)		
Minnesota		268.08(2)	
Mississippi	7379(f)		
Missouri	288.040(3)		
Montana	87-106(e)(3)		
Nebraska	48-628(f)		
Nevada	612.400		
New Hampshire	282.4G		
New Jersey	43.21-5(f)		
New Mexico		59-9-5(c)	Prohibits benefit paid through another agency.
New York	592(2)		
North Carolina	96-14(7)		
North Dakota	52-06-02(5)		
Ohio	4141.31(C)		
Oklahoma	215(f)		
Oregon	657.210		
Pennsylvania	402(c)		
Rhode Island	28-44-19		
South Carolina	68-114(e)		
South Dakota	17.0830(7)		
Tennessee	50-1324F		
Texas	5(e)(3)		
Utah	35-4-5(f)		
Vermont	1344(7)		
Virginia	60-46(f)		
Washington			No language.
West Virginia	VI 4(5)(c)		
Wisconsin	108.04(12)		
Wyoming		27-26 B III	

Mr. EWENS. In my filed statement I briefly review how the individual States have discharged their stewardships most commendably in the field of unemployment compensation, and I say there: "Indicative of the individual States being well aware of their responsibility to their unemployed workers is the fact that in the last 4 years and, mind you, after the expiration of the Federal emergency unemployment compensation legislation of 1958, 15 States have enacted legislation now in force for unemployment compensation benefits beyond the normal 26 weeks of payment. Six of these States are employing

the trigger device whereby benefits are extended on a certain percentage of covered workers receiving benefits. Nine States automatically provide duration beyond 26 weeks. In my own State, for example, we enacted legislation by agreement of industry and labor to extend duration to a maximum of 34 weeks. The other eight or nine States have systems somewhat comparable to our own."

In my filed statement I did not refer to some of the semantics which have been involved in this Trade Expansion Act of 1962. Some of the proponents of this legislation studiously avoided the expression "unemployment insurance," although those of us who have read the provisions can see no real difference.

As a matter of fact, I should again like to call to the committee's attention the Congressional Record of the same date of June 28, 1962. There we find on page 11221 a transcript of a television program on this subject, and in answer to a question by Mr. Schoenbrun, the moderator, President Kennedy states, and I quote:

> We provide retraining, we provide unemployment compensation if anyone is adversely affected.

I agree with the President. This bill does provide for unemployment compensation, but it arises from a different cause—loss of a job because of removal of tariff barriers or an increase in imports.

Now, if I may, I should like to cite a simple example. I may be accused of oversimplifying the problem, but I do firmly believe that it touches upon the fundamentals involved in this proposal.

For many years the largest employer in my State has been the Allis-Chalmers Manufacturing Co. But in the last few years the American Motors Corp. in Kenosha and Milwaukee has more employees, and now almost 25,000 workers are employed by that firm in my State.

All of you are aware of American Motors aggressive entry into the manufacturing of compact automobiles. So successful has been that venture, and so popular have compact cars become with the American people that the General Motors Corp., the Ford Motor Co. and others have entered into the compact field and now provide vigorous competition to American Motors for that type of vehicle.

Fortunately, for the economy of Wisconsin, American Motors has more than held its own against this stiff competition.

Now, let us assume that the American public favored the General Motors product or the Ford Motors product over the American Motors compacts and as a result American Motors would be obliged to lay off a substantial number of workers because of that competition.

In my State those workers would then receive $51 a week maximum unemployment compensation for a maximum of 34 weeks.

If I understand H.R. 11970 correctly, they would be paid through Federal subsidy some $65 or $70 a week for as long as 76 weeks including a retraining period.

I must ask why such discrimination against the Wisconsin worker who loses his job because of domestic conditions. Why should an unemployed American Motors employee receive more compensation for a longer period of time simply because his employer was unable to meet the competition of the Volkswagen or that of other compact cars manufactured by Europeans?

Gentlemen, we of the State Associations firmly believe that we must again carefully reexamine some of the fundamentals of our American economic system. When the Pilgrims first settled this Na-

tion they initially relied on a communal system to see them through their first winter.

As a result, they almost starved to death and the harvest was poor because the men and women had no real incentive to labor. The next year the Pilgrims each planted individual plots and an abundant harvest saw them handsomely through the long, hard, cold winter. From that experiment in individual initiative we blossomed into the greatest nation on earth.

But in the last 30 years using the evolution of our complex industrial economy as an excuse, rather than as a springboard, we have enacted many Federal laws designed to provide a helping hand to citizens under almost any conditions.

In doing so, in my humble opinion we have sapped one of our greatest assets, individual initiative.

We suggest that we have enough State statutes on the books to deal with any unemployment problem H.R. 11970 may produce.

Thank you for the privilege of appearing before you.

(The prepared statement of Mr. Ewens follows:)

STATEMENT ON BEHALF OF THE CONFERENCE OF STATE MANUFACTURERS' ASSOCIATIONS BY ROBERT A. EWENS RELATING TO CERTAIN PROVISIONS OF H.R. 11970 CONCERNING FEDERAL FINANCIAL AID TO DISPLACED WORKERS

My name is Robert A. Ewens. I am executive vice-president of the Wisconsin Manufacturers' Association, with offices at 324 East Wisconsin Avenue, Milwaukee, Wis. I am appearing today on behalf of the Conference of State Manufacturers' Associations, and am authorized to speak on behalf of the following organizations:

Associated Industries of Alabama.
Associated Industries of Arkansas, Inc.
California Manufacturers Association.
Manufacturers Association of Colorado.
Manufacturers Association of Connecticut, Inc.
Associated Industries of Florida.
Associated Industries of Georgia.
Associated Industries of Idaho.
Illinois Manufacturers Association.
Indiana Manufacturers Association.
Iowa Manufacturers Association.
Associated Industries of Kentucky.
Louisiana Manufacturers Association.
Associated Industries of Maine.
Associated Industries of Massachusetts.
Michigan Manufacturers Association
Mississippi Manufacturers Association
Associated Industries of Missouri
Associated Industries of Nebraska.
New Hampshire Manufacturers Association.
New Jersey Manufacturers Association.
New Mexico Business & Manufacturers Association.
Associated Industries of New York State, Inc.
Ohio Manufacturers Association.
Associated Industries of Oklahoma.
Pennsylvania Manufacturers Association.
Associated Industries of Rhode Island
Associated Industries of Kansas, Inc.
Tennessee Manufacturers Association.
Texas Manufacturers Association.
Utah Manufacturers Association.
Associated Industries of Vermont.
Virginia Manufacturers Association.
Association of Washington Industries.
Wisconsin Manufacturers Association.
West Virginia Manufacturers Association.

All of my associates in the State associations would have welcomed the opportunity to appear here, but because of your committee's time limitations, I am speaking for most of them. My experience in this field has included many years of representing Wisconsin industry on the statutory Advisory Committee on Unemployment Compensation to the Wisconsin Industrial Commission.

In 1958, and again in 1961, I was privileged to appear before the House Ways and Means Committee, and we then opposed proposals for Federal standards in unemployment compensation and among other things, I said, "This progress, sensitive to our peculiar need, is jeopardized by needless proposals to federalize unemployment compensation, a premise resisted by Congress and Presidents for two decades. We don't want, among other things, to be penalized by being forced to contribute a share of the cost of Federal reinsurance grants to improvident States."

In 1959, I also quoted Mr. Joseph Kenny of Wisconsin, who serves with me on the Wisconsin Advisory Committee. In 1958, Mr. Kenny told the Senate Finance Committee, "It seems logical to us in industry to fear that present consideration of extension of benefits may well represent an unwitting precedent that can lead to the destruction of State systems of unemployment compensation and the abandonment of experience rating which has been such a powerful and constructive influence in stabilizing employment, and reducing potential unemployment, for more than a quarter of a century."

Mr. Kenny was prophetic. The present hearing is evidence of that. We in the various States that contain the great majority of American industry, consider that chapter 3 of title III of H.R. 11970 is a harbinger of federalization, as well as a needless expedient that will saddle all industry and taxpayers with unnecessary costs. This chapter obviously will partially convert what was always considered an insurance program, financed by employers only, into a giant relief measure that throws into discard insurance principles of long standing.

Now, we fully recognize that the provisions of the bill under consideration, do not spell out unemployment compensation for displaced workers as such. Those provisions are a relatively small portion of the entire trade expansion measure. But the same principles of unemployment compensation should apply, and, yet, we find them woefully lacking. I am indeed proud of our own Wisconsin Industrial Commission, which has State jurisdiction over our ideal Wisconsin unemployment compensation law. We have been the leaders, and many of the good features of our law are incorporated into the laws of other States. On April 4, 1962, all three of our industrial commissioners signed a letter to Chairman Mills of the Ways and Means Committee, with reference to the trade adjustment allowance features of H.R. 9900, which were identical to the provisions in the bill before your committee at this time. In that communication, our commission pointed out the sharp discrimination which would exist against the great majority of America's jobless workers who could be laid off for a great variety of reasons, including automation, termination of defense contracts, U.S. tax or credit policies, competition itself in America, or even foreign competition.

Our commission also pointed out in that communication that State benefits now can apply to so-called federally caused layoffs, including Federal employees and ex-servicemen. They also wondered why there should be a higher level of payment and a longer duration period. Our commission rightfully asked the question whether this was "a springboard for federalizing all State compensation laws".

Over the years, the Senate Finance Committee and the House Ways and Means Committee have been the guardians of the State unemployment compensation system. That tradition was initiated in the House committee's Report No. 615 way back on April 5, 1935. At that time, the committee said, "Unemployment insurance cannot give complete and unlimited compensation to all who are unemployed. Any attempt to make it do so confuses unemployment insurance with relief. * * * It can give compensation only for a limited period and for a percentage of the wage loss. * * * Unemployed workmen who cannot find other employment within reasonable periods will have to be cared for through work relief or other forms of assistance, but unemployment compensation will greatly reduce the necessity for such assistance * * *"

Your own Senate Finance Committee said the following in Senate Report 565, filed September 17, 1945, accompanying a bill to provide extended unemployment compensation benefits following World War II: "The committee feels * * * that it should be left to the respective States to determine whether or not this extended duration should be provided for workers within their borders and that the

supplemental benefits should be paid to such workers only if the State wishes to enter into such an agreement."

These statements and others were in accordance with principles enunciated by the report made to President Roosevelt in 1935 by his Committee on Economic Security. Inherent in all these statements was the principle that States being sensitive to their own peculiar needs were best equipped to regulate and administer unemployment compensation.

Congress has long held to the principle that such Federal control should be avoided at all costs. I commend to your consideration the keynote sounded by the Committee on Economic Security appointed by President Roosevelt, which said, after a long and serious study, in its report of 20 some years ago: "All things considered, we deem it the safest and soundest policy to confine the role of the Federal Government with respect to this problem (unemployment) * * * leaving to them (the States) primary responsibility for administration."

In 1935 the Senate Committee on Finance in reporting out the Federal unemployment compensation legislation, endorsed this view by saying: "As we deem it desirable to permit the States freedom of choice in this respect, we also believe that the Federal law should provide for recognition of credits allowed by the States who have regularized their employment."

The term "regularized their employment" symbolizes the basic concept of unemployment compensation since its inception. Among others, President Roosevelt also advanced this premise. In his message to Congress in January 1933, he said, "An unemployment compensation system should be constructed in such a way as to afford every practical aid and incentive toward the larger purpose of employment stabilization * * * in order to encourage the stabilization of private employment, Federal legislation should not foreclose the States from establishing means for inducing industries to afford an even greater stabilization of employment." That is why we cherish our State systems of experience rating.

Our individual States have discharged their respective stewardships most commendably. Payments, coverage, and duration of benefits have steadily increased consistent with the particular needs of each political jurisdiction. An examination of the records will indicate that weekly benefits in many instances have increased since the start of the program by more than 400 percent, while duration has more than tripled. This is no small achievement. It is to be anticipated that in each State, needs will continue to be examined by the various legislatures and adjusted in keeping with those needs. This will assure adequate, economical and efficient operation of unemployment compensation programs. It will assure efforts to stabilize employment on the part of individual employers as they seek to retain good experience rating and, thusly, save them unnecessary unemployment compensation taxes as individual employers, to their State funds.

Indicative of the individual States being well aware of their responsibility to their unemployed workers, is the fact that in the last 4 years and, mind you, after the expiration of the Federal emergency unemployment compensation legislation of 1958, 15 States have enacted legislation now in force for unemployment compensation benefits beyond the normal 26 weeks of payments. Seven of these States are employing the trigger device whereby benefits are extended when a certain percentage of covered workers are receiving benefits. Nine States automatically provide duration beyond 26 weeks. In my own State, for example, we enacted legislation by agreement of industry and labor to extend duration to a maximum of 34 weeks. The other eight of the nine States have systems somewhat comparable to our own.

The States which now have such laws are doing this without Federal compulsion and with little or no consideration for a Federal subsidy.

Neither my associates nor I are blind to or inconsiderate of the needs of the unemployed. Yet in seeking a solution to their problems and their needs, it would be folly indeed if more and more financial obligations were imposed on employers and American taxpayers impinging on their ability to provide employment, per se, for the more than 64 million men and women now on their payrolls.

Nor should the inflationary aspects of further levies be ignored. It is a simple fact of economics that an employer must compute all of his costs in arriving at a selling price for his product. If higher unemployment compensation taxes are provided by the Federal Government, which adds even a penny to the selling price of any product at a time when the fiscal responsibility of this Nation is in

doubt, then its validity, aside from its principles, certainly must be open to conjecture.

I would remind you that when Wisconsin enacted the first unemployment compensation insurance law and was followed shortly after by other States and the Federal Government, there were 13 million unemployed. This was a tremendous portion of the then population. Nevertheless, the man of vision in these Halls determined that the States adequately handled the unemployment compensation problem.

If the wisdom of your predecessors two decades and more ago is evident in having respected States rights at a time when 10 percent of the population was unemployed, surely there is no urgency to discard or tamper with a workable system for untried programing when less than one-thirtieth of the population is unemployed. If, by Federal subsidy, the States are to increase benefits and duration far beyond the present maximums and discriminate against workers who lose their jobs from causes other than foreign imports, we shall have gone a far way indeed to wreck the present well-functioning State programs.

Gentlemen, we of the State associations firmly believe that we must again carefully reexamine some of the fundamentals of our American economic system.

When the Pilgrims first settled this Nation, they initially relied on a communal system to see them through their first winter. As a result, they almost starved to death for the harvest was poor because men and women had no real incentive to labor. The next year, the Pilgrims each planted individual plots, and abundant harvests saw them handsomely through the long, hard winter.

From that experiment in individual initiative, we blossomed into the greatest nation on earth.

In the last 30 years, using the evolution of our complex industrial economy as an excuse, rather than a springboard, we have enacted many laws designed to provide a helping hand to citizens under almost any and all conditions. In doing so, we have sapped our greatest asset, individual initiative.

We suggest that we have enough statutes on the books to deal with any unemployment problems H.R. 11970 may produce. And I submit, we have enough individual initiative left, if it is given room to work, so that displaced workers will of their own accord rejoin the ranks of the employed without added inducements from the Government.

Because of the great demands being made upon you, I have purposely avoided going into too great detail or specifics. I assure you, however, that if any or all would desire such facts, my associates and I shall be pleased to provide them for any of the States for whom I appear today.

Thank you.

The CHAIRMAN. Thank you, are there any questions, Senator Kerr?

Senator KERR. What is the principal objective of your testimony, Mr. Ewens?

Mr. EWENS. I am sorry, Senator, I didn't hear.

Senator KERR. What is the principal objective?

Mr. EWENS. To show that the individual States already provide adequate compensation to workers thrown out of employment through no fault of their own from any cause.

Senator KERR. Well, then, addressing yourself to the bill before us, is there some feature of it you object to or are you seeking an addition to it?

Mr. EWENS. We are seeking to retain for the States the power to take care of their own unemployed and not have the Federal Government do it.

Senator KERR. Does that have any specific relation to my question?

Mr. EWENS. I think it does, sir.

Senator KERR. I don't get it. I got here late and I listened to you as carefully as I could, and I was trying to determine what it was you were recommending, and I still don't know.

Mr. EWENS. Let me put it this way, if I may.

Assuming that this bill were enacted into law with the unemployment feature in it, it would then mean that the States would have to enter into a contract with the Secretary of Labor and would pay different rates as provided in the bill than are presently being paid under the State laws.

I am not qualified to speak on any other portions of the bill without that provision.

Senator KERR. Without the provision that is in the bill?

Mr. EWENS. Without the provision for the unemployed, the displaced workers. The States of America will take care of those folks who are unemployed under their present laws.

Does that make my position clear?

Senator KERR. Maybe I can get an answer out of you by asking a different question.

You are here in opposition to the provisions in the bill with reference to extending compensation for workers thrown out of employment by reason of competition developing from the importation of products that displace workers in some industry in some States.

Mr. EWENS. I am opposed to having the Federal Government do it.

Senator KERR. I withdraw the question. Forget it.

The CHAIRMAN. Any further questions?

Senator WILLIAMS. I will ask the question this way.

As I understood your testimony you made a comparison between the payment to the different types of workers.

Now, are you recommending that the committee strike from the bill the provision that would make that disparity, or are you recommending that it be extended to all workers and Federal employees completely?

Mr. EWENS. I am recommending that this provision be deleted, Senator.

Senator WILLIAMS. That is the answer we have been trying to find out from you, thank you.

Senator KERR. I don't want you to feel imposed on.

Mr. EWENS. I don't.

The CHAIRMAN. Another question is, do you recommend also that the other assistance provision for industry injured by importations be deleted?

Mr. EWENS. I am not qualified to speak on that, Senator Byrd. But yesterday I was privileged to be here when my former president, Clayton Van Pelt appeared for the Tanners Council and I believe it was Senator Curtis who asked him that question and he asked that that be deleted.

The CHAIRMAN. Thank you very much.

Mr. EWENS. Thank you very much.

The CHAIRMAN. The next witness is Mr. E. Russell Bartley, Illinois Manufacturers Association.

Take a seat, Mr. Bartley, and proceed.

STATEMENT OF E. RUSSELL BARTLEY, DIRECTOR, INDUSTRIAL RELATIONS, ILLINOIS MANUFACTURERS' ASSOCIATION

Mr. BARTLEY. Mr. Chairman and members of the committee, my name is E. Russell Bartley. I am director of industrial relations for

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the Illinois Manufacturers' Association, and am appearing here on behalf of the members of that association.

The Illinois Manufacturers' Association, with offices in Chicago, Ill., embraces in its membership of 5,000 industrial firms, practically every representative manufacturing firm in Illinois—large, small and medium sized—engaged in a wide variety of production.

The IMA registers objection to chapter 3—assistance to workers—of the Trade Expansion Act of 1962, H.R. 11970.

Under this proposal so-called trade adjustment allowances, which is really unemployment compensation by another name, would be paid to workers who lose their jobs because they were employed in industries which have been certified by the Secretary of Labor as being adversely affected by the importation of foreign made goods.

WOULD DISCRIMINATE AGAINST THE MAJORITY OF UNEMPLOYED WORKERS

There is no justification for setting up two separate unemployment compensation programs whereby preferential treatment would be given to one group of unemployed workers.

Under the proposed Federal unemployment compensation system much higher weekly benefits would be paid to adversely affected workers than are now paid under the programs of the various States.

Workers who are designated as "unemployed because of foreign imports" would receive benefits at the higher benefit scale, while workers in the same community who lose their jobs because of other reasons—such as seasonal unemployment, reduction in orders for domestic goods, or even by the indirect effect of imports—would receive benefits at the lower State scale.

In both instances, such unemployed workers would receive their benefit checks from the same State unemployment agency.

A worker who loses his job because of foreign competition is not in any greater need than a person who loses his job because of domestic competition.

If a plant in a community were closed, or workers laid off, and it is alleged that the closure or layoff was caused by foreign imports, the unemployed workers would be entitled to State benefits, plus Federal benefits, up to a maximum of $62 a week for a period of a year or a year and one-half.

A next-door neighbor of one of these workers who is laid off by another manufacturing plant, a retail store, or any other employer, and whose unemployment is not caused by foreign imports, would be paid at a lower weekly benefit amount and for a fewer number of weeks. This would be grossly unfair.

In Illinois such a worker would receive a maximum weekly benefit amount of $38 to $59, depending upon his dependency status, and for a maximum period of 26 weeks.

Under the provisions of the foreign trade bill, unemployed workers could, in many cases, draw benefits which are higher than their weekly wages.

Supplemental unemployment benefit clauses in union contracts provide that the amount of each weekly benefit for which an applicant shall be eligible shall be equal to 65 percent of his straight-time weekly wage, minus the applicant's State unemployment benefits.

This clearly says that only State benefits shall be deducted from his entitlement and does not provide for any allowance for Federal benefits. The Office of the Solicitor of Labor has held that workers entitled to benefits under the foreign trade bill can also draw supplemental unemployment benefits if covered by private SUB plans.

This means that a single worker in Illinois with average weekly wages of $96 could draw $38 in State unemployment benefits, $25 trade adjustment allowance, and $25 in SUB, for a total of $88 a week.

If this same worker worked full time, his take-home pay would have been only $77.81, since $18.19 would have been withheld for income tax and social security tax.

In order to draw net wages of $88, his gross pay would have had to have been $106.74. Why should a person bother to work or to hunt for a job if he can draw so much more money by staying home?

WOULD LEAD TO FEDERALIZATION

Enactment of H.R. 11970 would open the door to federalization of the whole unemployment compensation system, State control would be lost, Federal benefit standards would be established, and experience rating would be abolished.

The Congress has, several times in past sessions, properly rejected proposals to impose Federal standards upon the States.

Payment of benefits by the Federal Government is a radical departure from the established concept of benefit payment.

The development of unemployment compensation laws and their administration has, from their inception, been the function of the legislatures of the individual States. Benefits have been paid by the States from trust funds which have been established by taxes paid by the employers in each of the States. The amounts which should be paid in benefits, the eligibility provisions which claimants must meet, and the number of weeks of benefits which they can draw have been related to the economic situation in each State.

This should continue.

The individual States are in a position to determine what is best for themselves.

This proposal appears to be a subterfuge to force the States to increase benefit amounts. Pressure would be put on the States to increase their benefit amounts and make them equal to the Federal amount.

In 1959 the Illinois State Senate adopted a resolution which expressed opposition to Federal legislation which would compel the various States to provide unemployment compensation standards in compliance with Federal laws, thus depriving the Illinois General Assembly of its rightful authority and responsibility in such matters.

Action by the Illinois General Assembly furnishes convincing evidence to demonstrate that the States can meet their own needs without Federal coercion. A provision was recently added to the Illinois law for the payment of extended benefits to exhaustees during periods of recession and abnormal unemployment.

Illinois was the first State to develop and adopt the principle of variable maximum benefits, in which the weekly benefit amount which

is paid to an unemployed worker is based upon both his family responsibilities and his base period earnings. A number of other States recognized the merits of such a system and have adopted the variable maximum benefit principle.

The employers of Illinois recognize and accept the responsibility that the unemployment compensation trust fund must be kept in sound financial condition, and the experience rating provisions of the Illinois law have been amended to accomplish this.

WOULD VIOLATE STATE LAWS

Payment of State unemployment benefits in the same week a person is receiving Federal unemployment benefits is specifically prohibited in the unemployment compensation laws of 44 States.

For example, section 605 of the Illinois Unemployment Compensation Act states:

> An individual shall be ineligible for benefits for any week with respect to which he has received or is seeking unemployment benefits under an unemployment compensation law of the United States or any other State * * *.

It has been reported that the U.S. Department of Labor expressed the opinion to the House Ways and Means Committee that the States could be counted upon to bend under pressure and find a way to participate in the payment of Federal supplementation.

I can assure you that the Illinois Manufacturers' Association will take legal steps to see that this provision in the illinois law is enforced in order to prevent the payment of State benefits and Federal benefits at the same time in Illinois.

On behalf of the employers of Illinois I urge you to eliminate chapter 3 from the Trade Expansion Act of 1962.

I would also like to submit an additional statement which is attached to the statement which I have just read, which sets forth the position of the Illinois Manufacturers Association relating to other features of H.R. 11970.

I will not read it now, but I request that this statement be included in the hearing of the record of this committee.

Senator KERR (presiding). It may be included in the record.

(The statement referred to follows:)

ADDITIONAL STATEMENT OF ILLINOIS MANUFACTURERS' ASSOCIATION

The Trade Expansion Act of 1962 would grant to the President wide powers to reduce or eliminate existing duties; to give assistance to domestic industries, firms and workers affected by the increased competition from imports; and to make basic changes in the "peril point" and "escape" clause provisions of the existing Trade Agreements Act.

The bill includes across-the-board cuts of 50 percent in tariffs on most industrial products; power to reduce duties to zero on certain commodities, under certain conditions; Federal aid for companies and their workers where it is proved that imports have undermined their business and jobs; and a general modification of the "peril point" provisions requiring that "injury" from increased imports must be evident in "significant idling of production"; and in the case of the "escape clause," "injury" must be shown for an entire industry, before a tariff reduction may be withdrawn.

OVERGENEROUS TRADE CONCESSIONS

In the past years, the Illinois Manufacturers' Association has favored reciprocal trade agreements beneficial to the United States provided the concessions which

our country makes are on a reciprocal basis and would result in the removal of restrictions, by other nations, against U.S. goods. However, our overgenerous trade concessions during the postwar years have not resulted in the removal of discrimination against the U.S. dollar and U.S. goods.

FOREIGN RESTRICTIONS

Notwithstanding our reduction of tariffs to the lowest average among the leading trading nations of the world, most countries continue to maintain controls on the movement of funds to the United States; import quotas and licensing; and other restrictive devices which make it difficult for U.S. manufacturers to export to them. These restrictions contribute to the deficit in our balance of payments.

SERIOUS DOUBTS RAISED

The Illinois Manufacturers' Association endorsed the export expansion program inaugurated by the administration last year and favors an all-out effort to increase our exports. It also recognizes the need for the lowering of tariffs to meet the new situation created by the European Common Market. However, the IMA has serious doubts that the reductions in our tariffs to the extent advocated by the administration will result in a substantial increase in our exports sufficient to cover our balance-of-payments deficit and offset the increase in imports.

COMMENTS

The Illinois Manufacturers' Association is of the opinion that:

(*a*) The deficit in our balance of payments and the loss of gold can only be prevented by curtailing our foreign aid programs.

(*b*) Authority to cut our tariffs without reciprocity will injure many U.S. industries and offer little assistance to our exporting manufacturers, in view of the foreign restrictions which discriminate against U.S. exports.

(*c*) The reductions in U.S. tariffs on goods from the six nations of the European Common Market will automatically reduce U.S. tariffs on goods from all countries of the world outside of the Communist bloc. The resultant increase in U.S. imports will further contribute to the deficit in our international balance of payments.

(*d*) The adjustment assistance is another Federal aid program which will increase Government expenditures and our budget deficits. Once started, it will, as most Government aid programs, continue indefinitely.

RECOMMENDATIONS

The Illinois Manufacturers' Association therefore recommends:

(1) That our trade agreements with other nations be based on reciprocity. Any lowering of tariffs should result in a closing of the gap between the higher levels of European and Japanese tariffs and the lower level of U.S. tariffs.

(2) That all trade agreements be contingent upon the elimination of quota restrictions, exchange controls, import licensing, and any law, decree, or regulation which restricts the importation of U.S. products.

(3) In lieu of the adjustment assistance proposed in the bill (H.R. 11970) the fundamental provisions of the "peril point" and "escape clause" established in the Trade Agreements Extension Act of 1958 should be retained. Specific standards should be established by Congress and carried out by the administration with a minimum of delay and redtape to safeguard the interests of U.S. industries.

(4) That the authority be extended for a maximum of 3 years to enable Congres to review the effects of the tariff adjustments on the U.S. economy and to make changes, if necessary. It is also recommended that the exercise of the authority shall take effect upon the expiration of 60 days of continuous session of the Congress following the date the exercise of authority is submitted to it, unless either House passes a resolution stating in substance that that House does not favor the exercise of the authority.

(5) That no reductions of tariffs or other concessions should be made in trade agreements with free nations for goods imported by them from any Communist country.

(6) That the representatives of the U.S. Government deputized to negotiate trade agreements with other countries be expressly forbidden to advocate the inclusion in said agreements of matters which go beyond the intent and pur-

poses of the reciprocal trade agreements, and that contemplated concessions be publicized.

Senator KERR. Would you briefly advise us of the general recommendations included in it?

Mr. BARTLEY. I am sorry, but I am not qualified to discuss that. I was just asked to have it inserted in the record instead of having someone else here to talk about it.

Senator KERR. You recommend or urge that chapter 3 be eliminated. If that were done, would your association favor the bill?

Mr. BARTLEY. There are certain parts of it that are not exactly in line with the thinking of our international trade committee.

There is a difference of opinion among various manufacturers, as to the merits of this bill, and I don't believe that our international trade committee or the association has taken a definite stand on the bill as a whole.

Senator KERR. Thank you very much.

Are there other questions?

Senator CURTIS. One question.

Do you think the relief section of the bill and loans to companies under the Federal compensation system is compatible with our present State system?

Mr. BARTLEY. The unemployment compensation portion of it is not.

Senator CURTIS. If this is adopted ultimately either the Federal system or the State system would have to go, so far as control and management is concerned.

Mr. BARTLEY. That is right.

There have been a number of bills introduced from time to time to try to impose Federal standards upon the States, to get them to increase their benefit amounts and to soften their eligibility requirements and so on. I feel that is just a subterfuge to accomplish the same thing.

Senator CURTIS. Do you favor subsidies to management, the relief granted that is in here?

Mr. BARTLEY. We haven't gone into that portion of the bill.

Senator CURTIS. That is all.

Mr. BARTLEY. My comments were just on section 3.

Senator CARLSON (presiding). Thank you for your testimony.

The next witness is Mr. Bertram F. Collins, Associated Industries of Massachusetts.

Mr. Collins, we appreciate your appearance here and you may proceed in any way you care to, sir.

STATEMENT OF BERTRAM F. COLLINS, UNEMPLOYMENT COMPENSATION ADVISER, ASSOCIATED INDUSTRIES OF MASSACHUSETTS

Mr. COLLINS. Thank you, sir.

My name is Bertram F. Collins. I am unemployment compensation adviser to the Associated Industries of Massachusetts, and it is on behalf of that association I appear here today to present this statement in opposition to title III of the proposal before the committee at this moment.

The Associated Industries of Massachusetts is a voluntary association representing about 2,000 manufacturers in our Commonwealth,

and these 2,000 manufacturers comprise a majority of the industrial payroll of the Commonwealth.

About 72 percent of our manufacturer members have less than 100 employees, and so we conclude that a majority of our members may be placed in the "small business" category.

With the permission of the committee, I would like to depart from reading this statement.

I have already submitted the statement and I would appreciate it being incorporated in the record.

Senator CARLSON. It will be incorporated in full.

Mr. COLLINS. I thought perhaps it might be more beneficial and would save time if I merely touched on the highlights here and made a few remarks aside from what appears in the statement.

First of all, let me say that my presentation here today is not directed to any other aspect of H.R. 11970 except title III and within title III specifically to those provisions which relate to the payment of benefits to unemployed workers.

I might say that back in 1959 I had the pleasure of appearing before the House Ways and Means Committee on H.R. 3547 and 3548 of that year. My remarks today and the position of our association today on this proposal are virtually not different from our feelings and position on those proposals in 1959.

We recognize them as exactly the same thing in our judgment and in my personal belief they have the very same intent, the very same objective.

Now, I am not going to argue the semantics involved here. The fact remains that this title III provides for paying benefits to unemployed workers.

Now, as the farmer once said, "It looks like a duck, it waddles like a duck, and it quacks like a duck, so it must be a duck." Regardless of what we call it, benefits are to be paid to unemployed workers under this provision.

So we now have coming forward a third unemployment compensation program. This is federally sponsored, federally financed at the moment, and in my judgment and in the judgment of our association would raise havoc with our State program, especially in Massachusetts.

It would work tremendous discrimination among workers in our State, and it would not only do this, but it would usurp the opportunity and the right, we believe, the inherent right, of local legislators to decide what the duration of benefits will be, and what the amount of benefits will be for those people who are unemployed through no fault of their own.

In addition to this we feel that the needs of an unemployed worker do not realistically vary according to the economic reason for his unemployment.

If he is unemployed in Massachusetts he needs an adequate replacement of the wages that he lost.

Now, the reason why he is unemployed has no relationship, in our judgment to the need of that worker.

We suggest, therefore, that to vary the amount of benefits according to the cause of unemployment seems a very dangerous precedent. We might, if this precedent were established, turn around and say, "Why don't we vary the benefits under our State program according

to the reason, the economic reason for the person's unemployment?" Perhaps some who were laid off for seasonable reasons—might be entitled to one level of benefits.

Senator KERR (presiding). Could I interrupt you right there?

Mr. COLLINS. Yes, sir.

Senator KERR. If I understand the basis of the approach in this bill, it is related to the proposition that if Government itself in pursuance of an objective which is for the overall benefit of the Nation and for all of the people, brings about a condition which deprives a certain group of workers of their jobs that there is a different situation than exists where industry itself in competition either with others in its own industry or with other industries suffers the occurrence of an adverse position whereby its workers become unemployed.

Now, when any business starts up in our system of free enterprise to the extent that it is free enterprise, and it is largely such, it is subject to the environment in which it injects itself, which is very highly competitive, and there are many dangers to which it is exposed which could adversely affect it or impair its opportunity or even force it out of business.

Now, the system of unemployment compensation we have in the several States is more or less based upon the experience that we have had and that is had in the various States whereby the ordinary dangers or probabilities of unemployment exist and materialize and workers who accept employment in that environment with the knowledge of the benefits that are available to them in case of their unemployment could be said to do so more or less with their eyes open just as those industries make the effort and go into business and establish a business in the environment that exists under the laws that exist, and therefore, it could be reasonably said that they do that with their eyes open and if economic disaster or unfortunate circumstances come upon them that it is an occurrence with reference to which they should have understood could happen or could be likely to happen.

But now it seems we are contemplating the development of a picture or of the situation or of the condition which was in the mind of neither those workers nor those businesses, an element of competition which wasn't in the picture when that business enterprise in Massachusetts or Illinois or Oklahoma started out and launched itself.

If this bill is passed, it is contemplated that there will be elements of competition brought about by reason of the enactment of this law which was not in the minds of the States and their legislatures when they established their unemployment compensation programs, which was not in the picture which either the employers or the employees saw as they contemplated what might happen in the event a business was started and people became employed and associated with it. A new hazard is being created for which provision was not included in the unemployment compensation program in the State.

If the Federal Government does create a new hazard to employment, not even included in the actuarial tables which were regarded as practical and applicable and adequate when the unemployment compensation benefits and rates to support them were set up, is it not appropriate that the Federal Government, in bringing this new element of danger, this new factor that could adversely affect a situation which otherwise would not be adversely affected, make provision to

pay the cost that results in individual cases from this new Federal program which, if enacted would be on the basis of the feeling by the Members of the Congress that its overall benefits were such that it should be enacted, in spite of the fact that individual damages could result. Doesn't the Federal Government have the responsibility if it brings about such a situation, not in contemplation of either the workers or the employers when this unemployment compensation program was set up, to make provision to compensate for the damage individually done by a program which the Congress might deem to be justified for its overall benefits in spite of the adverse results of it in certain individual cases and situations.

Mr. COLLINS. Well, sir, if I were to answer your question, I think I would have to agree with all of the background which you have just presented as well as the hypothesis and the thesis that this is a new hazard.

I might suggest, and I am sure the good Senator is aware, that other governmental agencies have made decisions which have affected the employment of workers, especially in New England.

I can refer, for example, to the ICC decision in the *Port Parity* case in which we are attempting to get an equalization of transportation rates with the southern ports, put on a parity with the northern ports.

This decision not to grant the parity obviously resulted in some industry being unable to ship its product as cheaply and because of changes in transportation costs, workers unquestionably became unemployed.

Senator KERR. Well, but now those decisions, if made, were made under a law which had been in effect creating the Interstate Commerce Commission, outlining its responsibilities, its powers and its duties. While people might not agree with the decision, yet it was a decision which in careful analysis of the picture could have been foreseen as a possibility by reason of the existence of the Commission and its authority and its responsibility and its jurisdiction.

Mr. COLLINS. The point I am trying to make, sir, is that in our judgment there is no new hazard here. The result is the same—unemployment of people.

Senator KERR. But there is a new hazard?

Mr. COLLINS. And their need is just the same.

Senator KERR. There is a new hazard. When those industries started within the State the competition was domestic competition, and we had a law which provided certain tariffs in this country.

Now, we are about to pass a law, if we do pass it, which will change the environment which was in effect then, and the change in that environment brought about by this Federal law creates a hazard which was not in existence, which under the law then in effect couldn't come into existence, and with reference to which the benefits and costs of unemployment compensation within those industries were fixed without giving recognition to the coming of this new factor that would adversely affect their employment and employer situation.

Mr. COLLINS. I think you have touched upon a very important point here.

If the Federal Government were coming forward now to say in effect—

The unemployment benefits paid out under the State program will be financed by the Federal Government for those workers that are unemployed because of the action taken by the Federal Government under this legislation—

that would be entirely different. Entirely different.

Here now the Federal Government comes forward and says in effect that one group of workers, unemployed because of some kind of Government action, whose needs we say are exactly the same as any other unemployed workers, will be paid higher benefits for a longer duration of time.

In other words, the two things that seem most important to the proponents of the legislation with respect to this section are that it alters the duration and the maximum benefit amount payable under each of the State laws. This seems to be the objective.

This seems to be the—it certainly is the ultimate result.

So we are suggesting that if the proponents are really concerned about the Federal Government financing benefits to workers unemployed here, this can be easily done without saying on the other hand, "We are going to discriminate and give these workers more money for a longer length of time," which I suggest, has been the ultimate objective of the proponents of this kind of legislation, at least for the 10 years that I have been associated with the employment security field.

Senator KERR. Proceed.

Mr. COLLINS. We have said, then, in conclusion, on this particular aspect of it, that local legislators now, having designed and created an employment security program of some 26, 27 years standing, are familiar with the economy of the State, with the needs of the unemployed workers, and that it is their prerogative to determine in the future, as in the past, the amount of benefits and the duration of the benefits considered suitable and equitable for the employees unemployed in that State.

I might just say, amen at this moment, to what Mr. Brown said and what Mr. Ewens said with respect to the problem of participation of the State of Massachusetts under H.R. 11970.

Section 26 of our statute is just as clear as the laws of the other 43 States. It precludes our participation.

I am sure that employers, and as a matter of fact the people of the State, would be remiss if they did not question an administrative ruling that simply circumvented what had been created by representative government in our State.

But, nevertheless, even if the law were changed, what we are saying here is that the principle of this legislation is unfair and discriminatory.

What have we done in Massachusetts through the last few years?

We refinanced our program a year ago adding a cost of about $30 or $40 million to the employers of the State for one reason: To rebuild the reserve funds and to make sure that workers in the State when unemployed would have their needs met by a financially sound employment security program in our Commonwealth.

We have done that.

We came forward as an employer community a year ago, voluntarily with that legislation.

We believe that our program in Massachusetts is adequate to take care of these people who, it is anticipated, will become unemployed because of action of the Federal Government under H.R. 11970.

In addition to that an approximate $35 million additional tax burden has been imputed for the repayment of the temporary extension of unemployment compensation act under the T.E.V.C of 1961.

Thirty-five million dollars is our Massachusetts employer community share of the cost of this program.

Another $25 million, beginning in 1963 will be taken for the repayment of the TUC program in 1958. In other words, about $100 million of additional tax cost to provide for the needs of unemployed workers in Massachusetts.

I might say that the adequacy of our Massachusetts benefit program can be described in a very few simple statements.

The average unemployment benefit check in Massachusetts replaces a higher percentage of the average weekly manufacturing wage than in any other major industrial State in the Nation.

In Massachusetts alone an unemployed individual can actually collect his average weekly gross wage in terms of basic benefit and dependency benefits.

This is not possible in any other State in the country.

We are saying further that even without consideration for the additional dependency benefits all claimants in Massachusetts with average gross weekly wages up to $100 obtain more than 50 percent in replacement of their take-home pay right now under existing law.

Obviously, any program that comes forward to disrupt a normal program which in our judgment meets so well the needs of unemployed workers in the Commonwealth is going to receive our opposition.

I might point out that through the years in Massachusetts our industry has faced domestic competition, foreign competition, local depressions, unemployment due to automation, and a host of other reasons for unemployment and through these years our Massachusetts unemployment program has remained solvent, has paid benefits, has expanded benefits, has expanded duration.

We say that this program is certainly adequate to weather the storm that might be forced upon us in Massachusetts because of the enactment of H.R. 11970.

I would like to say that we are concerned that every effort should be made to expand job opportunities in Massachusetts and into the other States of the country, as well.

We think, and I believe it is sound to suggest, that the anticipated needs of workers, if and when unemployed, as a result of action taken under this legislation, which is now anticipated unemployment, be met by the existing employment security program of each State as this unemployment has been met for the last 27 years, and that any action to the contrary by the Federal Government be postponed until it has been shown that there is a need for such Federal action, and/or that State unemployment programs are proven inadequate.

Why isn't it sensible to say let us wait and see whether or not the State programs can weather this storm, and if they cannot, at that time, then Congress, in its wisdom, can certainly take action then and not now.

It is for that reason that we request that your good committee recommend the deletion of title III, and that further this committee recommend that no action be taken in this area by Congress until such time as what is now only anticipated unemployment of workers under this proposed legislation becomes factual and is proven to be unmet by the existing State unemployment compensation program.

(The full statement of Mr. Collins follows:)

STATEMENT ON BEHALF OF THE ASSOCIATED INDUSTRIES OF MASSACHUSETTS BY BERTRAM F. COLLINS IN OPPOSITION TO TITLE III OF H.R. 11970

My name is Bertram F. Collins. I am unemployment compensation adviser to the Associated Industries of Massachusetts, and my business address is 2206 John Hancock Building, Boston, Mass.

I have been authorized to appear before this committee in these hearings and offer this statement to enlighten the committee with regard to what we consider to be the effects of this proposal in our Commonwealth.

The Associated Industries of Massachusetts is a voluntary association representing manufacturing concerns doing business in the Commonwealth of Massachusetts. We represent approximately 2,000 manufacturers comprising a majority of the industrial payroll of the Commonwealth. Approximately 72 percent of our manufacturer members have less than 100 employees. Thus, a majority of our manufacturer members may be placed in the small business category.

STATEMENT

I wish to make clear at the outset that AIM is not either by inference or otherwise expressing itself at this time on any other aspects of this proposed legislation. I am here to present the association's views as they are solely directed to title III--those provisions of the proposal which in our judgment are designed to establish a Federal unemployment compensation program for certain groups of workers. This entire statement is directed to these provisions and not to any other aspects of H.R. 11970.

Our statement at this time is not unlike that which I presented to the House Ways and Means Committe in the April 1959, hearings on H.R. 3547 and H.R. 3548, proposals for the establishment of Federal unemployment compensation standards. The similarity between my statement at that time and my remarks today is certainly to be expected since we view the assistance to workers provisions of this proposal as having the same intent and believe they will have the same harmful effect as far as our Massachusetts employment security program is concerned.

SECTION I

The assistance to workers provisions of this legislation clearly establishes, regardless of semantics involved, a third, federally sponsored, unemployment compensation program which is without question discriminatory against other workers whose unemployment has been caused by similar economic factors beyond their control. Workers unemployed through no fault of their own (regardless of the specific economic causal factor) should be treated without discrimination under the individual unemployment compensation program created and designed by local legislators who are closest to the needs of these workers dictated by the economic conditions of each State. Obviously, the needs of an unemployed worker do not realistically vary according to the economic reason for his unemployment, even if we were to accept the administrative ability to accurately isolate the exact economic factor involved.

The Associated Industries of Massachusetts is firmly opposed to the usurpation of the inherent right of State legislators to modify and maintain our State employment security systems, of 26 years' standing, on the basis of the needs and economy of each individual State. Therefore, it is our belief that all workers who qualify for benefits, being disbursed by the State employment security agency, should draw such benefits in an amount and duration as considered suitable and equitable in the judgment of State legislators. There is no question in our minds that the worker assistance provisions of H.R. 11970 would initiate an abrogation of States rights in the employment security field without sufficient supporting data, studies, or experience to justify such a move.

SECTION II

The Massachusetts employment security program is adequate in our judgment (especially in view of the fact that nothing has been presented to indicate otherwise) to provide for the needs of unemployed workers regardless of the causal factor pertinent to their unemployment. A year ago in 1961, the employers of Massachusetts voluntarily proposed legislation to refinance the Massachusetts unemployment system in order that the reserve fund would be rebuilt and that the needs of unemployed workers would be met not only temporarily but in the future. This legislation was wisely enacted and in my judgment, the Massachusetts program is now on a most sound finanical basis. The cost of this effort to Massachusetts employers in the year 1962 is approximately an added $30 to $40 million of tax contributions, or a total unemployment tax bill to Massachusetts employers in 1962 of about $130 million. In addition, Massachusetts employers are accruing their portion of the repayment funds required under the Temporary Extension of Unemployment compensation Act of 1961, another approximately $35 million of added tax burden on Massachusetts employers to provide for the unemployed. Again, beginning in 1963, Massachusetts employers will begin accruing for the repayment of the 1958 temporary unemployment compensation program at an additional total cost of about $25 million. In other words, to care for the needs of the unemployed in Massachusetts, Massachusetts employers are already committed to an additional cost of approximately 100 millions of additional tax dollars. Obviously, we are concerned with any possible further increase in the cost of this single program of unemployment compensation, whether it occurs directly or indirectly and in spite of the semantics employed.

The adequacy of Massachusetts unemployment benefits is described in a few simple statements:

(1) The average unemployment benefit payment in Massachusetts today replaces a higher percentage of the average weekly manufacturing wage than in any other major industrial State in the Nation.

(2) In Massachusetts alone, unemployment benefits can actually replace a claimant's total average weekly gross wage for claimants with sufficient dependents. This is not possible in any other State in the country.

(3) Even without considering additional dependency benefits, all claimants in Massachusetts with average gross weekly wages up to $100 obtain more than 50 percent replacement of their net take-home pay when unemployed.

Is it not justifiable that the Associated Industries of Massachusetts is concerned with the imposition of a Federal program of a discriminatory nature which can without question disrupt the normal program, which today in our Commonwealth meets so well the needs of unemployed workers.

We are confident that both from a financial soundness point of view as well as a level of benefits and duration point of view that our Massachusetts program is capable of meeting the needs of unemployed workers whether unemployed for reasons of domestic competition or foreign competition, whether unemployed because of depressed local conditions or whether unemployed because of the action of the Federal Government under H.R. 11700, if enacted.

After all, has not our Massachusetts employment security program weathered the storm of domestic competition in textiles, shoes, and other segments of our industrial economy? It is our firm belief now that the unemployment program in Massachusetts should be allowed to operate as before without harmful influence of any kind, and that our major effort should be toward the expansion of job opportunities, thus providing for better employment rather than better unemployment in our State.

SECTION III

We believe it sound to suggest that—

(1) the anticipated needs of workers, if and when unemployed as a result of action taken under this legislation, be met by the existing employment security program of each State;

(2) any action to the contrary by the Federal Government be postponed until it has been shown conclusively that there is a need for such Federal action and/or that State unemployment programs have proven inadequate.

We respectfully request therefore that the Senate Finance Committee recommend—

(1) The deletion of title III of H.R. 11970;

(2) That no action be taken by Congress in this area until such a time as the anticipated unemployment of workers under this proposed legislation become factual and is proven to be unmet by the existing State unemployment compensation programs.

Senator KERR. Thank you very much, Mr. Collins.

Are there any questions?

Senator CURTIS. Mr. Chairman, one question.

Why is that section in there? Why is there a section to establish a new system of unemployment compensation?

Mr. COLLINS. Why is it in there?

Senator CURTIS. Yes.

Mr. COLLINS. Well, I have been wondering about that myself. I have been wondering why it is there.

Senator CURTIS. I support the President's——

Senator KERR. Will the Senator yield there?

Senator CURTIS. Yes.

Senator KERR. I can't tell whether the witness answered your question or asked you one.

Senator CURTIS. I think it raises an unanswerable question.

Senator KERR. I see. I am very interested in the answer but——

Senator CURTIS. Yes. I support the President's announced objective of a dynamic America, and I was hoping that he would bring in some legislation here to make employment zoom in this country and create more jobs. In order to get some gimmick through the Congress he wouldn't have, in advance to make provision for the soup line for people put out of work, so I wonder——

Senator KERR. What section of the bill now sets up the soup line? That is what I am looking for.

Senator CURTIS. I mean it prevents them from going to the soup line, not by creation of jobs, but by Federal payment.

Senator KERR. If the witness knows the answer to the Senator's question I would be glad to have him give it.

Mr. COLLINS. Well, it would appear that the provision of the bill certainly clearly provides that workers who are unemployed in the judgment of our Government are unemployed because of undue competition from abroad as a result of action taken under this legislation——

Senator CURTIS. Of this legislation, isn't it?

Mr. COLLINS. Yes.

Senator CURTIS. It is anticipated there will be unemployment?

Mr. COLLINS. It is anticipated, apparently that some action taken by the Federal Government is going to result in unemployment of people due to that action.

Senator CURTIS. I think most things they do discourage employment.

Mr. COLLINS. And the result of this or the objective of this is to provide benefits for these people. We don't consider it a compliment to what we have done in Massachusetts with regard to providing benefits for the unemployed to have proponents of this legislation tell us that in effect those who are unemployed for some other reason likewise an economic reason should get more than the

rest of our people in the Commonwealth. That doesn't seem very complimentary to us.

We think we have done well. We have financed our program.

Did you know, perhaps you are not aware, we provide 30 weeks of benefits in Massachusetts plus 18 additional weeks for retraining, a piece of legislation which has been on our books for 6 years, long before the Manpower Retraining and Development Act ever came along.

I think we have done well in Massachusetts. It would seem we might even ask for a vote of confidence from this committee in saying in effect that our State program and other State programs are adequate to handle the job, whatever the job might be.

Senator KERR. Any further questions, Senator?

Thank you very much, Mr. Collins.

Mr. William C. Babbitt, National Association of Photographic Manufacturers.

STATEMENT OF WILLIAM C. BABBITT, MANAGING DIRECTOR, NATIONAL ASSOCIATION OF PHOTOGRAPHIC MANUFACTURERS

Mr. BABBITT. My name is William C. Babbitt. I am managing director of National Association of Photographic Manufacturers in whose behalf I am appearing.

Mr. Chairman and members of the committee, may I first express to you the deep appreciation which our industry has for the courtesy and constructive attention which you have given to our problems when we have presented them to you in previous hearings.

Today we thought that what has been happening to American industry which is seriously plagued by foreign competition, both at home and in world markets, in major product areas, might be of use to you in your efforts to evaluate the provisions of the bill before you, especially those concerned with furthering American exports, including the great need for a better job of reciprocal bargaining.

In theory the idea of reciprocal trade agreements has much to commend it, but in practice it seems to have served more as an effective device to further open U.S. markets to foreign goods without in general obtaining comparable or lasting comparable action on the part of other nations to further U.S. exports.

This lack of reciprocity was brought out in House hearings and no doubt also before this committee.

At any rate, the American Photographic Manufacturing industry is both dissatisfied and distressed with the outcome to date.

The United States has virtually conducted an economic one-way street on photographic concessions among the world's leading producing countries.

Here are some specific observations.

(1) The United States has granted substantial cuts, many of them as much as 40 to 75 percent without having in other bargaining obtained any important photographic concessions from major foreign producing countries.

All of these it should be noted are also major photographic markets.

As to the U.S. photographic imports, 83 percent of them come in at rates of 15 percent or less and much of this is at 6¼ percent or less.

Corresponding EEC external rates are generally in the range of 17 to 23 percent, and presently, in individual countries are even higher.

Note that in all major producing countries except the Unites States imports face other charges such as out-of-the-country manufacturers tax or uplift of 6 percent, turnover tax varying from 4 to 11 percent or more, and so forth.

In fact, it takes more than 100 pages of the Ways and Means Committee hearing report just to list the restrictions imposed by EEC countries alone, and about 70 more pages to generally describe such restrictions in other countries.

Because of our much higher labor costs with wage structures 4 to 12 times that of our foreign competitors, we are much more in need of concessions than they are.

But instead we find that at the hands of our own Government foreign producers have been given vastly greater access to our markets than we have to theirs and we have been placed at a further competitive disadvantage.

(2) The United States has obtained quite a number of useful photographic concessions from third countries but of course, these become equally available to the foreign producing countries.

(3) Many concessions have not held up. Almost every issue of Foreign Commerce Weekly and its successor publication reports duty and other trade barrier increases put into effect by various countries.

Many of these restrictions have hit us, some very hard.

Thus, Canada, our most important export market, substantially overshadowing our total to all EEC countries, has just increased its duties on most photographic products by 30 to 100 percent, yet Great Britian, one of our chief competitors, will enjoy a new greatly enhanced preferential treatment.

Mexico, until last year our next most important export market, has made increases adversely affecting us.

Concessions originally obtained from France which promised to be useful someday were lost when France revised its tariff structure and we wound up generally worse off than before.

Senator CURTIS (presiding). At that point could I ask you a question?

Is Western Germany an exporter of these products?

Mr. BABBITT. Sir?

Senator CURTIS. Is Western Germany an exporter of these products?

Mr. BABBITT. Indeed it is.

Senator CURTIS. Now, with the coming of the Common Market, West Germany will have whatever—an inside track on whatever France imports, will they not?

Mr. BABBITT. Yes, it will.

Senator CURTIS. Because the Common Market arrangements while they are a lessening of barriers between the countries involved, they involve new and greater barriers around the group of countries making up the Common Market, isn't that true?

Mr. BABBITT. I would like to touch on that and give some specific information which I do immediately following.

Senator CURTIS. Thank you.

Mr. BABBITT. Thank you.

Japan in the recent trade agreement negotiations doubled its duty on X-ray film.

Japan imposes a variety of restrictions and limitations on photographic imports to further build up its domestic industry already reputedly the world's third largest from relatively small pre-World War II beginnings.

EEC external tariffs will, in general, increase duties into West Germany, our most important EEC market, and to some extent into Benelux. EEC producing countries, as you know, will be moving to a zero internal rate, placing us doubly at a further competitive disadvantage.

This will be a repetition on a much larger scale of our Benelux experience.

We competed with Belgium in Netherlands on sensitized goods, but when the union was formed Belgium's goods entered duty free while our goods faced a duty of 24 percent, about double the former rate.

The crowning irony was the United States for the benefit of Belgium had reduced our rate from 25 to 12½ and then on top of that reduced it another 50 percent to 6¼ percent.

May I show you how this lack of reciprocity works out by taking film as an example.

This product area accounts for more than 25 percent of all U.S. photographic imports, and for more than 70 percent of the imports in the so-called zero bargaining group 862 which is next to the very top on Secretary Hodges' list.

Will you please refer to chart 14 on the next page? You will note that we all started off in 1930 at about 25 percent ad valorem.

The other countries have maintained their rates virtually unchanged and when slightly reduced other charges were added which more than offset the reductions.

Examples of landed costs of shipments of film into and from the United States and EEC principal producing countries and Japan will further illustrate this point.

These are all based on a factory billing price of $100. From these countries into the United States it figures out about $110. From the United States into these other countries as you will note from the table it ranges from $133 to $158.50 in Japan.

Now, charts and data in the supplement to this statement which, Mr. Chairman, I would appreciate if you would have included in the record——

Senator KERR. Your charts will be included in the record.

Mr. BABBITT (continuing). Bring out that for 1961 in dollars both our domestic and export shipments were at 2½ times and imports at nearly 10 times 1950 levels.

Now, with such a strong growth in our shipments a subtsantial increase in our employment would be expected, but there has been none. Instead it has rather steadily stayed in the 65,000–70,000 range. Most disturbing is the steady decline in production workers.

Now, this is shown in chart 4 on the following page. You will note that from almost 77 percent of the composition of the work force in 1947, the production workers are down now under 57 percent.

We actually have fewer production workers making 2½ times the dollar volume than we had in 1953, a loss of nearly 9,000 production jobs.

Many factors, plus and minus you will recognize have contributed to this situation but when all are taken into account, we have still lost many thousands of production jobs due to import competition.

Direct losses are mainly accounted for, first, by imports, which have been more or less engulfing several major areas of our long-time domestic market.

Second, transfer or as it sometimes is called exporting of jobs, especially of skilled jobs overseas. In an effort to remain competitive in home and world markets we have increasingly been forced to have various high labor content parts, subassemblies and even complete products made abroad, or to establish foreign plants or manufacturing arrangements.

The latter steps are frequently also necessary in order to get our products into foreign producing country markets or blocs.

As to what is needed, we believe that the entire trade agreements program should now be fully oriented and administered solely to open up foreign markets to American products. We believe the bill should be appropriately amended to provide for this, and to alleviate and prevent any recurrence of situations such as we have called to your attention.

Thus, first, provide stronger, more effective and more positively available peril point and escape clause provisions for use where needed.

Under the bill the availability of timely relief seems to be highly problematical and even whimsical at best.

Further, the major tenor seems to be "make something else" much of our plant and equipment is highly specialized and is useful only to make the products for which it is specifically designed and constructed, and could not be converted to other uses economically, if at all.

Second, require that valid equivalent concessions which will, in fact, open foreign markets to American goods be obtained for each further U.S. concession.

Third, strong and continuing efforts should be made to remove the maze of foreign nontariff barriers and failing this the United States should impose equivalent ones of its own.

It would then have an effective basis for bargaining for their removal.

Fourth, the so-called EEC–U.S. 80-percent-to-zero provision is fraught with grave dangers and loaded with potential injustices for many industries which would find their products caught up in one of these broad, poorly defined, and uncertain categories.

The category containing most photographic equipment also involves the products of at least 15 other unrelated industries, all of which would be bargained as a single lump.

Further, if this provision should be retained it should be specified that EEC must at least match the reduced duty level of the United States.

Fifth, require that during bargaining our negotiators obtain specific advice from knowledgeable industrial experts in reaching decisions as to what to seek and what to give. This will necessitate obtaining advice from hundreds of experienced industry people just as foreign negotiators do.

No matter how conscientious and experienced our negotiators may be, it is impossible and unreasonable to expect that they shall possess detailed knowledge of what is meaningful in a multitude of varying product and foreign market situations in hundreds of industries.

We will continue to strive for increased exports but we will need much more in the way of lowering of truly high foreign trade barriers which confront us, which often increase our price by from 50 to 300 percent.

Thank you.

(The prepared statement of Mr. Babbitt follows:)

STATEMENT FOR THE NATIONAL ASSOCIATION OF PHOTOGRAPHIC MANUFACTURERS, INC., NEW YORK, N.Y., BY WILLIAM C. BABBITT, MANAGING DIRECTOR, IN RESPECT TO H.R. 11970

A case history of what has happened to an American industry seriously plagued by foreign competition in several of its major product areas both in domestic and world markets, we thought, might be of interest and help to the committee in its present difficult assignment. So to the extent that available data and information will permit, we will try to show you the nature and impact of this competition on the American photographic manufacturing industry, the effect of all this on employment, on sales, and in other important ways and what the industry has been doing to try to maintain its position. This may be helpful to you in your efforts to evaluate the meaning, practicality, and probable effectiveness of the various provisions of H.R. 11970, especially those concerned with furthering American exports, including the great need for a better job of reciprocal bargaining.

TRENDS IN SHIPMENTS, IMPORTS, EXPORTS

By means of several charts, we would like quickly to give you a picture of what has happened to our shipments, domestic and export, and to imports over the past 10 or 12 years.

These, together with supporting tables, appear in the written statement which, in order to make additional facts available to you if of use, I am submitting as a supplement to this brief oral statement.

LACK OF RECIPROCITY

In theory, the idea of reciprocal trade agreements has much to commend it such as to merit substantial industry support. But in practice it seems to have served more as an effective device to reduce U.S. duties and further open up U.S. markets to foreign goods without in general obtaining comparable or lasting comparable action on the part of other nations to further U.S. exports.

This lack of real reciprocity was brought out in the House hearings and no doubt also before this committee. A former Secretary of Commerce said, as I recall it, that we had swapped elephants for mice. Others have expressed the belief that many U.S. duty cuts have been handed out as a form of foreign aid without any concessions of comparable value being obtained in exchange.

A ONE-WAY STREET

At any rate, the American photographic manufacturing industry is both dissatisfied and distressed with the outcome to date. The United States has conducted virtually an economic one-way street on photographic concessions among the world's major producing countries. Here are some specific observations:

(1) The United States has granted substantial cuts in its photographic duties, many of them as much as 40 percent to 75 percent, without having, in other bargaining, obtained any important photographic concessions from major foreign producing countries. It is these countries, it should be noted, which are the major photographic markets. Eighty-three percent of U.S. photographic imports come in at rates of 15 percent ad valorem or less, and much of this is

at 6¼ percent or less. Corresponding EEC external rates are generally in the range of 17 percent to 23 percent (based on C.I.F.) and presently in individual countries even higher. Note that in all major producing countries except the United States, imports face other charges such as an out-of-the-country manufacturers tax or "Uplift" of 6 percent plus a turnover tax varying from 4 to 11 percent or more, and others. In fact, it takes more than 100 pages of the reprot of the Ways and Means Committee hearings to list the restritcions imposed by the EEC countries alone and about 70 pages more to generally describe such restrictions of other countries.

Because of our much higher labor cost, with wage structures 4 to 12 times that of our foreign competitors, we are much more in need of such concessions than they are. But, instead, we find that at the hands of our own Government, foreign producers have been given vastly greater access to our markets than we have to theirs and we have been placed at a further substantial competitive disadvantage.

(2) The United States has obtained quite a number of useful photographic concessions from third countries, but of course these are made equally available to and sometimes prove to be of more value to the foreign producing countries.

(3) Many concessions obtained have not held up, although no U.S. photographic concession has ever been withdrawn. Year after year, each issue of Foreign Commerce Weekly and its successor publication usually reports duty and other trade barrier increases put into effect by various countries. Thus, exporting our products is made more difficult or even prevented. Some of these revisions have hit us very hard, as for example:

(a) Canada, our most important export market, substantially overshadowing the total to EEC countries, has just increased its duties on most photographic products by 30 percent to 100 percent. Yet, Great Britain, one of our chief competitors, will continue to enjoy in full its old and now greatly enhanced preferential treatment.

(b) Mexico, until last year our next most important export market, has made increases adversely affecting our exports.

(c) Concessions originally obtained from France, which promised to be useful some day, were lost when France revised its tariff structure. We wound up in general worse off than before.

(4) One of the results of the latest negotiations with Japan was that Japan doubled its duty on X-ray film (our shipments, 1961, about $300,000). Japan imposes a variety of restrictions and limitations on photographic imports because it wants to build up its domestic industry. Some of our products are barred or substantially so yet Japan is ever eager to increase its large stake in our domestic market.

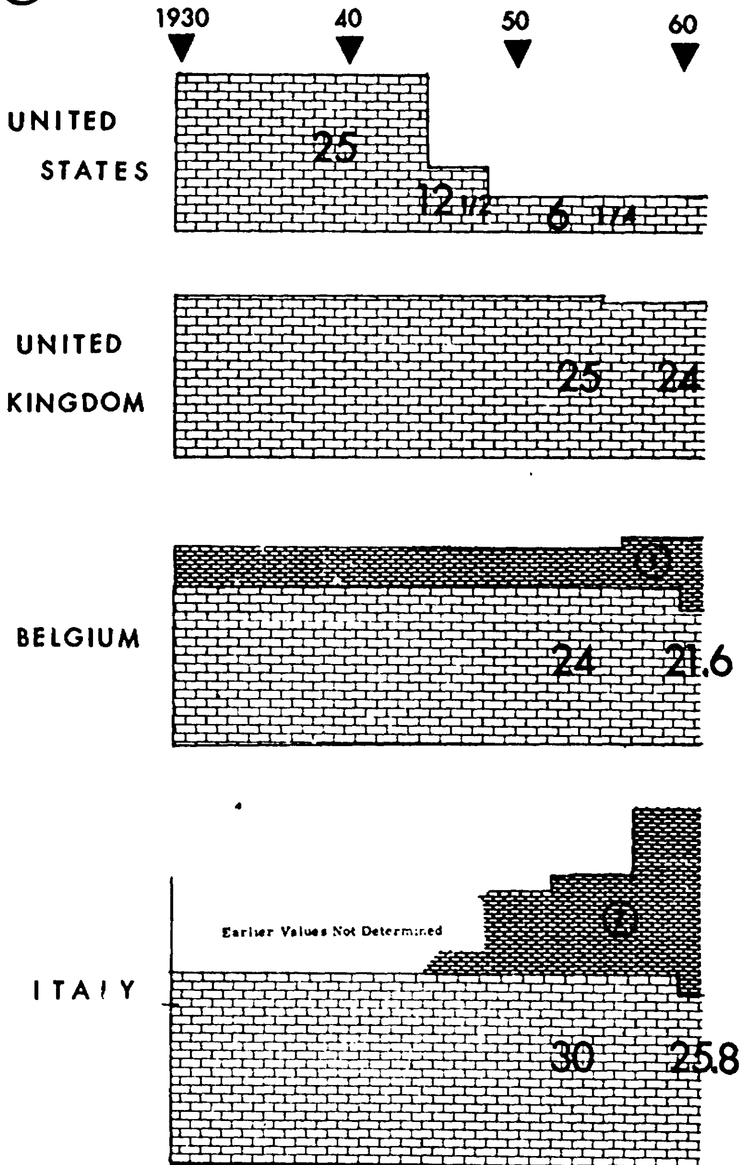
(5) EEC external tariffs will in general increase duties into West Germany (our most important EEC market) and to some extent in Benelux, while EEC producing countries will be moving to a zero internal rate, placing us doubly at a further competitive disadvantage.

This will be a repetition on a much larger scale of our experience incident to the formation of the Benelux customs union. Both Belgium and the United States competed (on an equal duty basis) in the Netherlands on sensitized goods. But when the union was formed, Belgium goods entered duty free while ours faced a new 24 percent duty, about double the former rate.

The crowning irony of all this was that the United States for the benefit of Belgium had reduced our rates from 25 percent to 12½ percent and then on top of that reduced it another 50 percent to 6¼ percent.

May I show you how this lack of reciprocity works out by taking film as an example. This product area accounts for more than 70 percent of imports in the so-called zero bargaining group 862—No. 2 on Secretary Hodges' list—and for more than 25 percent of all U.S. photographic product imports.

As chart 14 shows, we all started off about even in 1930 with tariffs of about 25 percent. The other countries have maintained their rates virtually unchanged and when reduced slightly other charges were raised to offset or more than offset the reduction in the duty.


Producing Country Tariff Barriers on Film
Categories — is this reciprocity?
14
1930
40
50
60
UNITED STATES
25
12 1/2
6 1/4
UNITED KINGDOM
25
24
BELGIUM
24
21.6
ITALY
Earlier Values Not Determined
30
25.8
SEE EXPLANATORY NOTES

COMPARISONS OF LANDED COSTS

The examples of landed costs of shipments of film into and from the United States and EEC principal producing countries and Japan will further illustrate this point. These are all based on a factory billing price of $100.

Into United States	$110.25
From United States to Belgium	144.40
From United States to Italy	144.40
From United States to West Germany	133.42
From United States to Japan	158.50

When it is remembered that, because of the wage differential, we start out with the highest actual factory billing price of all, it will be realized that our adverse competitive situation is clearly worse than the comparative figures indicate.

LOSS OF JOBS

Charts and data in the supplement to this statement will bring out that in dollars both our domestic and export shipments are at 2½ times and imports are at nearly 10 times 1950 levels.

With such a strong growth in our shipments, a substantial increase in our employment would be expected, but there has been none.

Instead it has remained rather steadily in the 65,000 to 70,000 range. But even more striking and disturbing is the steady decline in the proportion of production workers in our work force (chart 9) from almost 77 percent in 1947 down to just under 57 percent currently (BLS, April 1962). We actually have fewer production workers now (39,400) than we had in 1953 (48,200), a loss of nearly 9,000 production jobs.

Many factors, plus and minus, contribute to this situation, but when all are taken into account it is still evident that we have lost many thousands of production jobs due to import competition. The direct losses are mainly accounted for by:

(1) Imports, which have been more or less engulfing several major areas of our long-time domestic market.

(2) Transfer ("exporting") of jobs, especially of skilled jobs, overseas. In order to try to remain competitive in home and world markets, we have increasingly been forced to have our high-labor content parts, subassemblies, and even completed products made abroad, or to establish foreign plants or manufacturing arrangements. The latter steps are frequently also necessary in order to get our products into foreign producing country markets.

WHAT IS NEEDED

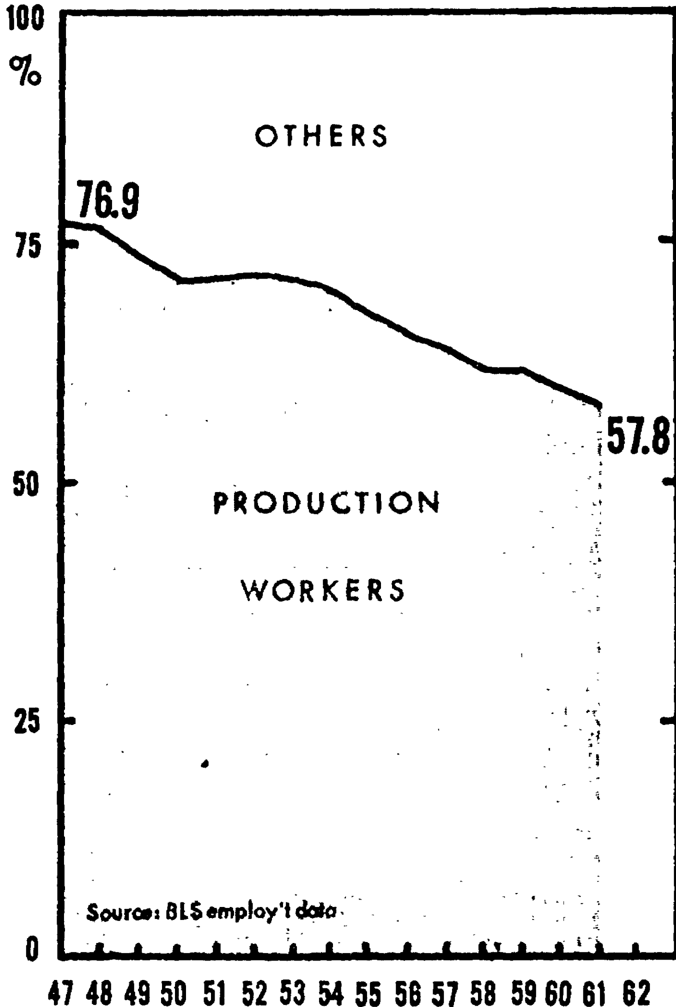
As to what is needed, we believe the entire trade agreements program should be fully oriented and administered to open up foreign markets for American products. This suggests that the bill should be appropriately amended to alleviate and to prevent any recurrence of situations such as we have called to your attention. It would among other things mean changes which would:

(1) Provide stronger, more effective and more positively available peril point and escape clause provisions for use where needed.

Under the bill, the availability of timely relief seems highly problematical and even whimsical at best. Further, the major tenor seems to b[illegible] "make something else." A great deal of our plant and equipment is hi[illegible]ialized and is useful only to make the products for which it is specifica[illegible] designed and constructed, and could not be converted to other uses economically if at all.

(2) Require that valid, equivalent concessions, which will in fact open foreign markets to American goods, be obtained for each further U.S. concession. Further, that a foreign concession may not in any way be negated, as now, by the application of other charges, restrictions, quotas, etc.

(3) Strong and continuing efforts should be made to remove the maze of nontariff barriers and failing this the United States should impose equivalent ones of its own. It would then have an effective basis for bargaining for their removal.



(4) Require that during bargaining our negotiators obtain specific advice from knowledgeable industrial experts in reaching decisions as to what to seek and what to give. This will necessitate obtaining advice from hundreds of experienced industry people, just as the foreign negotiators do. No matter how conscientious and experienced our negotiators may be, it is impossible for them to possess detailed knowledge of what is meaningful in a multitude of varying product and foreign market situations in hundreds of industries.

(5) The so-called 80 percent EEC-U.S. to zero provision is fraught with grave dangers and loaded with potential injustices for the many industries which would find their products caught up in one of these broad, poorly defined, and uncertain categories. One category containing photographic equipment also involves products of probably at least 15 other unrelated industries.

Further, if this provision should be retained, it should be specified that the reduced duty level of the United States must at least be matched by EEC. It would be a great injustice if the United States were to go to zero without EEC also going to zero.

(6) The bill lists four purposes, only one of which has to do with maintaining and enlarging foreign markets for U.S. products. Thus, it appears that the little remaining bargaining power left in our very low duty structure can be given away to promote any one or more of the other three purposes, thereby further exposing American industry to damaging inroads of foreign goods in their domestic markets without getting anything of value in the way of offsetting foreign concessions.

On our part, we will continue to strive for increased exports, but will need much more in the way of lowering of the truly high foreign trade barriers which confront us, which often increase our price by from 50 to 300 percent.

NOTE.—The attached supplement to this statement provides various charts, tables on which charts are based, and additional information which it is hoped may be helpful to the committee.

SUPPLEMENT TO STATEMENT OF WILLIAM C. BABBITT IN BEHALF OF NATIONAL ASSOCIATION OF PHOTOGRAPHIC MANUFACTURERS

This supplementary statement provides substantiating information and further elaboration of points brought out in the oral testimony of William C. Babbitt, and also tables of data from which charts are constructed.

IMPORTS, EXPORTS, DOMESTIC SHIPMENTS—CHARTS 1 AND 2

The extremely rapid rate of growth of photographic imports into the United States, and the relationship thereof to rates of growth of U.S. manufacturers' shipments, domestic and export, is graphically shown in chart 1. In chart 2, this rate of growth is compared with U.S. merchandise imports in general, from which it will be noted that photographic imports have gained at a rate more than 5½ times the rate of U.S. merchandise imports. In other words, our industry is bearing a highly disproportionate share of inroads of imports into its domestic markets.

DRASTIC INCREASE IN MAJOR PRODUCT AREAS

Turning attention to major product areas (charts 3, 4, 5, 8, 11, 12), very serious inroads to the point of almost completely driving some U.S. products out of their long-time domestic markets have taken place or are steadily progressing to that end. Examples of the drastic increases in imports since 1950 are shown in the following charts and tables:

Chart 3 shows photographic lenses imported separately. Of course, many more lenses are imported than this, since each imported camera, etc., has one or more lenses. The 1958 Census of Manufactures shows value of domestic manufacturers' shipments of lenses declined more than 40 percent just from 1954 to 1958.

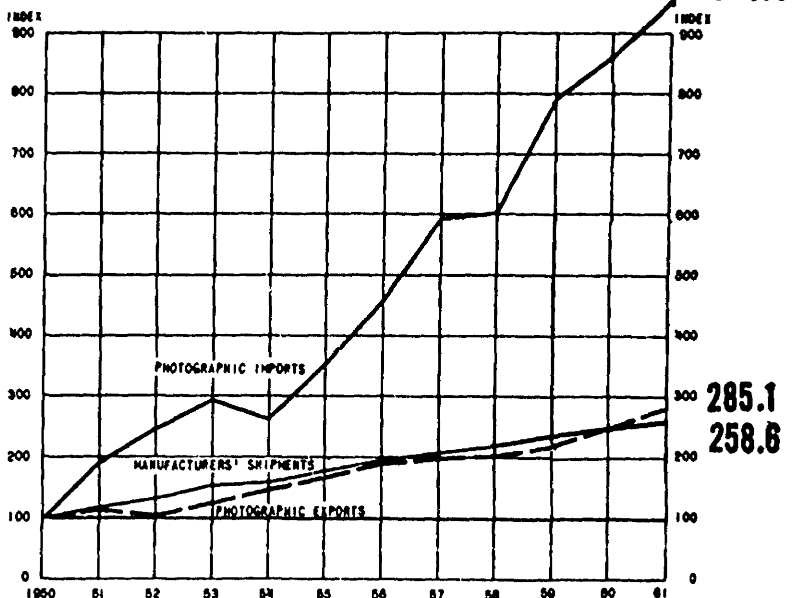
Chart 4 shows imports of still cameras. In previous testimony, we called your attention to the fact that in 1947, in our own domestic market, we had 83 percent of the dollar volume and 79 percent of the units in precision still cameras in the \$35–\$100 price range. In 1959 we had only 31 percent of the dollars and 35 percent of the units. Today our share is probably less than 25 percent of our domestic market.

Chart 5 shows the rapid rise in motion picture camera imports to almost 15 times 1950 levels in dollars and, chart 6, to more than 25 times in units. Note in chart 6 the rapid growth of imports, principally from Japan, to a level of just over 200,000 in 1961, and, in chart 7, the fact that these have already taken over 25 percent of the total domestic market.

1

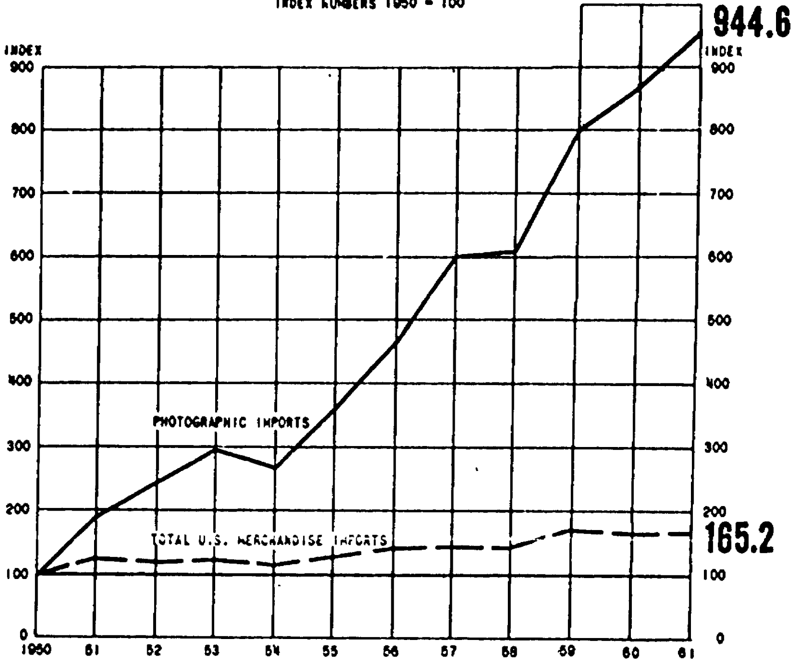
U.S. IMPORTS, EXPORTS, AND MANUFACTURERS' SHIPMENTS OF PHOTOGRAPHIC PRODUCTS

INDEX NUMBERS 1950 = 100



NOTE: INDEXES COMPUTED FROM U.S. DEPARTMENT OF COMMERCE DATA

- Total Domestic Manufacturers' SHIPMENTS have increased a little over 2-1/2 times since 1950.
- EXPORTS have about kept pace with this trend.
- IMPORTS have gained at nearly four times the rate of growth of domestic manufacturers total shipments



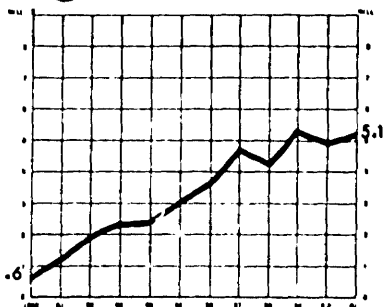
NOTE: INDEXES COMPUTED FROM U.S. DEPARTMENT OF COMMERCE DATA.

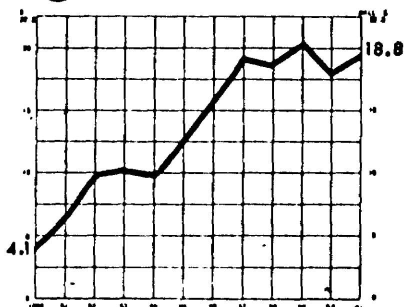
- Photographic IMPORTS since 1950 have increased almost 10-fold at a rate more than 5 1/2 times that of Total U.S. Merchandise Imports

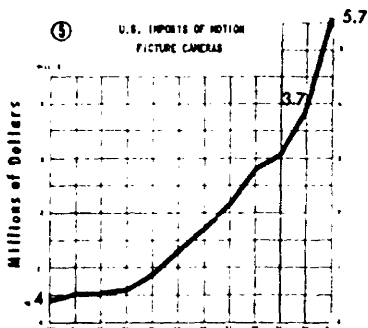
- Photographic IMPORTS, in the last 4 years alone have gained 345, or an average of 86 points per year

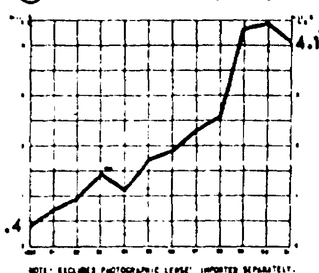
  while our EXPORTS gained only 82 points or about 20 points per year, and

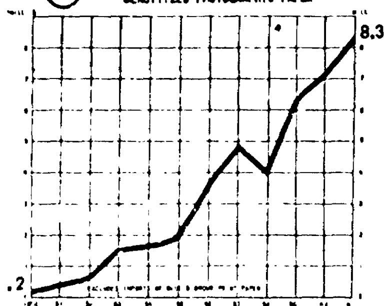
  manufacturers' SHIPMENTS gained only 40 points, or 10 points per year.

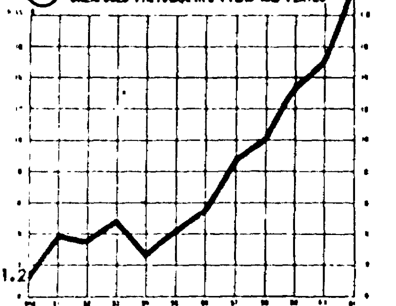

3
U.S. IMPORTS OF PHOTOGRAPHIC LENSES IMPORTED SEPARATELY
.6
5.1


4
U.S. IMPORTS OF STILL CAMERAS (ALL TYPES)
4.1
18.8

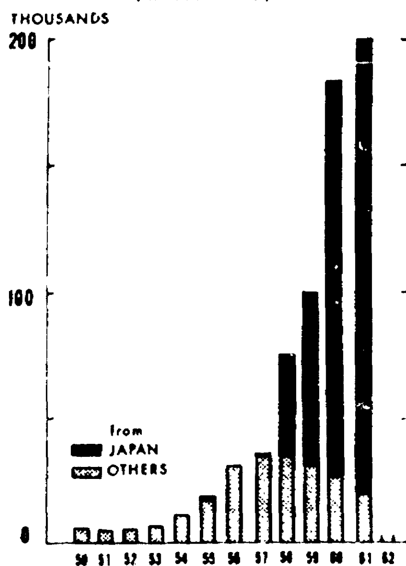

5
U.S. IMPORTS OF MOTION PICTURE CAMERAS
Millions of Dollars
.4
3.7
5.7

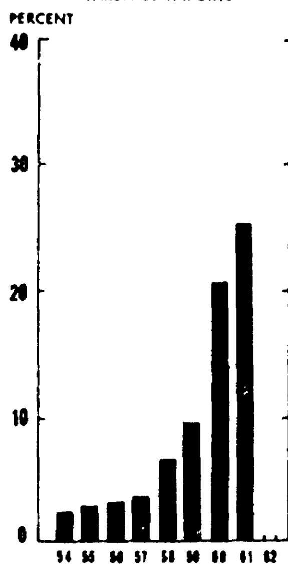

U.S. IMPORTS OF CAMERA PARTS (ALL TYPES)
.4
4.1


11
U.S. IMPORTS OF SENSITIZED PHOTOGRAPHIC PAPER
.2
8.3


12
U.S. IMPORTS OF TOTAL SENSITIZED UNEXPOSED PHOTOGRAPHIC FILMS AND PLATES
1.2
19.2

Imports of 8mm Motion Picture Cameras - a 100% American product - threaten to engulf U. S. market





I. U.S. imports

[In thousands of dollars]

	Still cameras (all types)	Motion picture cameras	Photographic lenses imported separately	Camera parts (all types)	Total sensitized unexposed photographic films and plates	Sensitized photographic paper
1950	4,138	426	687	401	1,227	243
1951	6,487	506	1,220	704	3,898	429
1952	9,900	539	1,977	937	3,580	655
1953	10,327	580	2,396	1,449	4,865	1,664
1954	9,682	872	2,357	1,112	2,651	1,650
1955	12,450	1,309	3,077	1,703	4,287	1,882
1956	15,851	1,713	3,605	1,918	5,518	3,725
1957	19,156	2,150	4,758	2,297	8,946	4,896
1958	18,598	2,829	4,220	2,555	10,050	3,974
1959	20,475	3,098	5,308	4,363	13,622	6,518
1960	17,986	3,751	4,913	4,410	15,002	7,036
1961	18,827	5,686	5,139	4,027	19,745	8,336

Source: U.S. Department of Commerce.

II. U.S. imports, exports, and manufacturers' shipments

	Total merchandise imports		Imports of photographic products		Exports of photographic products		Manufacturers' shipments of photographic products	
	Million dollars	Index, 1950=100	Thousand dollars	Index, 1950=100	Thousand dollars	Index, 1950=100	Million dollars	Index, 1950=100
1950	8,856	100.0	7,730	100.0	42,174	100.0	483	100.0
1951	10,968	123.8	14,850	192.1	48,896	115.9	565	117.0
1952	10,716	121.0	18,876	244.2	45,224	107.2	638	132.1
1953	10,872	122.8	22,866	295.8	52,566	124.6	736	152.4
1954	10,212	115.3	20,541	265.7	62,901	149.1	773	160.1
1955	11,388	128.6	27,497	355.7	71,509	169.6	856	177.4
1956	12,612	142.4	35,516	459.4	80,609	191.1	947	196.1
1957	12,984	146.6	45,918	594.0	84,298	199.9	1,010	209.4
1958	12,840	145.0	46,793	605.3	85,551	202.9	1,059	219.5
1959	15,216	171.8	61,360	793.8	92,759	219.9	1,153	238.7
1960	14,650	165.4	67,370	871.5	108,134	256.4	1,188	245.9
1961	14,633	165.2	73,017	944.6	120,266	285.1	1,250	258.8

Source: U.S. Department of Commerce.

III. 8-millimeter motion picture cameras, units

Year	(1) Domestic manufacturers shipments	(2) To export	(3) To domestic markets	(4) Imports	(5) Domestic markets	(6) Imports (percent)
1954	443,396	34,029	409,367	10,861	420,221	2.6
1955	617,000	31,559	585,441	18,330	603,771	3.0
1956	954,000	47,054	906,946	31,676	938,662	3.3
1957	1,066,000	56,324	1,009,676	35,020	1,044,696	3.6
1958	1,094,279	57,648	1,036,631	74,955	1,111,586	6.8
1959	962,000	50,261	911,739	95,558	1,007,297	9.5
1960	820,900	106,444	714,456	184,153	898,609	20.5
1961	675,000	79,985	595,115	200,486	795,601	25.2

Source of data; comments Col 1, 1954, 1958 Census of Manufactures; 1960, 1961 trade estimates; other years, estimates based on annual surveys, Bureau of the Census; col. 2, Bureau of the Census; col 4, Bureau of the Census data for motion picture camera imports (no separate data for 8 mm., but in units these represent all but about 2 percent; cols. 3, 5, and 6, derived from other columns. Col. 6 shows percentage of domestic market taken by imports.

Charts 11 and 12 show the very heavy growth of U.S. imports of sensitized goods. These are the two major product areas involved in SITC Group 862 (one of the so-called zero bargaining candidates).

DIRECT LOSSES TO IMPORTS IN MAJOR PRODUCT AREAS

As to direct losses to imports, two outstanding examples are clearly shown in:

(1) In the product area of precision still cameras in the $35–$100 price range; and

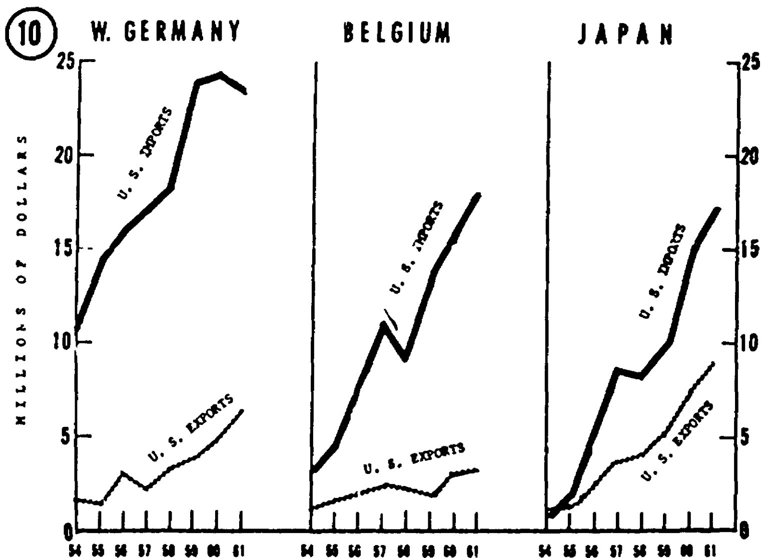
(2) A more immediate case is that of the 8-millimeter motion picture camera. Now, 8-millimeter motion picture equipment was originated, engineered, and further perfected in a never-ending process of advance by American manufacturers who also, over the years, developed the very substantial market for these products. They were not made in Japan; that is, not until very recently, and now, as you can see (chart 7) Japan is threatening to repeat in this market what was done in the precision still camera field. In fact, they have gone from zero (except for a few samples) to 25 percent of our total domestic market in 4 years. Thus far this year these imports are running more than 40 percent ahead of last year.

Isn't this a good example of the fact that foreign manufacturers will never be content to supply what we don't make? It can be much more profitable for them to copy what we are doing and, in effect, appropriate our years of research, engineering, and product and market development work, and then utilize their tremendous low wage cost advantage to take over in our domestic market.

ADVERSE COMPETITIVE POSITION

The adverse competitive position of the American photographic industry in major world markets (producing countries) as a result of sweeping concessions granted to foreign producers by our Government without obtaining for us equal ease of access to their domestic markets has already been brought out in the testimony and in the example of comparative landed costs shown therein, and also in chart 10 which presents the total picture as to three major countries.

A specific example of the adverse competitive situation in which the American industry has been placed as a result of trade agreement negotiations on a major, volume category is shown in chart 14. Basically this chart presents a correct picture of how import duties on film in the producing countries, formerly about the same, have continued about the same over the entire period of reciprocal trade agreement negotiations except for the U.S. duty which has been cut 75 percent. The following explanation and comments will aid in further understanding the chart, which was carefully prepared from available records: First, as to effective dates of any changes, it is accurate as to the United States, but there is some uncertainty as to early rates in Italy.



U. S. PHOTOGRAPHIC TRADE WITH MAJOR PRODUCING COUNTRIES

Year	Belgium Imports	Belgium Exports	West Germany Imports	West Germany Exports	Japan Imports	Japan Exports
1954	$ 3,053,608	$1,273,908	$10,677,246	$1,513,391	$ 928,868	$1,278,383
1955	4,256,701	1,668,480	14,018,941	1,406,995	2,198,030	1,390,958
1956	6,782,385	2,039,284	15,856,117	2,670,530	4,595,130	2,640,264
1957	10,971,591	2,468,892	16,908,950	2,271,055	8,647,761	3,725,323
1958	9,346,507	2,331,465	18,227,157	3,292,039	8,315,459	4,047,413
1959	13,771,052	1,965,461	24,048,742	3,873,721	9,911,004	5,112,867
1960	15,375,374	2,974,392	24,277,643	4,735,283	14,307,392	7,098,550
1961	17,913,802	3,214,908	23,483,918	6,398,170	17,167,604	8,848,844

Source: Bureau of the Census. First column shows U. S. IMPORTS from; the second column U. S. EXPORTS to major producing countries.

In 1961, dollar volume of U. S. imports from exceeded exports to these countries, as follows:

Country	Excess of Imports From
Belgium	5.6 times
West Germany	3.7 times
Japan	1.9 times

Thus, in 1930, the rate was about 6 cents per pound, increased in 1938 to 85 cents per pound and later changed to 25 percent ad valorem.

Added barriers: (1) Belgium has transmission taxes applied to c.i.f. value plus duty; 1950, 4½ percent; 1955, 5 percent—equivalent to 6.45 percent; 1960, 6 percent—equivalent to 7.6 percent. (2) Italy has sales tax on c.i.f. value of 2 percent. These are not encountered by U.S. imports. No attempt has been made to include France and Japan because their situation is too complex to chart and records of various changes are not available. Basically, their original prewar duty is understood to have been about 30 percent ad valorem or its equivalent. Present additional charges into Japan apparently add about 39 percent.

AN INDUSTRY WITH MANY SMALL COMPANIES

A very high proportion of the companies in the photographic manufacturing industry are small. The latest census of manufactures (1958) shows 450 companies and 480 establishments in the industry (S.I.C. 3861).

Of the 480 establishments: 420 employ less than 100; 45 employ 100–499; and 15 employ more than 500.

Small establishments of necessity must in general specialize and thus are especially vulnerable to import competition in their particular lines.

Concessions already granted in U.S. photographic duties have directly exposed many of these smaller companies to the inequitable competition of very large foreign manufacturers. Many of our small manufacturers of still cameras, lenses, etc., have been driven out of business, and others are in difficulties.

GREATEST INJURY LIKELY TO SMALL ESTABLISHMENTS

A substantial proportion of the bill is devoted to relief provisions from which it appears that the administration recognizes that its foreign trade program has resulted in injury to the domestic industry and to employment, and that the expanded program will cause even greater injury.

It should be noted that to a very great extent the firms which will be injured are the small ones. In order to be efficient they must specialize and when the time comes that foreign manufacturers decide to take over the American market in their particular product line they are quickly placed in a serious predicament. Small companies in our industry are especially vulnerable to this destructive low-wage foreign competition.

EXPORTS OFFER NO OFFSET TO MANY

Relatively few companies do any direct exporting. Most companies do not have the facilities, manpower, and know-how to undertake it. In the high percentage of instances products must be particularly adapted to the foreign market (e.g., wired for 240 volts—three wire instead of the regular 110–120 volt, two wire) and this can only be done if the volume of sales makes production of such special models economically possible. It has been repeatedly said that only about 4 percent of all American manufacturers engage in any exporting. In terms of the number of establishments in this industry, I think this probably is reasonably true in our case.

U.S. DUTIES LOWEST IN WORLD

In terms of 1961 photographic imports, the approximate weighted average of U.S. duties is about 12 percent ad valorem. Eighty-seven percent of the dollar volume of these imports last year came in at 15 percent or less. In fact, 30 percent came in a 6¼ percent duty or less. Contrast this with EEC external photographic tariffs mostly ranging from 16 to 23 percent with many categories taking 18 or 19 percent, and then being subjected to an added 6 percent turnover tax applied to c.i.f. value plus duty.

The situation would be competitively much more equitable if reversed; that is, if our duties averaged about 18–20 percent and EEC's were at 12 percent or less.

Thank you for the opportunity afforded us.

Senator KERR. Thank you very much, Mr. Babbitt, for an intelligent and comprehensive statement.

Is there a question?

Senator CURTIS. One question. Can you think of any particular incident where nontariff barriers are imposed by other countries to the detriment of your industry?

Mr. BABBITT. There are, I would say, literally hundreds of them. I will take just two or three examples.

Senator CURTIS. That is what I want.

Mr. BABBITT. Japan, for example, will not allow us to bring in any of our color film. That is an outright embargo.

Senator CURTIS. Yes.

Mr. BABBITT. In some instances, in Canada, we are faced with severe penalties if we try to bring in products which are comparable or equivalent to those manufactured in Canada. The same is true in many other countries.

For example, in West Germany, I doubt very much if they will allow the total imports of cameras to become more than 5 percent of their domestic production, whereas in this country, imports have driven out still camera makers that have been in business for 50 years and more, and have taken over, at least 75 percent of our domestic market in the products other than the simple box cameras and some of our special purpose cameras where we still lead the world.

Senator CURTIS. Do you believe the passage of this bill as it is now before us, will add to employment in the United States?

Mr. BABBITT. Well, yes, sir, I do because of the fact that—well, there are a number of reasons.

One reason is that as stated now, the bill has four purposes, only one of which has to do with increasing export opportunities for American goods.

In other words, if I understand the bill correctly, concessions can be made to foreign countries for any one of these other three reasons which have nothing to do with increasing our exports.

Senator CURTIS. Maybe you didn't understand my question.

Do you think that employment, not unemployment, that employment will be increased by the passage of this bill?

Mr. BABBITT. Employment increased?

Senator CURTIS. In the United States.

Mr. BABBITT. No, sir; I think it will probably be decreased and even if the best of bargaining is done in the other direction, we will be fortunate to hold our own.

Senator CURTIS (presiding). Yes.

Well, you have made some valuable contributions here and I would like to go on but we have a rather long agenda, and we do thank you very much for your appearance here.

The next witness is Mr. Curtis Dall.

STATEMENT OF CURTIS DALL, CHAIRMAN, BOARD OF POLICY, LIBERTY LOBBY

Mr. DALL. Senator Curtis——

Senator CURTIS. Mr. Dall.

Mr. DALL. Senator Kerr, my name is Curtis Dall. I have the honor to be the chairman of the board of policy of the Liberty Lobby, Washington, D.C.

My home is in Chestnut Hill, Philadelphia, Pa.

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The Liberty Lobby has today approximately 25,000 supporters residing in every State of the Union and has a circle of influence exceeding 75,000 citizens.

Liberty Lobby represents the broad interest of the sovereign States and the constitutional rights of the sovereign citizens.

We do not represent any "special interest" group. We have come into being to aid the general welfare of this country. We are not financed by "big business" and what is more important, we have no profit motives. We have nothing but the country's best interests at heart.

In addition to Libery Lobby, today we are privileged to represent at this hearing by special authorization 263 groups and civic organizations located throughout the United States, having a combined membership of approximately 1,500,000 members.

Time does not permit us to read the name of each of these groups, therefore we have compiled a list of them showing their addresses, their officers, and the number of members and affiliates each represents, which is set forth in our appendix "A", herewith attached.

Among the organizations we represent today are included church groups, chambers of commerce, county committees of both Republican and Democratic Parties, civic-action groups, labor unions, and so forth.

Therefore, we represent an important and alert segment of the American voting public, listed in appendix "A".

Verbal statements will follow our completion of this formal written statement which will pinpoint our strong opposition to H.R. 11970.

Our combined opposition to H.R. 11970 stems primarily from our strong belief that the bill is flagrantly unconstitutional. Most informed persons know that the Constitution specifically delegates to Congress the power to control tariffs.

The House of Representatives, for reasons not clear, has already passed this misnamed trade bill, which gives to President Kennedy unwarranted power to raise and to lower our tariffs, in effect, life and death power over our economy, and we can detect just what forces motivated this attempted grab for power. The negotiation title would grant to the President additional powers, which he does not now have under existing "Emergency" defined law. It would vest him with the power to raise and lower tariffs in some cases even to zero, and in other cases, he can make substantial adjustments downward in the hope that this country can obtain some alleged reciprocal advantages.

This is wishful thinking.

Aside from the false claims of some economic advantages the proponents of this bill claim will accrue, the Constitution simply cannot be bypassed in this manner.

If you gentlemen, who are sworn to uphold the Constitution should elect to improperly delegate your powers, which is now expressly forbidden under the Constitution, then you should take the proper steps to submit such proposed delegation of powers to the people for their consideration in the form of a constitutional amendment.

As Members of Congress you have no legal right whatsoever to bypass or to rewrite the Constitution under the guise of a so-called trade bill.

Next year will you attempt to nullify other stated provisions of the Constitution to appease certain "shadowy" power groups?

Are you willing to relegate your constitutional powers and rights simply because the President feels he needs more power to promote what he or some of his ghost writers deem in the "public interest"? This is make believe, on his part.

If the President should also request you for the power in the name of "public interest" to coin money, declare war, and so forth, will you also acquiesce? In other words, gentlemen, where could such maneuvering stop?

We, before you today, part owners of "the business," say that such nonsense stops here today, August 10, 1962.

In this bill you are directly nullifying article I, section 8, paragraph 2 of the Constitution, which expressly states, Congress shall have power "To regulate commerce with foreign nations, and among the several States and with the Indian tribes." What could be more clearly stated than that?

The framers of the Constitution delegated the power of economic sovereignty to Congress alone, knowing that attempted Executive encroachment in this field would be most disastrous. Now, 28 years after the passage of the first "temporary" Reciprocal Trade Act, we are witnessing a further violation of a sound constitutional principle, the continued desire by our Chief Executive for the power to use the Trade Expansion Act as a means of placing the economy of the United States under his tight control in Washington, so that this Nation can thus be integrated into an "Atlantic partnership" with European nations.

"Heads," we can't win; "tails," we lose.

There occasionally is a time when plain talk is in order and the "underbrush" cleared and removed. This occasion is one for frankness.

You, our Senators, are the high-level elected officers of this "business." We represent many of the actual owners of it, and so we are not here, "hat in hand." The issue before us is a very grave one. We say emphatically "No" to the desired steps here sought by our Chief Executive, and brand same as tantamount to political grand larceny in respect to personalizing Executive power, at the expense of Congress and the integrity of our Constitution.

It is apparent that this project is actually aimed to enrich a few and to create turmoil and unemployment in many of our key industries, and it has been dreamed up and is being pushed by President Kennedy's political bosses and mentors, men who run the Council of Foreign Relations and the Business Advisory Council.

However, in this case, the real center and heart of this international cabal shows its hand; namely, the Political Zionist Planners for Absolute Rule, via One World-Government.

This is the basic group that created and financed what is called communism, which bores upward on organized Christian society from the bottom. This is the basic group that created and initially financed the Council on Foreign Relations and the Business Advisory Council, which through fronts and with the aid of many witting and unwitting stooges, operates quietly from the top down on our organized Christian society and our constitutional Republic.

The Political Zionist Planners for Absolute Rule via One World-Government have a countersign. It is power, and make-believe. They

state that their administrators shall be chosen from among the public with strict regard for servile obedience and will not be persons trained in the arts of government, and will, therefore, become easy pawns in their game.

Hence, one wonders if President Kennedy has somehow become a working "pawn" in their game. The Political Zionist Planners for Absolute Rule via One World-Government state that, through their controlled press (here and in most other countries), they have gained the power to influence, while remaining themselves in the shade, and thanks to the press, they have got the gold in their hands—notwithstanding that they have had to gather it out of oceans of blood and tears.

We call to your attention, H.R. 11970, that if our tariffs can be lowered in a certain area or in a certain industry, or if raised, that hundreds of millions of dollars can be duly made for a few wealthy "insiders," with access to advance information, in this respect.

Lower the tariff, sell stocks. Raise the tariff, buy them, before the news is out.

For most Americans, however, chaos, unemployment, and insecurity will result.

In effect, President Kennedy would be able to toy with the lifeblood of our economy as if it were a monkey-on-a-stick game—run it up and run it down at will.

It is not necessary to repeat here the expression, "Americans, wake up!" Most Americans, at long last have. Hence, Senators, full realization and full retaliation is now the order of the day instead.

Full retaliation against these unfriendly forces and individuals who seek to tear down and negate the Constitution of this, our country. Reprisals in a legal way, if possible, but in any event effective reprisals.

On behalf of these 263 groups of loyal Americans, now appearing against H.R. 11970, I would be glad to endeavor to answer any question in respect to any part of the foregoing, which is respectfully but most earnestly presented to you, for your favorable decisions and your favorable action.

Senator CURTIS. We thank you for your appearance here.

(The appendix referred to follows:)

APPENDIX A

Clark and Frederick Counties Discussion Groups (250), Mrs. Daniel S. Kinter, secretary, Berryville, Va.
Liberty Lobby Supporters of Bergen County, N.J. (50), New York, N.Y.
Pan American Forum (100), A. B. McAllister, director, Chicago, Ill.
Captain Charles Wilkes Chapter, DAR (22), Gail A. Gideon, defense chairman, Winslow, Wash.
Pro-Blue Bookshop (25), Mr. and Mrs. George Heaton, Torrance, Calif.
Wisconsin Better Government Committee (100), George O. Hildebrant, chairman, Oshkosh, Wis.
Constitution Party of California (1,500), George Colvin, president, Glendale, Calif.
Freedom Fighter Network (2,000), Fort Worth, Tex.
Church of Christ (30), Rev. H. N. Solliday, Mooreland, Okla.
Midland for America (260), David W. Michall, president, Midland, Tex.
Legislative Research Center (90), Virginia Horvser, chairman, Sunland, Calif.
McCall Libertarians (27), W. E. Graham, leader, McCall, Idaho.
St. Paul M.E. Church (140), R. L. Carrington, chairman of board, Ripley, Tenn.

Redston Freedom Academy (15), Roswell E. Cooper, secretary, Pantego, N.C.
Christian Freedom (27), Virginia Herdi, chairman, Detroit, Mich.
Nurses Forum (35), Felix A. Spittler, M.D., Cleveland, Ohio.
Alamanoe Conservative Constitution Club (18), L. E. Coleman, vice chairman and secretary, Burlington, N.C.
Mirablau Improvement Association (200), G. A. Mendell, treasurer, New Orleans, La.
American Legion Fire Fighters Post No. 171 (150), Benjamin S. Huron, chairman, San Antonio, Tex.
Duval County Democratic Executive Committee (286), Richard D. Barker, chairman, Jacksonville, Fla.
American Legion Post No. 147 (261), Joe Menendly, commander, Jacksonville, Fla.
Pittsburgh Indignation Committee (40), Charles Allen, Jr., treasurer, Pittsburgh, Pa.
Christian American Educational Foundation, Inc. (150), Wealey Seay, executive director, Dallas, Tex.
National Indignation Committee (7,000), Jack Hanna, first vice president, Oklahoma City, Okla.
Greater Jacksonville Ministers' Association (40), Thompson T. Casey, president Jacksonville, Fla.
Galen Conservative Club (12), L. B. Everett, chairman, Clyde, N.Y.
Farm Bureau, Hill County (45), Mrs. Edgar Lincoln, woman's chairman, Rudyard, Mont.
Kankakee County Taxpayers Association (250), Mrs. Kenneth W. Elliott, secretary, Kankakee, Ill.
American Discussion Group (25), Harritt Hill, secretary, Hemet, Calif.
Cardinal Mindzenty Study Group (6), Vivian Wall, president, East Alton, Ill.
New Jersey Conservative Club (3,500), Winfred P. Perry, executive secretary, Montclair, N.J.
American Study Group of Oakland (35), Mrs. Bregory A. Hallad, president, Oakland, Calif.
Conservative Christian Constitutionalists (135), Phoenix, Ariz.
American Legion Post No. 214 (142), Willard J. Daniels, chairman committee, Willoughby, Ohio.
For All Comprehensive Truth Committee (35), Charles C. Polenick, research director, Phoenix, Ariz.
Miami Junior Woman's Club (100), Mrs. Charles B. Magrill, advisor, Miami, Fla.
Patriotism Incorporated (14), T. M. Armstrong, president, Bushnell, Ill.
Through to Victory (89), Edith Snyder, secretary, Yuma, Ariz.
Delaware Defenders of the Republic, Inc. (45), Mrs. Margaret Mercer, president, Wilmington, Del.
Maryland Petition Committee for States Rights, Inc. (23), Robert L. Wiseman, president, Jessup, Md.
Church League of America, Milwaukee County Unit (75), N. E. Wyman, chairman, Milwaukee, Wis.
Neighborhood Conservative Study Group (20), Hollis Kelso, group leader, East Wymouth, Mass.
Old Ocean Royalty Owners Association (250), J. R. Smith, president, Sweeney, Tex.
New Orleans Indignation Committee (75), G. W. Crechter, Jr., chairman, New Orleans, La.
Triangle Toastmasters Club (30), Stanley Duncan, secretary, Covington, Ky.
National Petitioning Committee for Constitutional Government, Stanley F. Kolniak, vice president, Shreveport, La.
American Security Education Program (60), Libby A. Krejci, chairman, Park Ridge, Ill.
Wilmington Buisness & Professional Women's Club (93), Mrs. W. N. Beckett, legislative chairman, Wilmington, Ohio.
Cardinal Mindzenty Foundation (48), E. K. Laen, chairman, Williston, N. Dak.
Florida Coalition of Patriotic Society, Manatee County Chapter (30), D. Leroy Whittle, president, Palmetto, Fla.
A Letter Writing Group (25), Barbara C. Clark, president, Phoenix, Ariz.
Anti-Communist Society (15), Wilfred F. Stock, leader, Springfield, Ill.
Grace Church of the Nazarene, Rev. Bland Burns, Nashville, Tenn.
We, the People, 1st Minnesota Counsel (85), R. F. Emery, president, Minneapolis, Minn.

The Arlington Freedom Fighter Group (35), Mrs. Virginia R. Nance, chairman, Fort Worth, Tex.
Montebello Freedom Forum (75), Waldo L. Kliickson, president, Montebello, Calif.
Cooperstown Anti-Communist Society (10), Bjoin Friglisted, leader, Cooperstown, N. Dak.
Goldwater Club of Winchester (100), Mrs. Francis Giles, president, Winchester, Kans.
Friends Study Group (14), Myrna M. Jackson, chairman, Claremont, Calif.
We, the People Study Group (50), Mrs. Harold Whitthoft, chairman, Oakland, Calif.
D. J. Risser Family (4), D. J. Risser, Peoria, Ill.
Our Study Group (12), Barbara Bates, chairman, Bakersfield, Calif.
Our Conservative Group (12), Mrs. Allen Cain, chairman, Murdock, Minn.
Cincinnati Chapter National Health Federation (90), I. R. Hicks, vice president, Cincinnati, Ohio.
Freedom in Action (90), Jack B. Sharee, president, Dallas, Tex.
Constitutionalists for Bill Hayes (15), Mrs. R. J. Adams, chairman, Corpus Christi, Tex.
The Conservative Club (95), Ralph Voss, president, St. Charles, Ill.
The Institute for Community Education (20), Mrs. Charles E. Freyler, Jr., secretary, North Terrytown, N.Y.
The Hinsdale Women's Republican Club (160), Mrs. Eugene E. Alsbaugh, president, Clannendon Hills, Ill.
Pro-America (25), Mrs. W. H. McClintock, president, Pime Nowata, Okla.
Fire and Police Research Association of Los Angeles (300), Ben Renfro, president, Los Angeles, Calif.
Cimarron County Conservatives (215), J. L. Wheeler, Jr., president, Boise City, Okla.
The Sixth Column of Boise City, Okla. (25), Al Alexander, secretary, Boise City, Okla.
Columbia Anti-Communist League (19), Mrs. W. F. Armstrong, leader, Columbia, Tenn.
Lancaster County Committee for Economic Freedom (1,000), Charles A. Bachman, chairman, Lancaster, Pa.
Putnam-King Chapter D.A.R. (90), Margaret Blerey, registrar, Oil City, Pa.
Guyasuta Chapter D.A.R. (35), Margaret Blerey, registrar, Oil City, Pa.
Montana Constitutional Conservative Movement (100), Mrs. Kay Hines, executive secretary, Billings, Mont.
We, the People (Iowa Section), Mrs. Katherine W. Spaulding, Chicago, Ill.
The Evanston Panel, Inc. (6), J. V. Casnox, president, Evanston, Ill.
America on Guard (36), Robert C. Jones, director, Omaha, Nebr.
Facts for Action (400), Gerda Koch, editor and director, Minneapolis, Minn.
Holy Name Society-St. Paul's Church (400), Charles R. Beauregard, treasurer, Park Ridge, Ill.
Civic Association of East Los Angeles (10), Ora L. Lefoie president, Los Angeles, Calif.
Zimmerman, Zimmerman & Nichols, Inc., Walter, president, Lawrence, Kans.
Free Enterprise Association (72), Fred M. Hibbert, organizer, River, N.Y.
Florida Voters for Constitutional Government, Inc. (12), Mrs. Margaret Ducker, leader, Winter Park, Fla.
South Dada Board of Realtors (14), Mary F. Dickinson, president, Homestead, Fla.
Christian Freedom Study (10), Clarence R. Lamson, Jr., president, Centerburg, Ohio.
Uxbridge Veterans of Foreign Wars Post No. 1385 (250), John G. Kottis, judge advocate, Uxbridge, Mass.
Individuals for Liberty (300), Ralph Bof, vice president, Shelby, Ohio.
Freedom Academy (25), Howard Pennington, minister, Sublette, Kan.
Million American Education Council (110), Jack B. Robinson, president, Massillon, Ohio.
American Forum (500), Cleon M. Warley, Jr., executive committee, Shreveport, La.
The Ark Valley Christian Church, Oscar N. Davis, chairman, Wichita, Kans.
The Ark Valley Christian Freedom Academy (60), Virgil D. McNeil, director, Wichita, Kans.

La Habra Area Americanism Society (100), Mrs. Vincent L. Musso, secretary, La Habra, Calif.
South Highlands Conservative Club (35), R. D. Craw, M.D., vice president, Shreveport, La.
Christian Survival Group (20), Charles Pettus, organizer, Clayton, Mo.
Wilmington Christian Freedom Academy (20), Lyle M. Wright, director, Wilmington, Ohio.
Indiana University Young Americans for Freedom (50), Mr. Bill Jenner, Jr., president, Bedford, Ind.
The America First Club (15), Mrs. Mildred Burton, president, Anderson, Ind.
Passaic County Conservatice Club (20), Charles R. Clockly, chairman, Clifton, N.J.
Senate Studies (38), Loraine Hill, secretary, Wilmette, Ill.
Churches of Christ, Rev. R. E. Carlock, minister, Chicago, Ill.
Jamestown Chamber of Commerce (20), William Iverson, president, Jamestown, Ind.
The Conservative Club of Live Oak, Fla., (14) H. L. Wolf, president, Live Oak, Fla.
The Constitution Party of West Virginia (400), Joseph B. Lightbarw, national commander, Jane Lew, W. Va.
The Congress of Freedom (2,000), A. G. Blazey, chairman, Omaha, Nebr.
Christian Freedom Academy (20), Albert Billingaley, chairman, Greens Park, Ind.
The Lake County Property Owners Association (1,000), Ethel Howell, executive secretary, Hammond, Ind.
American Legion Auxiliary No. 16 (300), Ethel Howell, legislative chairman, Hammond, Ind.
Marine Corps League Department of Illinois (1,000), Christ S. Minneci, P.D.C., Chicago, Ill.
St. Mary's Choir & Study Group (35), Regis J. Ganley, president, Beaver Falls, Pa.
The Housewives Prayer Group (6), Baton Rouge, La.
The Medford John Birch Society Group "A" (12), Mrs. Hortense Jennings, chairman.
The Neighborhood Group (20), Fred Feint, chairman, St. Johnsbury, Vt.
St. John's Study Group (25), Clarance Sturzenbecker, chairman, Winston-Salem, N.C.
South Jefferson Christian Church (130), W. R. Golden, minister, Valley Station, Ky.
The Ben Franklin Historical Society (600), Harris T. Ramly, director, Jacksonville, Fla.
The Committee of Fifty (50), Zula M. Owan, secretary, Seattle, Wash.
American News Network (120), Edwin O. Koski, founder-director, Enumclaw, Wash.
Duval County States Rights Association (1,000), Harrus Remly, Jacksonville, Fla.
Political Science & Debate Society (30), Micheal Young, president, Prairie City, Ill.
Christian Freedom Academy (20), Mrs. L. N. Spurgeon, leader, Protection, Kans.
Constitution Society of America, 3d Congress (230), Bruce W. Anderson, chairman, Fair Oaks, Calif.
Christian American Party (15), U. G. Hutchinson, secretary, Jacksonville, Fla.
Duval Democrats Women's Club (250), Mrs. Grover Allen, president, Jacksonville, Fla.
Broward League of Individualists (30), Donald E. Matatias, chairman, Fort Lauderdale, Fla.
Patriotic & Religious Study Groups (25), Mrs. Arthur S. Bennet, chairman, San Antonio, Tex.
Encino Legislation Research Group (25), Mrs. Robert L. Earle, chairman, Encino, Calif.
Conservatives Club of Roswell (30), G. S. Richardson, M.D., president, Roswell, N.Mex.
The Champaign County Taxpayers (50), L. L. Von Patterson, president, Champaign, Ill.
For Flag and Country (10), Mrs. E. J. Kennedy, organizer, Pacific Palisades, Calif.

Public Affairs Club—Engineering (85), Keith S. Summerhays, president, Los Angeles, Calif.
U.S.A.G.A. (150), Mr. M. C. Faye, recorder, Marshfield, Wis.
The Santa Cruz Freedom Forum (36), Richard Hodge, chairman, Santa Cruz, Calif.
The Constitutional Information Center (50), James Music, Jr., president, Redding, Calif.
The Conservatives (850), Mrs. J. Milton Lent, director, Savannah, Ga.
Lebanese Syrian Americans for America (500), T. J. Toma, D.D.S., chairman, Bell, Calif.
The Lutheran Liberty League (200), Arthur N. Johnson, chairman, North Hollywood, Calif.
Watch Washington Club (200), Mary H. Burgman, president, Columbus, Ohio.
Montrose-La Cresenta Young Republicans (34), Kenneth L. Maddox, vice president, Tujunga, Calif.
Genesee County Conservative Club (130), Gerald A. Spencer, president, Flint, Mich.
North Austin Freedom Club, Max Watson, chairman, Austin, Tex.
Rockingham County Republican Club Party (400), C. G. Buckle, secretary, Leanville, N.C.
Conservative Students' Association of Abilene Christian College, John Ferguson, Jr., vice president, Abilene, Tex.
The Lincoln Park Republicans (50), Charles Brandt, chairman, Lincoln Park, Mich.
We, the People, Grance Hersley, Beaumont, Tex.
Patriots Information Center (150), Mrs. Evelyn Schrocan, secretary, Bakersfield, Calif.
Clayton Anti-Communist League, W. H. Harris, Clayton, N. Mex.
Conservative Association of Dearborn (50), Dorothy Vanderwerp, treasurer, Dearborn, Mich.
Conservative Club No. 1 (60), Charles D. Hughes, president, Amarillo, Tex.
Americans for Patriotic Action (860), Mrs. Lura Schnack, vice president, Los Angeles, Calif.
Guardians of the Home Society (1,300), Marie Crittenden, president, Los Angeles, Calif.
Sheridan Conservative Club (20), Mrs. Alice Spellman, president, Sheridan, Wyo.
San Mateo Anti-Communist League (200), Geraldine Gifford, San Mateo, Calif.
Latter Rain Church (30), Mrs. Anna M. Mielke, treasurer, New Castle, Pa.
Hemet-San Jacinto Young Republicans (27), John Elden, president, Buena Vista, Calif.
Pro-Constitution Association of New Jersey (50), W. S. Schaefer, president, Westfield, N.J.
The Arlington Republican Club (119), Harold L. Patterson, Jr., president, Arlington, Tex.
National Indignation Convention (200), W. H. Cooper, D.D.S., Oklahoma City, Okla.
Republican Women's Club (35), J. O. Brien, president, Davison, Mich.
Christian Citizens (73), Harry L. Hayden, chairman, Long Beach, Calif.
Paul Revere Association-Yeomen Association (150), H. J. Pieckerfer, president, New Orleans, La.
Liberty Bookstore Associates (12), M. D. Mayment, chairman, Seattle, Wash.
Citizens Group (25), Mrs. Louis G. Steck, secretary, Cathedral City, Calif.
San Diego Patriotic Society (2,000), J. D. Childers, chairman, San Diego, Calif.
Alaskans of Santa Barbara (310), F. W. Hand, president, Santa Barbara, Calif.
Aleters (30), Mrs. M. J. Nobles, organizer, Vista, Calif.
Americans United for Constitutional Action (12), Rozella Roberts, chairman, Santa Barbara, Calif.
Greater Achievements Group No. 4 (25), Carelita Salasse, chairman, New Orleans, La.
Fort Worth Freedom Committee (500), J. Ralph Ewing, chairman, Fort Worth, Tex.
Galveston Anti-Communist Society (15), John Ryder, leader, Galveston, Tex.
Volunteers for Constitutional Government (650), Wallace Lee, president, Portland, Oreg.
Erie Council of We, the People (40), Elizabeth Geer, chairman, Erie, Pa.

Minishoshe Chapter D.A.R. (52), Loriane La Fleur, treasurer, Bismarck, N. Dak.
Guenwood Beef Producers Association (70), W. C. Highsmith, president, Bradley, S.C.
Tell'm (5,000), R. B. Moran, president, Kerville, Tex.
Our Americanist Study Group (20), Charles A. Taylor, leader, Spring Valley, Calif.
Freedom Fighters (75), Gloria Peevee, chairman, Fort Worth, Tex.
California Christian Citizens Association (300), Oscar Langdale, Long Beach, Calif.
University Area Republican Women (25), Mrs. William R. Dotson, treasurer, San Diego, Calif.
The Constitution Club of Oklahoma (30), Mrs. C. E. Herring, secretary, Oklahoma City, Okla.
Community Education Center (500), Harry M. Davis, treasurer, Oakland, Calif.
Christian Constitution Study Group (25), Mrs. Vernon K. Peterman, president, Excelsior, Minn.
Orange County Freedom Forum (634), Terell L. Root, president, Costa Mesa, Calif.
Christian Crusade (15), Harold W. Shultz, chairman, Seattle, Wash.
The Understanding Group at Large, Rev. J. R. Kingham, Fresno, Calif.
For God and Country Study Group (50), Lily M. Wallace, secretary, San Antonio, Tex.
Eugene Chapter, Volunteers for Constitutional Government (100), Leslie P. Fleming, chairman, Eugene, Oreg.
Valley Association To Preserve Freedom (120), Canoga Park, Calif.
Chandler Sheriff Posse (37), Lynn A. Staudefird, secretary-treasurer, Chandler, Ariz.
Pro American Book Shop (15), Richard L. Key, Jr., sponsor, Cincinnati, Ohio.
Education Study Group (35), Mrs. John B. Bennett, president, Kirkland, Wash.
West Springfield Improvement Association (450), Myrtte M. Carter, president, Jacksonville, Fla.
Junior Order United American Mechanics (25), William B. Penny, recording secretary, Miami Shores, Fla.
Schwinn Clan of Houston (5), F. S. Schwinn, Houston, Tex.
Signal Hill Post 490, American Legion (200), Victor F. Marshall, chairman committee, Signal Hill, Calif.
Republican Statutory Committee of Milwaukee County (200), Leonard W. Galbrecht, chairman, Milwaukee, Wis.
Mt. Pleasant Freedom Forum (60), Jack Bigford, vice president, Mt. Pleasant, Tex.
The Sons of Liberty (27), David L. Hobbs, president, Dallas, Tex.
The Lamplighters (20), Gary, Ind.
History Study Club (25), Kay H. Lamouseuf, chairman, South Pasadena, Calif.
Citizen's Letter-Writing Group (25), Miss Gerry Vanek, president, Cathedral City, Calif.
The Defenders of the American Constitution (2,000), Ormond Beach, Fla.
Town Hall of Sonoma County (50), Carol M. Mineo, secretary, Santa Rosa, Calif.
Brown County Chapter of Americans for Conservative Action (41), Robert A. Percival, D.D.S., chairman, Indianapolis, Ind.
Biscayne Garden Civil Association (6,500), E. L. Vance, president, Miami, Fla.
Inter-Post Council on Americanism American Legion, Dr. L. F. Adams, chairman, Flint, Mich.
The Americanism Committee (300), Mr. Wilbur E. Smith, chairman, Arcadia, Calif.
The Right to Write Committee (2,000), Maisie Turner Waters, executive secretary, Waco, Tex.
Committee to Preserve the American Republican (175), John Kirwan, executive secretary, Midland, Tex.
Young Americans for Freedom (75), Jerry Stephens, chairman, Midland, Tex.
West University Citizens Union (120), Fred J. Drew, secretary, Houston, Tex.
Americans for America, Inc., G. G. Griffin, secretary-treasurer, Seattle, Wash.
The Patrick Henry Group (80), Tom Kerr, Greeley, Colo.
Young Americans for Freedom (15), Mrs. Lorin S. McDowell, Jr., sponsor, Big Spring, Tex.
Yakima Christian Crusade Committee (100), Yaunda Tokle, chairman of committee, Yakima, Wash.

Billy Sunday Memorial Tabernacle (300), Rev. Martin L. Mosier. pastor, Sioux City, Iowa.
Liberty Bell Library (30), Mary Hawkins, president, Flint, Mich.
Grenada Chapter, D.A.R. (67), Keith B. Bryant, regent, Coffeeville, Miss.
American Freedom Academy of California (100), J. Donnell, vice president, La Cauada, Calif.
Edwin A. Walker, Dallas, Tex.
The Lamp Lighters (15), R. H. Anfousen, president, St. Paul, Minn.
Campbell County Women's Republican Club (47), June Samuels, program chairman, Gillette, Wyo.
American Publishing & Broadcasting Association, Maylon D. Watkins, secretary, Miami, Fla.
Cleveland Heights Chapter of Paul Revere (24), Ralph F. Leising, president pro tempore, Cleveland Heights, Ohio.
Deer Park Republican Club (16), Marie C. Kleiman, president, Cincinnati, Ohio.
Department of California, Military Order of the World Wars (1,200), Clifford Bartlett, chairman, Pasadena, Calif.
Government Educational Foundation, Inc. (1,200), A. W. MacNichol, secretary, San Francisco, Calif.
Houston Anti-Communist Studyclub (18), Everett R. Goar, M.D., Houston, Tex.
Americans Against Surrender (3,000), Kenneth B. Lynn, chairman, San Francisco, Calif.
America Alpha Group (1,000), Ian MacLeod, Sausalito, Calif.
Anti-Communist Society of Palo Alto (50), Mrs. H. A. Boyer, chairman, Palo Alto, Calif.
Young Conservatives, Brigham Young University (25), Gary Harsen, chairman, Provo, Utah.
Texas Voters for Enforcing the Constitution (100,000), John C. Williams, president, Houston, Tex.
The Constitution Party of the United States (750,000 affiliated members), Col. Curtis B. Dall, national chairman, Philadelphia, Pa.
Lemon Grove Anti-Communist League (7), Lemon Grove, Calif.
Christian Patriotic League (20), Rodney Orr, chairman, Seneca, Pa.
The Patriot, Ernest J. Brosaug, secretary, Berkeley Heights, N.J.
North Carolina Defenders of States' Rights, Inc., James P. Dees, president, Raleigh, N.C.
Hinsdale Study Group, Mrs. Calvin E. Race, Hinsdale, Ill.
Anti-Communist League of Altadena, Mrs. Shirley P. Mullane, leader, Belmont, Mass.
Atascadero Barracks No. 2885, Glen S. Crother, Jr., vice commander, Atascadero, Calif.
East Erie Post 971 American Legion (150), John A. Dean, chairman, Erie, Pa.
Volunteers for Constitutional Government (150), Mrs. C. H. Phetteplace, chairman, Eugene, Oreg.
Wisner Anti-Communist League (17), Mrs. A. A. Wisner, Culver City, Calif.
Anti-Communist League of San Diego (20), San Diego, Calif.
Monday Club (25), Clara H. Scarlett, chairman, Paradise, Calif.
El Cajon Anti-Communist League (17), Patsie E. Watson, El Cajon, Calif.
Woman's Christian Temperance Union (50), Mabel H. Roberts, president, Berkeley, Calif.
Letters for Constitutional Government (125), Virginia H. Sery, secretary, Colorado Springs, Colo.
Witnessing Laymen Inc. (2000), Charles K. Sullivan, president, Sioux City, Iowa.
Patriotic Evangelical News Service (5000), Dr. E. Roy Lockwood, director, Sioux City, Iowa.
Southwest Independent Study Group (6), Leo G. Loving, Jr., chairman, El Paso, Tex.
Northern Westchester Freedom Presentations (34), Susan Hummel, president, Mount Kisco, N.Y.
San Antonio Chapter No. 4, Texas Society, Sons of the American Revolution (67), F. W. Huntington, colonel, U.S. Army, retired, president, San Antonio, Tex.
Republican Women Letter-Writers Group (25), Ruth L. Cook, chairman, Escondido, Calif.
Hesperia Republican Women's Club, Lois V. Blake, president, Hesperia, Calif.
San Lorenzo Patriots (35), Mrs. Helen Val, president, San Lorenzo, Calif.
National Americanism League, Inc. (30), G. E. Smith, president, Taylors, S.C.

South Coast Study Club (20), Dorothy Hall, chairman, Laguna Beach, Calif.
Gardena Young Republicans Club (75), Ronald L. Carnes, president, Gardena, Calif.
LaCrosse Conservative Club (25), Peter Schweiger, Jr., president, LaCrosse, Wash.
Santa Barbara Free Enterprise Club (27), Tressa R. Caters, Santa Barabara, Calif.
Midland Anti-Communist League (12), Linda S. Locke, leader, Midland, Mich.
Benton County Republican Women's Club (60), Mrs. Dick Bollinger, secretary, Kennewick, Wash.
Pro Constitution Association (20), J. G. Gellings, board of directors, Berkeley Heights, N.J.
Midland Americanism Committee (75), J. C. Barues, Jr., secretary, Midland, Tex.
Sons of Confederate Veterans (78), J. F. Tenell, Jr., adjutant, New Orleans, La.
The Citizens' Council of Louisiana, Inc. (60,000), Charles L. Barnett, president, Shreveport, La.
Anema Education Guild, Inc., Myron Fagan, director, Hollywood, Calif.
Algonac Extension Group (18), Mrs. Arthur Schneider, chairman, Algonac, Mich.
Van Nuys Citizens Committee (50), Michael Long, Van Nuys, Calif.
North Dallas Women's Club (20), Mrs. W. J. Burkart, president, Dallas, Tex.
California Christian Citizens (39), Mrs. Edna Bivens, secretary, W. Covina, Calif.
Bipartisan Conservatives of Long Beach (175), Mrs. Stephen Paliska, Jr., secretary-treasurer, Long Beach, Calif.

Appendix B

[From the Congressional Record, 87th Cong., 2d sess.]

Gloversville, N.Y., Chamber of Commerce Makes Its Voice Heard at the Annual Meeting of the U.S. Chamber of Commerce in Washington

(Extension of remarks of Hon. Samuel S. Stratton of New York in the House of Representatives, Tuesday, May 8, 1962)

Mr. Stratton. Mr. Speaker, the people of my congressional district are vitally concerned with all legislation relating to the subject of foreign trade, tariffs, and import competition. This is because the jobs and economic life of many communities in this district have been adversely affected by increased imports from abroad. No community in this district has been more concerned with these subjects than has been the city of Gloversville, N.Y., inasmuch as it is one of the centers of the great glove industry in Fulton County. Employment in the glove industry has dropped very sharply, while imports of foreign gloves into this country have climbed almost astronomically.

For this reason the people of Gloversville have been understandably concerned with the details and the implications of the President's trade expansion bill. In that connection, I include herewith as a part of my remarks an article that appeared in the Gloversville Leader-Herald of Saturday, May 5, under the byline of William H. Evans, the distinguished managing editor of that great newspaper, describing the experiences of the Gloversville Chamber of Commerce when the subject of trade legislation was raised at the annual meeting of the U.S. Chamber of Commerce, which was recently held in the city of Washington.

(The article follows:)

Chamber's Washington Battle Not Over Yet

(By William H. Evans)

Gloversville's Chamber of Commerce, small in comparison with many of those in the United States, has proved that it can have valid opinions and so state them before such large forums as the annual meeting of the Chamber of Commerce of the United States. The row in which it became engaged last Wednesday in Washington certainly was not ill-conceived or an act hastily contrived.

A referendum of 3,600 State and local chambers of commerce and trade associations concerning their position on the controversial Trade Expansion Act which President Kennedy wants Congress to adopt is much more than was taken by the U.S. chamber before it gave what the U.S. President called historic endorsement of his program.

The reason the Gloversville chamber undertook this poll was because it did not believe the testimony of A.B. Sparboe before the House Ways and Means Committee on March 26 represented those of a majority of chambers and trade associations in the United States.

There was approximately a 10-percent response to the mail poll and returns still are being received at the local office. What did this 10 percent show? The figures, computed on a percentage basis and presented to the U.S. chamber in Washington this week, are as follows:

Supporting H.R. 9900 (the trade expansion bill) in full, 3.9 percent; opposing the bill in full, 16.3 percent; supporting the bill in accordance with qualifications stated by the U.S. chamber, 7.9 percent; considered the bill and decided to remain neutral, 11.5 percent; did not consider the bill and have no position on it, 60.3 percent.

As the local chamber delegate said at the Washington meeting: "These figures reveal that a total of 71.8 percent of the respondents to the Gloversville poll neither support nor oppose this controversial legislation, while only 11.9 percent support the bill to some extent, and 16.3 percent are opposed to it."

This is quite in contrast to what Mr. Sparboe said when questioned March 26 by Congressman Alger of Texas. Some of that testimony reads:

"Mr. ALGER. Do you think you are speaking for the membership of the chamber, really—to check your credentials? Have you polled the membership in any way—men who have read this bill and know what is in it?

"Mr. SPARBOE. Yes. I guess millions of mailing pieces have gone out on this subject for several weeks and months.

"Mr. ALGER. You are prepared to say, then, that a majority of your members favor this bill knowledgeably, knowing what is in the bill?

"Mr. SPARBOE. Absolutely."

Yet, when one of the opponents at the U.S. chamber policy meeting Wednesday asked if a poll had been taken, there was only silence.

And it became apparent at the Washington meeting that there is decided opposition. It didn't take the Gloversville poll alone to determine that. Delegate after delegate expressed opposition to the policy stand the U.S. chamber officials were determined to take. In fact the opposition was so strong that a motion to table was carried.

What happened after that makes one wonder if there was democracy in action at that policy meeting. Alarmed at what had taken place, the U.S. chamber officials managed to get the original motion off the table and then, after many of the delegates had left the meeting, pass it by another voice vote.

It appears the battle isn't over. Three big member organizations of the U.S. chamber have gone before the president of the group and asked for a transcript of the meeting and a referendum of the membership on a matter this important. They have been told they can see a transcript when it is ready and that the referendum proposal will be taken under consideration.

The thinking of the Gloversville chamber, of course, is that the power the bill grants to the President in the matter of tariffs could lead to a complete collapse of the glove industry. The chamber only hopes that Congress considers this possibility when the time comes.

Senator CURTIS. The next witness is Mr. Carl H. Wilken, National Foundation for Economic Stability.

STATEMENT OF CARL H. WILKEN, DIRECTOR OF RESEARCH, NATIONAL FOUNDATION FOR ECONOMIC STABILITY

Mr. WILKEN. Mr. Chairman, and members of the committee, my name is Carl H. Wilken, National Foundation for Economic Stability, Inc.

On the basis of the operating loss which the United States has at the present time, I would like to make the blunt statement that neither

the United States nor the world can afford the type of economic policy which is projected by this Trade Expansion Act.

I prepared a brief statement and several tabulations which highlight this balance sheet and I would like to file this with the committee——

Senator CURTIS. Without objection it will be incorporated.

Mr. WILKEN. I will use my time in oral analysis of what has taken place since 1946.

Senator CURTIS. Very well. Go ahead. Your statement in its entirety will be printed.

Mr. WILKEN. Thank you.

In 1946–50 following the end of World War II, farm price supports protected the price level of the United States, our national income and the markets which industry must have at any point to meet specific payrolls and capital costs involved in operating our economy.

In this period, we incorporated an increase of 160 percent in the wages and salaries that had taken place in 1940 to the average of 1946–50. We also incorporated the capital costs in a debt expansion from $216 billion at the end of 1940 to an average of $505 billion in 1946–50.

With a new price level and our production in 1946–50 we averaged $212.4 billion. At that time this represented approximately 50 percent of the income of the world in terms of American dollars for 6 percent of the world's population.

In this 5-year period our economy for all practical purposes was operating solvently. The Federal budget during this 5-year period averaged a surplus.

On the other hand, the expansion of the private debt was in approximate balance with the actual profits and savings earned in operating the United States.

During this 5-year period, the tremendous buying power in the United States kept the price of commodities in the United States and throughout the world at the level required by the United States to have a solvent economy.

Starting in 1946 and up to the present time, we have had devaluation of currencies in over 30 countries. The principal devaluation was that of Great Britain, a devaluation of the pound of 30 percent which took place in 1949.

As a result of these devaluations that reduced the buying power of these countries in terms of American goods.

On the other hand, it decreased the price of products produced by these countries in terms of the American price level.

As a result of these devaluations starting in 1951, we have had a very rapid downward spiral of the commodity price structure. This is revealed in a commodity letter in the Wall Street Journal, issue of July 31, 1962. They point out that 22 leading raw materials have dropped from a level of 135.7 percent 1947–49, 1951, down to 80.3 percent on July 30, 1962.

Now, this represents a drop of 40 percent.

As a result of this drop in commodity prices, we are losing today here in the United States, 35 percent of the market which industry needs in rural America to meet current payrolls and capital costs.

We are also losing 35 percent of the export market we should have to balance with present wages and capital cost factors.

When these commodity prices started to move downward in 1951, they forced the United States to operate at a loss, and in not one single year since 1951 have we had enough income to meet existing payrolls and capital costs.

Now, a large part of the loss involved in operating the United States was sustained by private enterprise. In our system of private enterprise we have 9,200,000 business units made up of our farm operations, small business and corporation.

The share of the national income going to private enterprise has been reduced from an average of 26 percent in 1946–50, to less than 17 percent at the present time.

In this period of 11 years private enterprise was short $375 billion to balance with the wages and salaries and capital costs which were paid out during this period.

This brings up the question——

Senator CURTIS. May I ask right there, what made up for that shortage, what was done?

Mr. WILKEN. Well, the thing that happened, we increased the mortgage against the United States by expanding the total debt $512 billion from the end of 1950 to the end of 1961.

Senator CURTIS. Does that involve public debt and private debt?

Mr. WILKEN. This involves all debts, Federal debt, State, municipal debts, corporate debts, private debts, debts of all kinds.

Senator CURTIS. Yes.

Now, relating that to an individual company, if their share, and the share of all business concerns, is down and for capital expansion and for continuing employment, they increase their rate that adds to the load that they must carry throughout the years of their existence, does it not?

Mr. WILKEN. That's right. And I would like to illustrate specifically.

Senator CURTIS. Expenditures made for carrying a load of past debts, constitute that much of an expenditure which is not paying for job creation, isn't that right?

Mr. WILKEN. That is correct, and just to illustrate the increase, in 1946–50, the net interest component of our national income resulting from our total debt at that time was $4.3 billion. That has moved up to $22 billion at the present time, and as you point out, it is part of the cost in operating these businesses.

I would like to illustrate very specifically what has taken place in the case of private enterprise by analyzing the record of our corporations.

In 1950, we had a national income of $241.9 billion. At this point, the corporate profit after taxes was $22.8 billion.

In the next 11 years we averaged $349 billion of income, $107 billion per year more than in 1950, but the corporate profit after taxes during that 11-year period averaged $2 billion less than it did in 1950.

In other words, in that 11-year period our corporations received $2 billion per year less than nothing out of this increase of $107 billion of national income.

Senator CURTIS. What effect did that have on our economy from the standpoint of promoting enterprise and jobs as contrasted to the mere fact that somebody got a lesser dividend transmitted.

Mr. WILKEN. I would first like to point out the effect it had in this way: That the corporations did not have the income to pay a fair dividend and set aside new capital for expansion, so in this 11-year period they had to step out and borrow $196 billion, in other words, they increased their debt $196 billion in 11 years.

Now, in the process of borrowing this money and spending it, they created a market for their own product but it did not increase their profit.

Now, as a result of that, you have this situation develop in the payment on invested capital.

In 1950 corporate dividends averaged a little over 6 percent. In 1961, they had moved down to 3 percent.

Now, in paying the 3 percent dividend in 1961, the corporations had to set aside $5 billion less capital for expansion than they had available in 1950.

The point I want to drive home is that none of our system of private enterprise, that is, as a group, have the money to carry on the expansion we need to create these new jobs and to create the income we need to operate the United States.

Now, then, coming to this trade bill, for example, the income of any nation is dependent upon just two things:

One, is its price level and the other is its total production.

At the present time we are operating at a level of approximately $550 billion gross national product. This means that 1 percent of our price level represents $5.5 billion.

Under the provisions of this trade bill, the proponents recognize it is going to reduce price levels and force some businesses out.

Now, assuming it does reduce our price level 10 percent this will mean a loss of $5.5 billion.

Senator CURTIS. I want to ask you something. Many people in the general public regard the term "price level" as more or less synonymous with inflation. They are against inflation, and, therefore, they are for lower prices.

What do you have to say about the difference between inflation and real prices?

Mr. WILKEN. Well, for example, at the present time or in 1961, for example, to meet 1961 payrolls and capital costs we shsould have had $487 billion of national income. But we only had $430 billion.

In other words, we were short $57 billion. Now, what would it have required to have the income we needed to meet the payroll in capital costs?

We needed either a 13-percent higher price level or 13 percent more sales. Because of the lack of buying power in rural America, industry could not sell the 13-percent additional volume and because of the lack of demand in rural areas, and the foreign competition they could not increase their price level 13 percent so we lost $57 billion of income needed to operate the United States.

Now, in terms of inflation and deflation, one is just the opposite of the other.

In order to have a solvent economy, we must have price balance between raw materials, wages, salaries, and capital costs.

If the raw material price equation drops 1 percent below the level of wages and capital costs, we will lose 1 percent of the income we need to operate. Then we are in a period of deflation.

If your raw material prices, however, advance 1 percent above the level of wages and salaries in capital costs then we will have an increase of income above the actual goods produced. One is just the opposite of the other.

Senator CURTIS. What you are suggesting is a balance?

Mr. WILKEN. A balance. You must have the balance.

Now, the same thing is true with the rest of the world.

To illustrate: As a result of this drop in commodity prices, we are paying to the rest of the world 65 cents with which to buy a dollar's worth of goods. The same is true with rural America. We are paying rural America 65 cents with which to buy a dollar's worth of goods of American industry, and it just doesn't balance.

Senator CURTIS. I have a number of times heard Mr. Wilken's presentations and he has put a lot of very tedious hours on this, and has made some valuable contributions. I want to pinpoint some things directly to this bill.

Is it your opinion that this bill will increase imports?

Mr. WILKEN. Definitely.

Senator CURTIS. Is it your opinion that it will add to job opportunities or decrease job opportunities?

Mr. WILKEN. It will decrease them.

Senator CURTIS. Is it your opinion that certain products, particularly raw materials, products of the farms and other products, are now underpriced comparatively?

Mr. WILKEN. They are underpriced 32 percent in our own economy.

Senator CURTIS. Now, will this bill solve that problem or make it worse?

Mr. WILKEN. It will make it worse. It will start another downward spiral which will take us down to 1942 levels and at that level we will duplicate the depression we had in 1929–33 and for the same reason.

Senator CURTIS. You may proceed.

Mr. WILKEN. Now, to illustrate what we have at stake in this: In my opinion, if this bill is passed, enacted, and carried out as written, it will force this downward spiral not only in the United States but the rest of the world, down to 1942 levels or in balance with $35 gold.

At that point the United States will lose $250 billion of income per year. We will have to cut back present wages and salaries.—$137 billion, and we will have to in some way or other liquidate over half of $1,078 billion of total debt at the end of 1961.

Now, if that is permitted to happen, due to the fact that the United States still has approximately 40 percent of the income of the world, it will force the entire world into a depression, and we will have lost the war against the Communists on the economic front.

Senator CURTIS. Would you concur in this proposition? That imports per se are not bad, but it is important as to what price level they are imported at, sold at in this country as well as to take into account whether or not they are imports in which we have a surplus or the contrary, of which we have the need.

Mr. WILKEN. Well, I would like to answer that question in this way: In 1961 we had $20 billion of exports. On the other hand, we imported approximately $15 billion from other countries. We supported about $5 billion of our exports with credits and foreign aid and so on.

Now, deducting $15 billion of imports from $20 billion of exports leaves a net of $5 billion.

Now, that represents less than 1 percent of our gross national product.

Now, the point I want to make is that deducting like imports from like exports at the present time, we are producing 89 percent of everything that we need to create the income we need in the United States.

Now, our problem is to maintain the price level of that 98 percent in balance with our wages and capital costs, and then exchange the goods that we do exchange with other countries on the basis of equity without destroying the price level of 98 percent in the United States which we need to create the income to have a solvent economy. That can be done very easily and very simply.

For example, I will give you our sugar legislation.

In the case of sugar, we have maintained a price for sugar in balance with American cost factors, beet sugar producers and can sugar producers.

I think last year we brought in about 53 percent of our needs. Well, this means that we imported 47 percent. But in the process we kept the price about double the world level. This in turn made it possible for our sugar producers to operate.

In return we treated the countries from whom we imported equitably by paying them approximately double the world price, thus giving them the money to buy our goods.

Now, as a result of that we exchanged—we imported 47 percent of our sugar, but it did not disrupt our price level, and by paying them a price comparable to the price of American goods we gave them the buying power so that it gave us that export money.

If we were to do away with it and permit the world price to dominate our sugar price, sugar would drop 50 percent in price, we would lose that income from sugar, thus destroying markets in the United States. The countries from whom we are now buying would lose the income, and would lose the money to buy our goods. We would both lose.

Senator CURTIS. I think the Sugar Act is generally regarded as the most successful piece of agricultural legislation so far as stabilizing an industry that we have on the books.

Mr. WILKEN. There isn't any question about it, and if you will trace through the price of sugar in our economy, you will find as a result of the sugar legislation we have had a stable price, as far as the consumer was concerned, and at a very low price in terms of what an American hour of work will buy.

Senator CURTIS. Now, you have referred to the income to rural America.

Setting aside any unfairness, will it work to have production curtailed on the farms in America and, at the same time, increase the importation of the same or similar products into this country from abroad?

Mr. WILKEN. No, it will not work. It will merely give our market to foreign producers. And as a result of that, we will lose additional agricultural income, and additional markets in rural areas that we need to meet our payrolls.

Senator CURTIS. It involves the same thing as trying to stabilize agriculture by restricting production in 50 States and not—in 25 States and not in the other 25.

Mr. WILKEN. That is correct.

Now, Senator, I would like to show you the danger of this bill.

Senator CURTIS. All right.

Mr. WILKEN. In the tabulation which I have filed with the committee, I point out that the percentage of national income going to private enterprise has moved down from 26 percent to less than 17 percent at the present time.

Now, at the present moment 75 percent of the income of the United States is going for wages and interest on our debt.

Now then, under this trade act, if it is passed, labor will not take a cut in hourly wages. We can't reduce the capital costs of this $1,078 billion of debt without repudiation of some kind or other.

The point I want to make is that 75 percent of our cost factor is fixed at the present time. So that any price reduction resulting from the additional imports will have to be borne by private enterprise.

Senator CURTIS. Is it a fair statement of your views that you are not contending for a reduction in wages, but you are contending that the prices of raw products be commensurate therewith?

Mr. WILKEN. Well, in answer to that, here is our situation at the present time.

We are paying out about $317 billion in wages and salaries.

Now, I have talked with industrialists and they say these wages are too high. So, let's just arbitrarily reduce them 10 percent which will reduce the payroll $31 billion.

The instant we have done that we have wiped out a $31 billion market for goods. In addition to that we will wipe out the ability to meet existing debts on the part of those individuals, and we are going to have to have repossession of homes, goods bought on installment credit and so on, and it likewise would start a spiral downward.

Senator CURTIS. In other words, it is your contention that there is an imbalance there, and the remedy is not, the right remedy is not, to lower wages?

Mr. WILKEN. Lower wages means a depression. Lower profits for industry to expand would force a depression or to borrow money to expand with.

Senator CURTIS. Now, if we accept the premise of free trade, of world prices in this country, aren't we, in effect, saying that the American consumer dollar should go to those individuals, groups or combines which are most successful in exploiting human labor?

Mr. WILKEN. That is right.

But the important factor, Senator, is this: At the present time we have a differential in the world from $70 of per capita in ome per year, in India, with a population much larger than the United States as compared to $2,300 in the United States.

On a basis of free trade our price structure and our wage structure will at least have to drop down to the average of the world, and on

the basis of about $1,100 per capita income we would lose the $250 billion of income that I mentioned to you a moment ago.

Senator CURTIS. Now, relating this proposed program to our farm products, what will it do in reference to surpluses?

Mr. WILKEN. It will increase the surpluses. I will illustrate that in this way: With the devaluation of the British pound, here is what took place in regard to our farm products.

In 1946–50, before the devaluation, we had a net export of $90 million of farm products per year.

In the 5 years following the devaluation of the British pound, we imported $6 billion more farm products than we exported.

Now, the same thing would be true today. Our imports of farm products would be much greater than our exports if we were not subsidizing or reducing the price of our farm products to other countries.

Senator CURTIS. Are our imports of farm products substantial at the present time?

Mr. WILKEN. How is that?

Senator CURTIS. Are our imports of farm products substantial at the present time?

Mr. WILKEN. I think they are running around $4 billion a year, something like that.

Senator CURTIS. You would regard that as satisfactory or high or what?

Mr. WILKEN. It is satisfactory providing we could sell our share.

Now, to illustrate that: We are underpaying South America about 35 percent for products that we buy from them. One of them is coffee. We are buying coffee from South America at the present time for about $800 million less than we did in 1954. Now, these South American people can't eat coffee and live. They need food.

Now, if we had a proper trade agreement with them, and we paid them that $800 million more for their coffee, they could buy $800 million more of farm products which they can't buy at the present time.

Senator CURTIS. In other words, you are advocating a trade program that would make it possible for us to pay the American price to foreign producers or if they failed to do that they would have to pay a tax or duty of some kind into our Treasury?

Mr. WILKEN. That is correct.

Now to illustrate: In our mineral raw materials, we have no surpluses of any kind worth mentioning.

In other words, we can pay a price for copper, lead, zinc, petroleum, or any of those mineral products in line with American cost of labor and capital.

Then we should turn around and give the world a program by which our imports of those products, whatever it might be, whether it is 10 percent, 15 or 20 percent, that they get an equivalent price to the American producer providing that money is spent for American goods.

Senator CURTIS So while you contend that this proposal if enacted would add to our unemployment and add to our agricultural surpluses, is it your contention that it would or would not help the foreign people?

Mr. WILKEN. Foreign people?

Senator CURTIS. Yes.

Mr. WILKEN. It would hurt foreign people because it is going to force the world price down to 1942 levels and we would repeat the depression of 1929 to 1933.

Senator CURTIS. I would like to go on.

I have had a couple of notes passed to me and I wish to finish the agenda.

Thank you.

(The prepared statement follows:)

AN ANALYSIS OF THE ECONOMY OF THE UNITED STATES IN 1946-50 COMPARED TO THE PERIOD 1951-61 PREPARED BY CARL H. WILKEN, DIRECTOR OF RESEARCH, NATIONAL FOUNDATION FOR ECONOMIC STABILITY, WASHINGTON, D.C.

In 1946-50 the income of private enterprise was in balance with wages, salaries and capital costs, the principal items of cost in our production of goods and services. The Federal budget at that time showed a surplus, and the expansion of the private debt was in balance with actual savings and earned profits.

1. In the period 1951-61 total wages and interest averaged 79.6 percent more per year than in 1946-50.

2. To meet this increase in wages and salaries our national income should have averaged $381.5 billion in 1951-61. The actual average was $349 billion, a shortage of $31.5 billion per year, or a total for the 11 years of $346.5 billion.

3. Private enterprise consists of 9,200,000 business units, made up of farm operations, small business, and corporations. From 1951 to 1961 the income of private enterprise in the form of net farm income, small business income and corporate profits after taxes increased an average of 17.8 percent as compared to an increase of 79.6 percent in wages, salaries and interest.

4. The income of private enterprise necessary to balance with wages and capital costs in 1951-61 should have averaged $99.1 billion. The actual income for private enterprise averaged $65 billion, a shortage of $34.1 billion per year, or a total of $375 billion.

5. Broken down, this shortage was $155 billion for farm operators, a shortage of $89 billion for small business, and a shortage of $131 billion of corporate profits after taxes.

6. It is obvious that private enterprise was not receiving the income necessary to pay a fair return on invested capital and earn the new capital needed for expansion in 1951-61.

7. The shortage of national income with which to meet payrolls and capital costs has increased steadily since 1946-50. In 1961, the shortage had increased to $57 billion.

8. The shortage of income for private enterprise in 1961 was $53.6 billion, of which $18.4 billion represented a shortage in corporate profits after taxes.

9. In 1946-50 the income of private enterprise averaged 26 percent of the national income. In 1961 the income of private enterprise was 15 percent of the $487 billion of national income needed to meet 1961 wages and capital costs.

10. In 1961 private enterprise was receiving only 57.7 percent of the income required to pay a fair dividend on capital investment and earn new profits for expansion.

11. The shortage of national income and income for private enterprise explains why it was necessary to add $512 billion to the total debt in 11 years.

The shortage of corporate profits after taxes explains why the average dividends on stocks drop from 6.3 percent in 1950 to 3 percent in 1961.

The operating loss was due to a drop in the income from domestically produced raw materials (the principal source of income of primary producers and small business in rural areas) as compared to (a) the rapid increase in wages, and (b) capital costs in the form of interest on $514 billion of increase in the total debt, both public and private.

A careful analysis of the official records of the U.S. Government will prove the accuracy of the above statement.

Comparison of income of private enterprise with gross public and private debt, and wages and salaries, 1950 to 1961

	1950 (billions)	1961 (billions)	Percent increase
Public debt:			
Federal	$266.4	$330.2	23.9
State and local	24.2	72.5	200.0
Private debt: Corporate	167.1	363.3	117.4
Mortgage debt:			
Farm	6.1	14.2	132.8
Nonfarm	59.4	189.9	219.7
Nonmortgage debt:			
Farm	6.2	14.5	133.8
Nonfarm	37.2	93.7	151.8
Total	566.6	1,078.3	90.3

ADDENDUM

Gross farm income, wages, salaries and capital costs must be in balance to have a solvent economy under a system of private enterprise. The tabulation below reveals the dislocation between the income of private enterprise, wages and salaries and capital costs since 1950. It is quite evident that the income of private enterprise is determined by the value of our farm production and raw materials, rather than by wages and salaries and capital expenditures.

	1950 (billions)	1961 (billions)	Percent increase
Wages and salaries	$154.2	$302.9	96.4
Income of private enterprise	60.2	72.9	21.0
Increase in gross farm income	32.5	36.9	21.8

Comparison of the income of private enterprise[1] with the national income, 1929–61

	Income of private enterprise (billions)	National income (billions)	Percentage of national income
1929	$23.1	$87.8	26.2
1933	5.8	40.2	14.4
1941	26.8	104.7	25.6
1946–50 average	55.2	212.4	26.0
1951	62.0	279.3	22.2
1952	59.4	292.2	20.3
1953	58.8	305.6	19.2
1954	57.3	301.8	18.98
1955	66.7	330.2	20.2
1956	67.2	350.8	19.1
1957	66.8	[illegible]	18.2
1958	64.8	[illegible]	17.6
1959	70.6	[illegible]	17.6
1960	70.9	417.1	17.0
1961	72.9	430.2	16.9

[1] Income of private enterprise is the combined income of farm operators, small business and corporate profits after taxes, 9,200,000 business units.

In 1961 private enterprise was receiving only 65 percent of the share of national income required to have a solvent economy and the new earnings for expansion.

The temporary increases in percentage in 1955 and 1956 over 1954 were due to a debt expansion of $72 billion in 1955 (public and private).

In 1959 again there was added $68 billion to the total debt, but the dislocation between private enterprise and wages and capital costs in 1959 had reached a point where the debt expansion was not sufficient to increase the share of the national income which private enterprise should have received.

Based on the income of private enterprise in 1961 our earned national income was $280 billion. The balance of the income was due to the debt expansion.

It has been pointed out that private enterprise in 1961 was receiving an income based on 16.9 percent of the national income, or 65 percent of its rightful share of 26 percent. The 1961 national income totaled $430.2 billion, 65 percent of which represent a total of $279.6 billion.

As a cross-check or proof of the fact that in 1961 we were earning only $280 billion of national income is the relationship of the income of private enterprise in 1961 as compared to the national income which averaged $212.4 billion in 1946–50.

In 1961 private industry had an income 32 percent higher than in 1946–50 as compared to an increase of 129.3 percent in wages and interest, reflecting capital costs, 132 percent of the 1946–50 income of $212.4 billion equals $280.3 billion.

In 1961 the United States had an operating loss of $430.2 billion minus $280 billion, the earned income, or a total of $150.2 billion. In addition, we lost approximately $90 billion of production through unemployment and failure to use capital investment in productive enterprise, resulting from a debt expansion of $512 billion from 1950 to 1961.

Senator CURTIS. Mr. Donald Hiss.

Mr. HISS. Senator Curtis——

Senator CURTIS. Mr. Hiss, before you proceed, I have been asked to insert in the record some communications relating to the subject matter with which you are going to deal.

One is a letter addressed to the chairman of this committee from the Honorable Carlton King, Member of Congress, from the 31st District of New York.

Another is a telegram from Victor H. Thomas, international vice president-supervisor, North East Cement Plant Local Unions, United Cement Lime & Gypsum Workers International Union, AFL–CIO, which comes from Easton, Pa., and is addressed to the chairman.

Another one is a letter, likewise addressed to the chairman of this committee, signed by Mr. C. Wilbur Marshall, vice president, Lone Star Cement Corp., Richmond, Va. And a letter from Hon. Francis E. Walter of Pennsylvania.

(The material referred to is as follows:)

HOUSE OF REPRESENTATIVES,
Washington, D.C., August 9, 1962.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
New Senate Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: As a member of the House of Representatives who introduced H.R. 10057, in the desire to curb discriminatory pricing practices in world trade, it is my hope that the current deliberations of the Committee on Finance on the proposed Trade Expansion Act will result in reporting favorably on S. 3606, which has a similar purpose to the amendment which I and a few of my colleagues on both sides of the aisle introduced earlier this year in the House.

Extreme delay by the Treasury Department in reaching determinations in dumping cases, and the lack of a requirement upon foreign producers to cost-justify quantity discounts, as is required of competitive producers in this country, are important features of these bills and I feel that they merit prompt action by the Congress.

It is my understanding that on August 10 your committee will receive testimony on the proposed trade bill, and on the antidumping amendments from the counsel for a number of northeastern domestic cement producers. I strongly endorse the need for legislation to curb continued dumping of cement and other

products in this country and I would appreciate it if you would read this letter into the record of your hearings.

It is my earnest desire that, through favorable action by the Committee on Finance, and approval by the Senate, it will be possible for this urgently needed legislation to be enacted by the Congress before the close of this session.

Sincerely yours,

CARLETON J. KING, *Member of Congress.*

LONE STAR CEMENT CORP.,
Richmond, Va., August 8, 1962.

Hon. HARRY F. BYRD,
Old Senate Office Building,
Washington, D.C.

DEAR SENATOR BYRD: We are writing you to seek your favorable consideration of a bill (S. 3606) introduced on August 3, 1962, by Senator Hubert Humphrey. This bill seeks to amend the Anti-Dumping Act of 1921. We believe it to be noncontroversial in nature, as it simply contemplates greater force and effect for the present law, and we hope it will be favorably considered by the Senate Finance Committee for inclusion in the Trade Expansion Act now under consideration.

We do not object to the present tariff level on cement imports, nor do we seek relief from fair foreign competition, but we do object to competitive injury caused us by the selling of imported cement in the United States at prices below those for which the same products are sold abroad.

The trade bill now before the Senate states as its purpose the development of nondiscriminatory world trade. Injurious price discrimination in world trade is thus a proper subject of the trade bill. Events of the past 4 years have shown the urgency of insuring proper enforcement of the Anti-Dumping Act by means of amendment to the trade bill.

Beginning in 1958, on complaints of several domestic cement companies, the Treasury investigated a number of cases of obvious dumping of foreign cement, and the Tariff Commission found that injury to domestic producers resulted. The big problem in obtaining these findings and ending the dumping, however, was one of time. Ten investigations took an average of 17 months. We submit that foreign producers should not be allowed to unduly stall Treasury decisions in this manner. The Treasury, like the Tariff Commission (which is now required to decide injury within a 3-month period), should have a fixed time applicable to it.

Cement dumping, which appeared to be on the decline is once again increasing in various new forms requiring new investigations. Our proposal is that the Anti-Dumping Act be amended to require Treasury to decide within 6 months whether price discrimination exists, in order to prevent extended unfair competition to domestic cement companies and extended uncertainty for cement importers.

Thanking you in advance for your consideration of this urgent matter, I remain,

Cordially yours,

O. WILBUR MARSHALL, *Vice President.*

EASTON, PA., *August 8, 1962.*

Senator HARRY F. BYRD,
Chairman, Senate Finance Committee,
Old Senate Office Building, Washington, D.C.:

On behalf of production and maintenance employees of Lehigh Valley, Hudson Valley, and Maine cement plants, I respectfully urge that passage of S. 3606 not be postponed but that the urgently needed Anti-Dumping Act amendments contained therein be incorporated as a part of the trade bill and passed at this session. Every thousand barrels of dumped cement sold in unfair competition with our plants means 240 man-hours and $770 wages lost for our workers. Dumped cement is costing our men hundreds of thousands of man-hours and millions of dollars annually. Loophole Anti-Dumping Act, failure to require cost justification, quantity discounts, and delays by Treasury decisions, make a mockery of the act and should not be allowed to frustrate pending cement dumping cases and nullify what progress our industry has made against cement

dumping. I am familiar with and support testimony Donald Hiss will give before Finance Committee August 10, and would appreciate having this telegram read into the record.

VICTOR H. THOMAS,
International Vive President, Supervisor, North East Cement Plant Local Unions, United Cement Lime & Gypsum Workers International Union, AFL-CIO.

HOUSE OF REPRESENTATIVES,
Washington, D.C., July 30, 1962.

Hon. HARRY FLOOD BYRD,
U.S. Senate, Washington, D.C.

DEAR SENATOR BYRD: A matter which is of real interest to me is scheduled to be presented to your committee at the hearings on the proposed Trade Expansion Act of 1962, H.R. 11970, by a spokesman for certain cement companies operating plants in or near coastal ports.

These companies, which include a number of companies in the Lehigh Valley of Pennsylvania have since the amendment of the Anti-Dumping Act in 1958, been seeking to obtain relief under the Anti-Dumping Act against imported cement which is being sold by the foreign producers at prices lower than the prices at which their cement is sold in their home markets. In a number of cases Treasury made determinations that cement from various foreign countries was being sold at dumping prices and in three cases the Tariff Commission has found that such dumped cement was injuring "an industry in the United States" and dumping duties have been assessed.

Inordinate delays have been encountered by these cement companies, however, in the processing of their complaints by Treasury. In addition, Treasury has construed the Anti-Dumping Act to permit foreign producers selling in this market to grant non-cost-justified quantity discounts. Under the Robinson-Patman Act domestic producers may not grant non-cost-justified quantity discounts but may only grant cost-justified quantity discounts.

In order to provide for equality of treatment between foreign producers who sell in this market and domestic producers of competitive products, with respect to quantity discounts, and in order to provide a time limitation within which Treasury will be required to conclude its investigations under the Anti-Dumping Act, I introduced on January 31, 1962, H.R. 10021, which is entitled, "A bill to amend certain provisions of the Anti-Dumping Act, 1921, to provide for greater certainty, speed, and efficiency in the enforcement thereof, and for other purposes." This bill was referred to the Ways and Means Committee, but, because of extended hearings by that committee on various legislative proposals, no hearing date has been set for the bill which I introduced. In fact, it is my understanding that none of the executive departments has as yet submitted a report on this or identical bills introduced by numerous Congressmen of both political parties.

On August 10, Donald Hiss, of the Washington law firm of Covington & Burling, as counsel to the aforementioned cement companies, is scheduled to appear before your committee and I understand will urge on their behalf that H.R. 11970 be amended by adding basically the same provisions which are contained in the bill, H.R. 10021, which I introduced earlier this year. An additional item may be included in their proposal since there has been a new development by Treasury involving an alleged loophole in the Anti-Dumping Act. This issue has not been finally resolved by Treasury. If a loophole is found by Treasury to exist in the law, it will be proposed to add a provision which would close this loophole so that the Anti-Dumping Act will accomplish the purposes which the Congress had in mind in amending the statute in 1958.

The cement companies are in favor of expanding trade and support the President's proposal for new powers as provided for in H.R. 11970. The cement companies' proposed amendments to the Anti-Dumping Act are wholly consistent with the President's proposed trade program, in that such amendments would "strengthen economic relations with foreign countries through the development of open and nondiscriminatory trading in the free world," which is one of the purposes of H.R. 11970 as specified in section 102 of that bill. The proposed amendments would also assure that the rights of all interested parties are determined without undue delay by the Treasury Department. Thus, the proposed amendments are not only wholly consistent with, but also germane to the objectives of H.R. 11970.

I heartily endorse the proposed amendments which will be presented to the committee on August 10 and trust that you and the other members of your committee will recommend in the report on H.R. 11970, the adoption of such amendments.

Thanking you, and with kind regards, I am,

Sincerely yours,

FRANCIS E. WALTER.

Senator CURTIS. You may proceed, Mr. Hiss.

STATEMENT OF DONALD HISS, ATTORNEY, ON BEHALF OF DOMESTIC CEMENT PRODUCERS

Mr. HISS. Thank you, Senator. My name is Donald Hiss. I am a partner in the Washington law firm of Covington & Burling.

I am testifying on behalf of 14 cement companies who own and operate mills in areas near the eastern coast, supplying northeastern cement markets.

We have filed with the clerk, Senator Curtis, a detailed written statement explaining the two proposals which we advance to this committee with respect to amending H.R. 11970.

Senator CURTIS. Would you like to have those incorporated into the record?

Mr. HISS. If I could, please, sir.

Senator CURTIS. Without objection, it will be so ordered.

Mr. HISS. I would like to briefly summarize the contents of that statement.

We have two proposed amendments to H.R. 11970. The first refers to an area which would restrict the President in his negotiation of reductions of American duties.

We would like to add a subsection to section 225 of H.R. 11970, which would reserve and prevent the President from reducing duties on any article where the U.S. duty today is less than the foreign duty on the same product in all of the principal competing countries.

The example of cement is an interesting one. Our duty——

Senator CURTIS. In other words, it is your contention that the delegation of power to the President in this particular section is too broad and goes too far?

Mr. HISS. In this instance, with this reservation, we would have no objection to that part of the bill. We think that it is not a constitutional issue, Senator, we are raising it is an economic issue that is from the standpoint of the desirability——

Senator CURTIS. I understand.

Mr. HISS. Right, sir.

Senator CURTIS. In other words, it is your position that if that provision of the bill is used it will do damage?

Mr. HISS. It will.

Senator CURTIS. To whom?

Mr. HISS. It will do damage, if I could illustrate.

Senator CURTIS. All right.

Mr. HISS. And lay a foundation, and I think that would be relevant to your question.

The duty on U.S. cement was originally 30 cents. It was reduced to 8 cents, and it remains today at 8 cents per barrel.

The Canadian duty on cement is 30 cents a barrel, the Mexican duty on cement is $1.58 a barrel.

It seems to us, that it is not in the interest of the cement producers of the United States who have to meet such high barriers with Canada and Mexico to permit the President to further reduce the American duty on cement until the other countries which are potential recipients of U.S. cement have reduced theirs.

Senator CURTIS. Now, you say it is 8 cents here?

Mr. HISS. Eight cents per barrel; yes, sir.

Senator CURTIS. How much is it in Mexico?

Mr. HISS. $1.58 per barrel.

Senator CURTIS. If the President used full powers in this bill as it comes from the House, to what point could he reduce that 8 cents?

Mr. HISS. To 4 cents per barrel.

Senator CURTIS. Four cents?

Mr. HISS. Yes, sir.

Senator CURTIS. And if in exchange for that bargaining got a 4-cent reduction in the Mexican tariff what would their tariff be?

Mr. HISS. That would be down to $1.54 per barrel.

Senator CURTIS. And suppose he obtained a 50-percent reduction, because that is what it amounts to in this instance, from 8 cents to 4 cents, what would the Mexican tariff be?

Mr. HISS. Seventy-nine cents a barrel.

Senator CURTIS. Yes.

You may proceed.

Mr. HISS. So, our position is that there must be comparable problems with other articles, and that therefore, an amendment should be added which would prevent any reductions on a given article where the U.S. duty is lower than the duties of foreign countries.

That would be by way of an amendment to section 225.

Our second proposal relates to an amendment to the Anti-Dumping Act.

This does not involve any restrictions on the President's power of negotiation or in any other respect.

There are three amendments which we think are necessary to the Anti-Dumping Act in order to make that measure effective.

They are contained in a bill which Senator Humphrey, on behalf of himself and on behalf of Senator Scott, of Pennsylvania, introduced on August 3.

That bill is S. 3606.

Our proposal is that the substantive provisions of Senator Humphrey's and Senator Scott's bill, S. 3606, should be merged into an amendment to H.R. 11970 in the form of a new title, title 5.

The Anti-Dumping Act problems are indeed relevant and germane to H.R. 11970.

One of the purposes of H.R. 11970, as set forth in section 102 is to strengthen economic relations with foreign countries through the development of open and nondiscriminatory trade in the free world.

Now dumping is a form of price discrimination. It is when a foreign producer charges less to the American importer than he does to the purchasers in the foreign market, and the same thing works throughout.

Since 1921 we have had an antidumping statute on our books. Almost all of the European countries and England have antidumping statutes on their books.

In 1947 GATT recognized the validity of antidumping laws. The Treaty of Rome also recognizes the validity of antidumping measures within the Common Market countries.

Senator CURTIS. And your proposal is to strengthen——

Mr. HISS. Our proposal is in three ways to strengthen and make our Anti-Dumping Act more effective.

Senator CURTIS. In what ways is our Anti-Dumping Act lacking presently?

Mr. HISS. In three respects, if I could, sir.

The first is a procedural matter. This involves the time limitation imposed or taken up by Treasury in the performance of their functions of finding out whether there is a difference in price of the foreign producer in the sale to the American importer and to the sale to its customers abroad.

Senator CURTIS. And sometimes in this lapse of time the damage is already done?

Mr. HISS. Sometimes the damage is already done. Treasury performs the determination and Tariff has jurisdiction over the question of injury.

In 1954, Congress took the injury function from the Treasury and gave it to the Tariff Commission.

As to the Tariff Commission, it was written into the law they had to finish their injury determinations 3 months from the date it was referred to them by Treasury.

At that time the committee report of this committee stated that it was expected that Treasury, since they no longer had the injury determinations to make, would be able to complete their price determinations within 90 days.

The cement companies which I represent have filed 15 complaints since 1958. Ten have been processed to completion. An average length of time of 17 months has been consumed by Treasury in processing these complaints. The range is from 7 to 37 months.

We think the old axiom, "Justice delayed is justice denied," applies here, and that there ought to be an end to these inordinate delays on the part of Treasury.

Our recommendation therefore is that there be imposed on Treasury a 6-month time limitation with a safety valve, that within 6 months Treasury shall make its determination of whether dumping exists or does not exist, unless the Secretary of the Treasury finds that there are special situations and in that case he can so report to the chairman of this committee and the chairman of the House Ways and Means Committee, and explain the reasons for the delay and an estimated length of time beyond the 6-month period.

This seems reasonable to us. It does have an escape valve in case they run into great difficulties such as with respect to conversion of foreign currencies.

Our second proposal is of a substantive nature.

Senator CURTIS. Is of what?

Mr. HISS. Of a substantive nature.

Under the Robinson-Patman Act, when a domestic producer ships his articles in interstate commerce he can only grant a quantity discount to a large volume purchaser if he can cost-justify that discount, if he can establish that there is a savings in cost of production,

delivery, administrative expenses, or otherwise, which permits the lower price to large volume purchasers.

We thought the Antidumping Act required a foreign producer, when he sold his articles in this market, if he claimed that the lower price to the purchaser here was due to the fact that the purchaser in the United States had bought in large volume, that the act required a similar cost justification to be made in order to justify that quantity discount.

Treasury disagreed with us. We sought review by the courts and were unable to get review.

We have two cases in which the decision, the findings of the Treasury were no dumping. If the foreign producers had to cost-justify the quantity discounts, dumping would have been found and the cases would have been referred to the Tariff Commission.

We think that it is only fair and proper that if the domestic producer selling in competition with a foreign producer in the American market has to cost-justify his quantity discounts, that a foreign producer when he sells in this market, should to that extent also, if he grants a quantity discount, be required under the Antidumping Act to cost-justify it or it should be disregarded.

This will not impose burdens on Treasury.

In the first place, Treasury now has to examine whether it is a reasonable quantity discount.

We were never able to find out what reasonable meant. This would merely say that Treasury should determine whether there has been a savings in costs commensurate with the quantity discount supposedly granted by the foreign producer.

This would not require Treasury to go into the books and records in every dumping case of the foreign producer.

This would merely say if a foreign producer claims a quantity discount which justifies a lower price to the American importers, then he must satisfy Treasury and must, of course, produce his books and records justifying that on a cost basis.

If he doesn't want to produce his books and records, then he can just disregard the quantity discount and raise his prices.

So, this is not a difficult administrative task for Treasury.

We think it is equitable. We think it is fair and we think it should be noncontroversial, and it should be accepted, and we hope that this committee will adopt those two amendments.

The third is a problem which is potential in nature, it is a potential loophole which an ingenious importer in New York has seized upon. He has set up a dummy corporation in a foreign country, had the dummy corporation, his subsidiary buy from a foreign corporation. It exports to the dummy corporation in New York, and in this way they think they may be able to evade the reach of the Antidumping Act.

The Treasury was prepared to accept that argument. They now have it under reconsideration.

This is a matter of first impression. It is a new question. We say we would like to have that loophole really plugged by legislation be-

cause it would emasculate the act. Even if Treasury should later decide in our favor the courts could overrule Treasury and say the loophole does exist.

This is so equitable, that a stitch in time will now in this instance save nine, and we do urge that that loophole be closed.

Senator CURTIS. Has that loophole been used in reference to cement?

Mr. HISS. It was indeed, that is precisely the case that gave rise to it.

Senator CURTIS. Is it your contention if it is not corrected it might have a wide use.

Mr. HISS. It would spread. If this is allowed to develop, Senator Curtis, there is no question it will spread like wildfire, and it will just make the act meaningless.

Those proposals, Senator Curtis, are all set forth in S. 3606.

Senator CURTIS. Which will be printed?

Mr. HISS. Which has been printed, and I have two memorandums setting forth proposed amendments, if S. 3606 substantive provisions are put in the form of an amendment to H.R. 11970, which we urge this committee to recommend to the Senate.

I also have a memorandum setting forth the language which would limit the President's power to reduce the duty on any article where the U.S. duty is less than the duties in foreign countries.

Senator CURTIS. And you would like to have those incorporated?

Mr. HISS. I would like to have those two put into the record.

Senator CURTIS. Without objection, so ordered.

Mr. HISS. Thank you very much.

That finishes my statement, Mr. Chairman.

Thank you, Senator Curtis, very much. If there are any questions——

Senator CURTIS. No further questions.

(The statement referred to is as follows:)

SUPPORTING STATEMENT OF MR. DONALD HISS ON BEHALF OF DOMESTIC CEMENT PRODUCERS RE H.R. 11970

The 14 northeastern cement producers on whose behalf Mr. Donald Hiss is appearing before the Senate Finance Committee in connection with H.R. 11970, along with the location of their respective mills supplying coastal markets of the United States, are as follows:

Allentown Portland Cement Co., Evansville, Pa.
Alpha Portland Cement Co., Martins Creek, Pa., Cementon, N.Y.
Coplay Cement Manufacturing Co., Coplay, Pa.
Dragon Cement Co., Northampton, Pa., Thomaston, Maine.
Giant Portland Cement Co., Egypt, Pa.
Glens Falls Portland Cement Co., Glens Falls, N.Y.
Hercules Cement Co., Stockertown, Pa.
Keystone Portland Cement Co., Bath, Pa.
National Portland Cement Co., Brodhead, Pa.
Nazareth Cement Co., Nazareth, Pa.
North American Cement Corp., Catskill, N.Y., Howes Cave, N.Y.
Penn-Dixie Cement Corp., Bath, Pa., Nazareth, Pa.
Standard Lime & Cement Co., Martinsburg, W. Va.
Whitehall Cement Manufacturing Co., Cementon, Pa.

This supporting statement is designed to set forth the factual basis and the experience of these cement companies with cement dumping complaints over the last 4 years, in support of Mr. Hiss' oral testimony.

1. POSTWAR CEMENT TARIFF AND TRADE BACKGROUND

The Tariff Act of 1930 established the import duty for cement at approximately $0.23 per barrel. In 1947 pursuant to the General Agreement on Tariffs and Trade, this figure was cut to approximately $0.08 per barrel at which level it has remained ever since. For the period of the last 15 years the cement tariff, while only one-third that prescribed in 1930, has at least been stable and thus allowed American producers to operate on the basis of predictable competitive cost.

During the first 7 years following the reduction in the cement tariff, that is from 1948 through 1954, the average annual importation of cement into the United States from all sources was approximately 500,000 barrels. Beginning in 1955 and continuing thereafter to date, there occurred very substantial increases in imports. In 1955 the figure reached in excess of 4,500,000 barrels and for the 7 years from 1955 through 1961 the annual average has been just under 4 million barrels—eight times what it was for the preceding 7 years.

Cement sold in the United States is a fungible product for which premium pricing is impossible. Cement being imported into our markets meets the same specifications to which it is manufactured in this country. In this circumstance a difference in price of 1 cent per barrel will determine who sells cement in a particular American market. Cement is also a product for which demand is relatively inelastic. This means that the availability of low-priced cement will not increase total demand, but that instead sales of low-priced foreign cement in the United States will of necessity displace sales here of domestic cement. Thus the domestic cement mills supplying the coastal markets in which imported cement has been sold have lost sales to foreign cement amounting to an average of approximately 4 million barrels annually since 1955. On the basis of average mill values during that period of time, this figure represents lost business amounting to approximately $12,500,000 annually.

Except insofar as unfair price discrimination in violation of the Anti-Dumping Act is involved, we do not object either to cement imports into the United States nor do we object to the present level of the U.S. tariff on cement. We would, however, object to any further lowering of our cement tariff for two reasons.

If the first place, a reduction in the cement tariff would be grossly unfair in view of the great disparity between the U.S. tariff and foreign tariffs on cement. Cement imports into the United States are, of course, unlicensed, and, as noted above, carry a duty of approximately 8 cents per barrel. The contrast to foreign tariffs can be shown by several examples. Israel, whose cement exports to the U.S., Treasury had under investigation for 3 years, imposes an import license requirement and a duty approximating $3.74 per barrel. Sweden, whose cement imports to the United States were found by Treasury to have been dumped and by the Tariff Commission to have injured the relevant domestic industry, requires no license but imposes a 20-cent-per-barrel import duty. Norway and the Dominican Republic, both of whom Treasury found were selling to the United States at dumping prices, impose duties of 19 cents and $1.37 per barrel, respectively, the Dominican Republic in addition requiring an import license.

Even our normal export markets impose comparably inequitable limitations—Canada's import duty amounting to 30 cents per barrel and Mexico's to approximately $1.58 per barrel in addition to a licensing requirement.

The House Committee report states as one of the principal reasons for adoption of the Trade Expansion Act of 1962, the fact that "we must seek out new markets in the rapidly expanding economies of the rest of the free world" (p. 7). Faced with the foreign tariffs described above, the American cement industry is precluded from achieving this goal. In order that the cement industry in the United States can export on the basis of free competition, we would hope that cement be reserved from trade agreement negotiations until duties imposed by other free world countries are reduced to the level of the American tariff on cement.

A second reason why the American cement tariff should not be reduced springs from the extent of cement dumping in recent years. As will be fully explained below, most imports sold in the markets of the northeastern United States in recent years have been sold at dumping prices. By and large, the Anti-Dumping Act has prevented, and with appropriate amendments set forth below will prevent, injury arising from the unfair trade practice of selling cement at prices made possible only by dumping. This safeguard, however, would become meaningless if, instead of buying dumped cement, importers could gain the same competitive advantage as a result of a further lowering of the U.S. tariff. In an industry where 1 cent a barrel is so important, it would not take very much of a tariff cut to confer such an advantage on importers.

In this connection and also in connection with the Anti-Dumping Act amendments discussed below, it is also important to realize that any reduction in the U.S. tariff or in the price of cement as a result of dumping would not result in any measurable benefit to consumers in the United States, since cement represents such a small percentage of building costs. Thus the only effect in the United States of increased cement imports flowing from a lowered tariff or dumping prices would be injury to the relevant domestic industry.

II. CEMENT'S EXPERIENCE UNDER THE ANTI-DUMPING ACT

Briefly stated, the Anti-Dumping Act comes into play when sales of a commodity are made to the United States at a price lower than the price at which that commodity is sold abroad, and when such sales result in comptitive injury to what the act terms "an industry in the United States." The Secretary of the Treasury is charged with responsibility for pricing investigations on the complaint of domestic competitors or others. If he determines that significant price differentials exist and that the imports involved are not insignificant, the case is referred to the Tariff Commission for determination of the injury question within a prescribed time limit of 3 months. If injury is found, the sole remedy authorized by the act is the imposition of a "special dumping duty" amounting to the price differential found by Treasury. It should be noted that Treasury is authorized, if in the course of its investigation it finds "reason to believe or suspect" that the sales under investigation are being made at dumping prices, to suspend liquidation of imports. This means that imports may be sold in this country, but only after a bond is posted that insures collection of dumping duties on the imports if such duties are eventually ordered.

There is no question as to whether the relevant industry in the United States has suffered injury as a result of cement dumping. In our first cement case referred to the Commission in 1960, the Commission, in view of the high transportation costs of both domestic and imported cement, ruled unequivocably that those domestic producers supplying the northeastern markets in which Swedish cement was sold alone constitute "an industry in the United States" for purposes of determining the matter of injury. This principle was followed in the three subsequent cement injury decisions of the Commission. In the first three cases the Commission found the requisite injury and as a result special dumping duties have been assessed. The last case—involving cement imports from one source for the first 7 months of 1961—did not result in a finding of injury since Treasury limited its finding of dumping prices to that period and in that circumstance the Commission could not find injury. A new contract for the exportation of cement from the same source to the United States has resulted in a fresh complaint which is now pending at Treasury.

Thus, the unfortunate experience of the northeastern cement producers under the Anti-Dumping Act is limited to administrative and substantive problems encountered on the Treasury side of dumping investigations.

Our first complaint was filed in September 1958 and was followed over the next 3 years by a succession of 11 additional cases as importers jumped to new sources while Treasury investigated their old sources. For reasons explained

below, this list has now increased to 15 complaints, the reasonableness of which is demonstrated by the following table:

TABLE NO. 1.—*Results of 15 cement dumping cases*

Country of exportation	Treasury found "reason to believe or suspect" dumping	Nature of final Treasury determination
Norway (in paper)	Yes	No dumping—Solely because of non-cost-justified quantity allowance.
Sweden	Yes	Dumping—Tariff Commission found injury to "an industry in the United States."
Israel	Yes	No dumping—Partly because of non-cost-justified quantity allowance.
West Germany	Yes	Dumping—Not referred to Tariff Commission since shipments ceased and producers assured no future dumping.
Colombia	No	Dumping—Eliminated by price increase to United States.
Belgium	Yes	Dumping—Tariff Commission found injury to "an industry in the United States."
Denmark	Yes	Dumping—Not referred to Tariff Commission in view of limited quantities and cessation of shipments.
Portugal	Yes	Dumping—Tariff Commission found injury to "an industry in the United States."
Tunisia	No	Dumping—Not referred to Tariff Commission since shipments ceased and producers assured no future shipments.
Poland	Yes	Pending.
Dominican Republic	Yes	Dumping through July 28, 1961—Tariff Commission found no injury during limited period of Treasury finding.
Yugoslavia	Yes	Pending.
Norway (in bulk)	Yes	Do.
Dominican Republic	No	Do.
Italy	No	Do.

From table 1 it will be seen that in 11 of our 15 complaints Treasury itself has found "reason to believe or suspect" dumping. In two of the other cases, however, Treasury ultimately found dumping prices, without referring them to the Tariff Commission in view of price changes, cessation of imports and the limited quantities involved. The remaining cases are still pending, having been at Treasury 3 months or less.

Perhaps even more important, in every one of the 10 completed cement dumping investigations Treasury found price differentials, with only the exception of two cases where its refusal to require the cost-justification of quantity allowances resulted in contrary determinations. This record certainly confirms the reasonableness of our cement dumping complaints.

The unfortunate and, we believe, unjustifiable experience of the northeast cement industry in Treasury's processing of our complaints to date relates to three problems.

Time consumed in processing complaints

Table 2 set forth below summarizes the length of time that has been consumed between the dates of our complaints and Treasury's final determination in those 10 cases that it has thus far completed:

TABLE 2.—*Time consumed in processing 15 cement dumping complaints*

Exporting country	Date of complaint	Date of final Treasury determination	Time consumed in reaching final determination (months)
Norway (in paper)	Sept. 15, 1958	Apr. 18, 1960	19
Sweden	Nov. 25, 1958	Dec. 30, 1960	25
Israel	July 21, 1959	Aug. —, 1962	37
West Germany	Aug. 13, 1959	Mar. 30, 1961	20
Colombia	Sept. 25, 1959	Nov. 7, 1960	14
Belgium	Oct. 2, 1959	Mar. 1, 1961	17
Denmark	Apr. 28, 1960[1]	Jan. 13, 1961	9
Portugal	June 9, 1960	July 12, 1961	13
Tunisia	Sept. 13, 1960	Apr. 21, 1961	7
Poland	Dec. 29, 1960	(2)	
Dominican Republic	Apr. 19, 1961	Jan. 8, 1962	9
Yugoslavia	Aug. 28, 1961	(2)	
Norway (in bulk)	Dec. 27, 1961	(2)	
Dominican Republic	May 4, 1962	(2)	
Italy	June 7, 1962	(2)	

[1] An earlier complaint, dated September 24, 1958, was withdrawn Apr. 30, 1959.
[2] Still pending.

Completion of 10 cement-dumping cases took an average of 17 months, the range being from 7 months to the incredible total of 37 months in a case just completed. For the reasons that will be more fully set forth below, this delay is unconscionable and must be precluded in the future.

Cost-justification

Domestic producers of any commodity, including cement, competing with imports are subject to the requirements of the Robinson-Patman Act which, among othher things, prohibits quantity discounts in the absence of proof that such discounts reflect savings in production or other costs resulting from such larger quantities.

While the legislative history of the Anti-Dumping Act, we believe, imposes the same requirement on sales to the United States by foreign producers, Treasury has ruled otherwise. In two major cement-dumping cases Treasury approved alleged quantity discounts by the foreign producer to an American importer which were not and could not be cost justified. If the standards of the Robinson-Patman Act had been applied, dumping margins would have been found. To require domestic producers of articles competing in American markets with imported articles to comply with the requirement of cost-justifying any quantity discounts and not to impose a similar requirement on a foreign producer which sells his products in our markets confers an inequitable advantage on the foreign producer competing with a domestic producer for U.S. markets.[1]

[1] We recognize, incidentally, that if a bona fide quantity discount is normally offered and made on cement sales abroad by a foreign producer, the quantity-discounted price must be, and is, accepted by Treasury without further inquiry.

Exporter's sales price

Of the three problems we have encountered in our cement-dumping cases, the most difficult to explain simply is the need to plug a potential loophole in the Anti-Dumping Act. Such a loophole would materialize if Treasury rules in a case now under consideration, that the establishment of a dummy corporation by an importer for the purpose of buying a commodity abroad avoids the necessity of following the usual standard of comparing the price of a foreign producer abroad with the price to the American importer. If such a loophole should materialize by a Treasury ruling or by a court decision, the result would be to make the Anti-Dumping Act a farce.

Normally, Treasury, in ascertaining whether a price differential exists between the foreign producer's price abroad and his price to the American importer will compare what is known as "foreign market value" as defined in the act, with what is known as "purchase price" as defined in the act. "Purchase price" is the price charged by the foreign producer to the American importer. If the foreign producer or manufacturer or the foreign exporter and the American importer are related by common stock ownership, or otherwise, the act recognizes that arms-length bargaining may be absent between the American importer and the foreign supplier. In so recognizing, the act authorizes Treasury to make an additional computation starting with the importer's resale price in the United States, which the act refers to as the "exporter's sales price." This provides for certain deductions of costs from the importer's first resale price and for a comparison of the resultant figure with the foreign producer's price abroad. In other words, if a foreign producer, manufacturer or exporter and the American importer are related by common stock ownership, Treasury is authorized to ignore "purchase price" and if "exporter's sales price" is less than foreign market value, Treasury is required to determine that a dumping margin exists.

Such an additional computation of "exporter's sales price" is, of course, wholly reasonable when the "purchase price" has been rigged and may not be a commercially bona fide price. In one of our pending cases, however, the American importer has established a subsidiary in the country producing the cement which the importer brings into the United States and sells in the New York area. The dummy corporation buys from the foreign cement plant at a price which is far less than the foreign cement plant's price in its home market. The dummy corporation which buys from the foreign cement plant is required to export the cement it so purchases and is by contract prohibited from selling any of such cement in the home market of the foreign producer.

Actually, the subsidiary corporation has sold all of the cement it has purchased abroad to the parent company in New York which is the importer of record in this country. Because the subsidiary corporation is the exporter in the foreign country, and because the subsidiary corporation is owned and controlled by the parent importing company in the United States, the importer maintains that the price at which the foreign cement plant sells its cement to the exporting subsidiary is irrelevant and that the only relevant datum is the "exporter's sales price." As explained earlier, calculation of "exporters' sales price" starts with the first resale price of the importer in the United States and deducts from such price the costs of selling cement by the importer in our market, U.S. duty and ocean freight and insurance. In addition, any commissions must also be deducted.

If the subsidiary corporation, which is the exporter of record in the foreign country, and the importer were unrelated, the price of the foreign cement plant to the exporter would control and would be compared with the foreign cement plant's price in its home market. Under this test, which is the normal test of comparing purchase price with foreign market value, a dumping margin would immediately be found. Because of the intercorporate relationship between the subsidiary company, which is the exporter abroad, and the importer, Treasury may disregard "purchase price" and base its calculations solely on "exporter's sales price" and determine whether dumping exists by comparing that price alone with the "foreign market value." Pursuant to the exporter's sales price test, a dumping margin is not likely to be found.

Such a margin would be found, however, if Treasury in calculating the exporter's sales price, deducted from the first resale price in the United States, under the word "commissions," as used in the act in defining the term "exporter's sales price," the profits of the importer and the profits of the subsidiary exporting company.

On such a basis the resultant figure would be the price which the foreign cement plant charged to the subsidiary company which is the exporter of the cement to the United States. Such a price would be comparable to the price charged by the cement plant in its sales in its own markets abroad. For the foreign producer's price to the exporter and its price to its home market consumers, include only the cement plant's profits. If the subsidiary company's profits or if the importer's profits are not deducted in the calculation of "exporter's sales price," that price is not comparable to "foreign market value." For "exporter's sales price" would include not only an item reflecting the profit of the foreign cement plant, but also one or two additional items of profits of the subsidiary company and/or the parent importing company. Consequently, "exporter's sales price" as thus calculated would not be comparable to foreign market value.

In brief, Treasury's proposed comparison of "exporter's sale price," as so computed, with "foreign market value" would be like comparing oranges with apples. Another way of looking at this problem is to contemplate the result if there were no exporting subsidiary of the American importer and the foreign mill sold directly. When it is realized that without the exporting subsidiary of the importer, the foreign cement mill would clearly be held to be dumping, the absurdity and enormity of Treasury's proposed decision becomes apparent. For the ease with which importers can establish foreign affiliates and buy from them instead of—but at the same price as—from the foreign producer, sounds the death knell of the Antidumping Act.

III. PRESENT POSTURE OF CEMENT DUMPING CASES

Five cases are still pending at Treasury and more will probably become necessary in the next few weeks. These five cases have already consumed an average of over 8 months without Treasury determination. Each case under present law could lie in Treasury for as long as 37 months or longer. These cases currently involve the question of cost-justification and exporter's sales price. Because we feel that a repetition of past error would be very serious for northeastern and other domestic cement producers selling to coastal markets, as well as for other domestic industries, we are seeking appropriate amendments to the Antidumping Act now.

Before reviewing the specific grounds upon which we urge prompt enactment of the Antidumping Act amendments contained in S. 3606, it is pertinent to note the economic background against which our dumping complaints have been and are being processed. Set forth below is a table summarizing the extent of the cement dumping that has transpired at our northeast coast ports from 1959 through June of 1962.

TABLE No. 3.—*Extent of cement dumping at northeast coast ports*

[Unless otherwise indicated, all figures in barrels]

	Dumped imports [1]	Tainted imports [2]	Imports Treasury suspects of dumping [3]	Subtotal	Subtotal as percent of all imports [4]	Disputed imports [5]	Total	Total as percent of all imports [4]
Fall River:								
1959	232,594	77,062	55,813	365,469	100	0		
1960	236,311	67,657	59,000	362,968	90	39,284	402,252	100
1961	0	0	131,432	131,432	99	0		
1962 [6]	0	0	64,481	64,481	100	0		
Providence:								
1959	104,605	145,433	42,611	292,649	100	0		
1960	80,256	0	145,825	226,081	100	0		
1961	25,019	0	14,577	39,596	100	0		
1962 [6]	0	0	0	0	100	0		
Bridgeport:								
1959	95,619	82,902	0	178,521	20	680,891	859,412	97
1960	204,412	53,322	13,252	270,986	31	529,249	800,235	91
1961	0	0	0	0	0	690,406	600,406	95
1962 [7]	0	0	0	0	0	545,367	545,367	100
New York City:								
1959	100	149,531	0	149,631	96	0		
1960	91,046	129,462	0	220,508	99	0		
1961	174,200	26,746	0	200,946	44	0		
1962 [6]	0	25,974	0	25,974	3	301,774	327,748	40
Trenton:								
1959	20,600	7,200	11,600	39,400	65	21,100	60,500	100
1960	65,300	26,600	16,900	108,800	57	60,900	169,700	89
1961	0	6,700	37,100	43,800	66	20,500	64,300	97
1962 [6]	0	3,100	8,800	11,900	97	0		
All 5 ports:								
1959	453,518	462,128	110,024	1,025,670	58	701,991	1,727,661	98
1960	677,325	277,041	234,977	1,189,343	62	629,433	1,818,776	95
1961	199,219	33,446	183,109	415,774	29	710,906	1,126,680	80
1962 [8]	0	29,074	73,281	102,355	7	847,141	949,496	66

[1] Imports from Sweden, Belgium, and Portugal, whose sales Treasury found were made at dumping prices and the Tariff Commission found caused injury, and imports at New York City of 45,246 barrels in 1960 and 174,200 barrels in 1961 through July from the Dominican Republic whose sales Treasury found were made at dumping prices through that date but which, for the limited period involved, the Tariff Commission could not find caused injury.

[2] Imports from Denmark, West Germany, Tunisia, and Colombia whose sales Treasury found involved dumping prices without, however, referral to the Tariff Commission in view of cessation of imports and assurances regarding future pricing.

[3] Imports from Poland and Yugoslavia whose sales Treasury has thus far found "reason to believe or suspect" are being made at dumping prices.

[4] "All imports" include cement, currently under investigation, from Italy and 1962 entries at New York City through June of 199,877 barrels manufactured by a Belgian producer excepted from Treasury's 1961 determination of Belgian cement dumping.

[5] Imports from Norway and Israel which Treasury cleared despite non-cost-justified quantity allowances (bulk imports involved in 2d Norwegian investigation, which Treasury has found "reason to believe or suspect" are being dumped, have not yet been cleared).

[6] 1st 6 months.

[7] 1st 7 months.

[8] 6-month totals and 7-month totals combined.

The purpose of table No. 3 is not to prove the competitive injury that has been and is being inflicted upon the relevant domestic industry by the unfair price competition made possible by cement dumping, and that has been confirmed by the Tariff Commission. This table does, however, demonstrate that in recent years the overwhelming bulk of the cement imported at our northeast coast ports has been sold at dumping prices and that virtually the entire balance constitutes imports from sources that, if Congress intent were effectuated and quantity allowances were required to be cost justified, would be found to be dumping.

The consequences of this dumping for the production and maintenance employees of our northeastern cement mills in whose markets this cement has been sold are set forth in table No. 4:

TABLE NO. 4.—*Lost man-hours and lost wages resulting from cement dumping at northeast coast ports, 1959–62*

	1959	1960	1961	1962 (6-7 months)
Dumped, tainted and suspect imports:				
Barrelage	1,025,670	1,189,343	415,774	102,355
Equivalent man-hours lost	236,875	277,236	98,759	24,312
Equivalent wages lost	$679,831	$848,342	$314,054	$79,500
Disputed imports:				
Barrelage	701,991	629,433	710,906	847,141
Equivalent man-hours lost	162,123	146,721	168,861	201,221
Equivalent wages lost	$465,293	$448,966	$536,978	$657,993
Total barrelage	1,727,661	1,818,776	1,126,680	949,496
Total equivalent man-hours lost	398,998	423,957	267,620	225,533
Total equivalent wages lost	$1,145,124	$1,297,308	$851,032	$737,493

Source: Survey of actual productivity and wages at northeast cement mills. (1) Productivity computed at the rates of 4.33 barrels per man-hour in 1959, 4.29 in 1960, and 4.21 in 1961 and 1962. (2) Average wages (including fringe benefits) $2.87 per hour in 1959, $3.06 in 1960, $3.18 in 1961, and $3.27 in 1962.

The current significance of tables Nos. 3 and 4 lies in the obvious increase in dumping during the first half of 1962. Thus, during that period imports and resulting lost man-hours and wages have been at levels far higher than those of the preceding years and promise by the end of 1962 to exceed anything we have seen before. Added to this is the fact that the dumping described in these tables does not yet reflect shipments under a new contract concluded by the aforementioned dummy corporation of an American importer that are about to begin. It is with these facts in mind that we urge adoption of the following amendments to the Anti-Dumping Act.

IV. NECESSARY ANTI-DUMPING ACT AMENDMENTS

Time limitation on Treasury determinations

In 1954, the Senate Finance Committee, when it approved transferral of the responsibility for injury determinations from Treasury to the Tariff Commission, unequivocably stated that Treasury "should ordinarily make its determination within a period of 90 days and believes that it will conform to such a time limitation to the full extent practicable."[3] The foregoing record in our cement dumping complaints confirms the sad history belying the committee's expectations. Examination of public information in connection with dumping complaints filed since 1954 on commodities other than cement will show that cement is not alone in its experience.

Treasury either will not, or because of the delaying tactics of foreign producers and American importers cannot reach decisions within a reasonable time. Whichever is the fact—and both may be true—the time has come to require by statute, as Congress has done with the Tariff Commission in imposing a 3-month time limit on the injury determination, reasonably prompt determinations by Treasury.

Our experience confirms that Treasury's investigations alone, without any referral of cases to the Tariff Commission, can mean the cessation of dumping. If those investigations had been concluded within a reasonable period of time, the dumping that occurred in the course of such investigations would have been materially diminished. The resulting competitive injury to domestic producers would have been less and the uncertainties imposed on importers by the suspension of liquidation would also have been reduced.

[3] S. Rept. 2326, 83d Cong., 2d sess., 2 (1954).

Testimony of individuals representing importers has repeatedly urged more prompt Treasury determinations.[3] Treasury itself has supported this position,[4] as did the Randall Commission in 1954.[5]

Our proposal is that in the absence of justification for a longer period, the Secretary of the Treasury be required to reach his determination under the act as soon as practicable and no later than 6 months following the date of complaint. Six months is twice as long as the 90-day expectation of the Senate Finance Committee and is, we believe, wholly reasonable. In the event of unusually complicated cases, however, our proposal would allow for a longer period if, within the 6 months, the Secretary of the Treasury reports to the chairmen of the Senate Finance and House Ways and Means Committees the reasons why a longer period is required. S. 3606 embodies these proposals.

Cost justification

As noted above, we do not object to Treasury's computation of foreign prices on the basis of quantity discounts, whether or not cost justified. If bona fide quantity discounts are customarily offered and made in the foreign trade under consideration, it is not the business of the United States to examine into their reasonableness, and the Anti-Dumping Act so provides. When it comes to sales to the United States, however, it is our position that the customs and laws of this country governing competitive domestic industries should not and cannot be eluded by foreign producers.

It is a fairly common occurrence that goods are sold to the United States in quantities that are considerably greater than the quantities in which those goods are sold abroad. It may well be that production and sales of such larger quantities result in significant savings in manufacturing, selling, or other costs. Under such circumstances the Anti-Dumping Act properly allows any such cost savings to be passed along to customers in the United States—and does not condemn the resulting lower prices to this country as dumping prices. Instead, sections 202 (b)(1) and (c)(1) authorize Treasury to make "due allowance" for price differences resulting from differing quantities in which goods are sold to the United States in contrast to markets abroad.

This "due allowance" is comparable to the act's provision for due allowances for other differences in circumstances of sale and for the fact that sales abroad and in the United States of similar, but not identical, merchandise are being compared. It is perfectly clear, however, that in these two instances the "due allowance" is limited to an amount justified from cost information.

Thus, the Ways and Means Committee report recommending enactment of 1958 amendments to the act authorizing "due allowance" for "other differences in circumstances of sale" explicity states that "examples would be differences in terms of sale, credit terms, and advertising and selling costs.[6] Similarly, that report in connection with the 1958 amendment authorizing "due allowance" for the fact that similar but not identical merchandise was under consideration, gave as an example the comparison of long-handled shovels sold to the United States and otherwise identical but short-handled shovels sold abroad and stated that the price comparison would then be made after "allowance for the fact that the long handles cost more than the short handles."[7] Identical statements respecting both kinds of "due allowance" appear in the Senate Finance Committee report.[8]

In two cases completed in 1960 and this summer, and in a pending decision Treasury has made and proposes again to make a "due allowance" for the larger quantities of cement sold to the United States in contrast to foreign sales without any cost-justification and under cover of a blanket assertion that this allowance is "reasonable." This position ignores Treasury's own professions to Congress that "shortly after the [Antidumping] act was passed the Treasury in effect announced that its determination of price differential was going to be made simply on the basis of arithmetic, without any reference to whether the import price was 'fair'—meaning 'equitable,'" and that "this policy has

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[3] See, for example, hearings on H.R. 6006 before the Senate Committee on Finance, 85th Cong., 2d sess., 198–199 (1958).

[4] Testimony of Treasury Assistant Secretary Kendall, hearings on H.R. 6006, 6007, and 5120 before the House Committee on Ways and Means, 85th Cong., 1st sess., 46 (1957).

[5] Commission on Foreign Economic Policy, report to the President and Congress, H. Doc. 290, 83d Cong., 2d sess., 48 (1954).

[6] H. Rept. 1261, 85th Cong., 1st sess., 7 (1957).

[7] Ibid.

[8] S. Rept. 1619, 85th Cong., 2d sess., 7 (1958).

never been seriously challenged by Congress."[9] More important, a non-cost-justified quantity allowance in these cases ignores the teachings of Congress as set forth above. S. 3606 is designed to insure that, as in the case of comparing similar but not identical merchandise and "other differences in circumstances of sale," any "due allowance" for sales of relatively larger quantities to the United States is justified in terms of cost savings. For this purpose S. 3606 borrows verbatim the relevant language of the Robinson-Patman Act and would limit due allowances for differing quantities of sale to "differences in the cost of manufacture, sale, or delivery" resulting from the difference in quantities. By this amendment there would be imposed on foreign producers the same burden to cost justify quantity discounts as is now imposed on their competitors in the United States by the Robinson-Patman Act.

Exporter's sales price

Since the purpose of providing for a second method of calculating price for comparison with foreign market value is to test the commercial bona fides of the purchase price when a seller and buyer are related by stock ownership, it follows inevitably that Congress must have intended to use exporter's sales price as an additional check on and not as a substitute for purchase price. When a dummy corporation is set up by the importer for the sole purpose of buying foreign cement and exporting to its parent company in the United States, and when the foreign producer is unrelated to either the exporter or the importer, it would be absurd to ignore purchase price. For purchase price is the price charged by the foreign producer to the exporter who is in no way related by stock ownership or otherwise.

In order to prevent the emasculation of the act in these circumstances, we urge an amendment which would require Treasury to determine whether either "purchase price" or "exporter's sales price" is less than the "foreign market value" and if either such price is less than foreign market value, to find dumping.[10] To accomplish this same purpose, that is, to prevent the act from being emasculated, we also urge that the word "commissions" in the definition of "exporter's sales price" be expanded to include the profits of both the exporter and the related importer.[11] This will insure that oranges and oranges, and not oranges and apples, are compared when Treasury decides whether dumping is taking place.[12]

Such amendments seem to us to be essential even though Treasury should upon reconsideration withdraw its original proposals and plug this loophole. For importers have the right to obtain review of Treasury's determinations under the Anti-Dumping Act by the Customs Court. And the Customs Court and the Appellate Court might overrule Treasury and find that a loophole does exist and thus reduce the act to a meaningless shambles.

[H.R. 11970, 87th Cong., 2d sess.]

On page 82, after line 11 of H.R. 11970, add the following:

TITLE V—AMENDMENTS TO THE ANTI-DUMPING ACT, 1921

Sec. 501. Determinations by Secretary of Treasury

Section 201(a) of the Anti-Dumping Act, 1921 (19 U.S.C. sec. 160(a)), is amended by inserting between the first and second sentences the following new sentence:

"The Secretary shall make such determination, or shall make a determination that the merchandise involved is not being and is not likely to be sold in the United States or elsewhere at less than its fair value, at the earliest prac-

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[9] Hearings on H.R. 6006, 6007, and 5120 before the House Committee on Ways and Means, 85th Cong., 1st sess., 48 (1957).

[10] Nowhere does the act render purchase price and exporter's sales price mutually exclusive. When it is realized that H.R. 2435, 67th Cong., 1st sess., which, after Senate amendment, became the Anti-Dumping Act of 1921, expressly provided that the lower of the two prices should be compared with foreign market value, it is clear that our amendment effectuates the original intent of Congress.

[11] There is no question but that the return to the foreign supplier, excluding the profits of intermediaries, was viewed by Congress as the exporter's sales price. See, for example, hearings on H.R. 2435 before the Senate Finance Committee, 67th Cong., 1st sess., 42–43 (1921), and S. Rept. 16, 67th Cong., 1st sess., 12 (1921).

[12] As the Secretary of the Treasury stated on p. 7 of the 1957 report to the Congress on the operation of the Anti-Dumping Act, submitted in compliance with sec. 5 of the Customs Simplifications Act of 1956: "In making the comparison, it is necessary to reduce the two prices to comparable terms."

ticable time after the date on which the question of dumping is first raised by or presented to him or any person to whom authority under this section has been delegated or, on the basis of the then existing record, not later than six months after such date, unless, within the said six months, he shall have submitted a report to the Chairman of the Commitee on Ways and Means of the House of Representatives and to the Chairman of the Committee on Finance of the Senate stating the reasons why a longer period is required within which to reach such determination, and the estimated extent of such longer period."

Sec. 502. Quantity differentials

(a) Section 202(b)(1) of the Anti-Dumping Act, 19121 (19 U.S.C. sec. 161(b)(1)), is amended by striking out "the fact that" and inserting in lieu thereof "differences in the cost of manufacture, sale, or delivery resulting from the fact that".

(b) Section 202(c)(1) of such Act is amended by striking out "the fact that" and inserting in lieu thereof "differences in the cost of manufacture, sale, or delivery resulting from the fact that".

Sec. 503. Exporter's sales price

(a) Section 202(a) of the Antidumping Act, 1921 (19 U.S.C. sec. 161(a)), is amended by inserting after the word "if" and before the word "the", in the phrase "if the purchase price or exporter's sales price is less than . . .," the word "either" and by striking out "a special dumping duty in an amount equal to such difference." and inserting in lieu thereof "a special dumping duty in an amount equal to such difference: *Provided*, That if both the purchase price and the exporter's sales price are less than the foreign market value (or, in the absence of such value, than the constructed value), such special dumping duty shall be in an amount equal to the greater difference."

(b) Section 204 of such Act is amended by striking out "(2) the amount of the commissions, if any, for selling in the United States" and inserting in lieu thereof "(2) the amount of the commissions and profits, if any, for selling in or to the United States".

Sec. 504. Applicability of this title

(a) Except as provided in subsection (b), the amendments made by this title shall apply with respect to all merchandise as to which no appraisement report has been made on or before the date of the enactment of this Act: *Provided*, That with respect to such merchandise as to which, on or before such date, the question of dumping shall have been raised by or presented to the Secretary of the Treasury or any person to whom authority under section 201 of the Antidumping Act, 1921, has been delegated, the Secretary shall determine within six months from the date of the enactment of this Act whether the merchandise is being, or is likely to be, sold in the United States or elsewhere at less than its fair value.

(b) The amendments made by this title shall not apply with respect to any merchandise which—

(1) was exported from the country of exportation before the date of the enactment of this Act, and

(2) is subject to a finding under the Antidumping Act, 1921, which (A) is outstanding on the date of the enactment of this Act, or (B) was revoked on or before the date of the enactment of this Act but is still applicable to such merchandise.

Proposed amendment to H.R. 11970 to limit reductions of United States duty on any article if duties of principal foreign countries on such article are higher than U.S. duty.

Our proposal is limited to items like cement on which other free world countries impose higher tariffs than we impose, and could be effectuated by a new subsection of section 225 of H.R. 11970 phrased as follows:

"In addition to the articles described by subsections (a), (b), and (c), the President shall also so reserve any article for which the rate of duty existing on July 1, 1962 is less than the rate of duty imposed on such article by any free world country."

Senator CURTIS. The committee will stand in recess until 10 o'clock Monday morning.

(By direction of the chairman, the following is made a part of the record:)

THE NEW ENGLAND COUNCIL,
Washington, D.C., July 31, 1962.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
New Senate Office Building, Washington, D.C.

DEAR SENATOR BYRD: The New England Council is a nonpartisan organization, representing all aspects of the New England economy. It was established in 1925 at the request of the six New England Governors and serves today as secretariat for the New England Governors Conference. In addition, the council provides a number of services to the State governments, working principally in the area of interstate cooperation. It is concerned, of course, with Federal legislation as it affects the economy of our region. Made up of representatives from industry, labor, educational, and farm groups, as well as the State governments, the council is concerned solely with regional development and with the improvement of the New England economy.

Enclosed herewith you will find the New England Council's policy on foreign trade. This policy was developed following a long consideration of the subject. During the course of the study, a special report was made to the council by members of its research advisory committee and this report is also enclosed herewith. This report was designed to furnish background information which subsequently led to the adoption of the policy statement by the council's executive committee and its board of directors.

The council's objective has been to weigh the economic effects of the trade expansion program on the New England economy. While we believe that this statement sets forth sound policy objectives, we are not unmindful of the particular problems to be faced by more vulnerable industries such as textile, shoe and leather, and the silver-jewelry industries. It was with this in mind that we included paragraph 4 in the statement. As long as it is necessary during the transitional years, we shall be sympathetic to these special programs. However, we feel that the long-range objective should be the inclusion of all industries under liberalized and nondiscriminatory trade policies.

We hope that the statement adopted by the council will be of some assistance to you in your deliberations and we respectfully request that this letter and the enclosures be made a part of the record of your committee.

Sincerely yours,

GARDNER A. CAVERLY, *Executive Vice President.*

POLICY ON FOREIGN TRADE

(Adopted June 14, 1962)

The New England Council believes that the adoption by the United States, in conjunction with other non-Communist countries, of liberalized and nondiscriminatory trade policies is in the national interest of the United States and in the regional interest of New England.

The council favors enactment by the Congress of a trade expansion law similar in basic principles, though not necessarily in details, to that now under consideration (H.R. 11970). The council recognizes that conferring increased negotiating authority upon the executive branch is not alone sufficient to achieve trade expansion. Also called for are governmental and nongovernmental actions in the fields of wages, prices, taxes, and monetary and fiscal policy which are appropriate to the expansion of a competitive economy both here and abroad.

To facilitate the competitive adjustments by which the economic benefits of tariff reductions are realized, it may be necessary for the Federal Government to provide for temporary adjustment assistance to an industry, firm, or group of employees subjected to "major hardship" directly caused by a freer trade policy. The "major hardship" should be defined in such a manner as to eliminate the subsidization of marginal industry or special interests. The council believes that the Congress should insure that whatever adjustment provisions are ultimately incorporated in the Trade Expansion Act will not be employed as palliatives for problems requiring a more fundamental approach.

Recent experience has demonstrated that national interest sometimes requires special exceptions to a general policy to meet the unusual problems of specific

industries or particular geographic areas. The New England Council anticipates continued exercise of governmental authority to insure that the burden of adjusting to the impacts arising from liberalized trade agreements do not fall unduly on specific industries or their employees, or on geographic areas.

Special Report on the Trade Expansion Program and Its Meaning for New England

(Prepared for the New England Council by Harold Van B. Cleveland of Boston)

Summary of Conclusions

Formation of the European Common Market and Britain's prospective membership have created a powerful aggregate of economic power which compels a basic revision of U.S. tariff policy.

With its rapid rate of economic growth, the Common Market offers us the possibility of rapidly increasing exports, which could provide a much needed stimulus to our economy and help to strengthen our balance of payments. But these opportunities depend on a substantial reduction of the Common Market's external tariff. Indeed, unless the external tariff is lowered, the formation of the Common Market and British accession to membership could seriously affect U.S. exports to Europe not only in relative but even in absolute terms. If this should happen, it would have serious consequences not only for American business but also for the unity of the Western Alliance.

Obviously, the Common Market's external tariff will be substantially reduced only if the United States is prepared to offer important tariff concessions in return. The proposed Trade Expansion Act of 1962 would give the President the necessary bargaining authority which he now lacks. It would provide the U.S. Government with a powerful instrument for the building of an Atlantic Trade Partnership. Now while the external trade policy of the Common Market is still undetermined is the time to act.

If the Trade Expansion Act becomes law, the Administration's first step, according to present indications, will be a far-reaching trade agreement with the European Common Market. The Agreement would provide for a major reduction in U.S. and Common Market tariffs for many industrial products—those on the so-called "dominant supplier" list (see table, p. 1565).

A reciprocal lowering of tariffs on industrial products and an expansion of trade with Europe and other industrial areas would be generally beneficial to U.S. industry and to the American consumer. The effect of tariffs and other artificial barriers to trade is to cause labor, capital, and management to be used less efficiently: thus reducing the Nation's real output and income. Though some tariffs may be required for reasons of national security or to prevent hardship, there is no avoiding the fact that the main effect of tariffs is to protect inefficiency. As the Nation's foreign trade expands, employment in export industries increases relative to employment in import-competing industries. This is beneficial to the economy because both productivity and wages in the export industries are substantially higher than in the import-competing industries.

An agreement with the Common Market to reduce tariffs on the manufactured products included in the so-called dominant supplier list would thus tend to raise productivity and wages in American manufacturing. The mass production industries and those which emphasize technological leadership and rapid product innovation would be particularly benefited.

New England, it appears, would benefit more than proportionally, because the New England economy has a somewhat larger stake than the Nation as a whole in exports of manufactures, and because many New England firms are characterized by rapid product innovation. The New England industries which are believed to be particularly vulnerable to competition from imports and which are now protected by high tariffs would be little affected by the trade expansion program, because their products are not on the "dominant supplier" list.

Moreover, case studies of New England firms in three industries of this kind—woolen textiles, footwear, and silverware—lead to the conclusion that substantial parts of these New England industries are not as vulnerable to import competition as is commonly assumed. This is because a substantial part of their business is a fashion and merchandizing business, which presents major difficulties to the foreign manufacturer.

Tariff cuts leading to increased imports will nevertheless create problems of adjustment for some domestic industries and communities. The nature of these problems and their severity are by no means the same for all import-competing industries, however. No foreign trade policy which ignored these problems would make sense. It is important, however, not to solve them by means which effectively prevent trade liberalization. This, unfortunately, is the effect of the "peril-point" and "escape-clause" provision of the present law (The Trade Agreements Act).

The present law has been interpreted to forbid any duty to be reduced if the Tariff Commission finds any adverse effect on production or profits, or even a decline in the proportion of the domestic market supplied by domestic producers. Thus the peril-point and escape-clause provisions in their present form forbid tariff reductions which would require any competitive adjustment by domestic industry. This "no-adjustment doctrine" is fundamentally at odds with the purpose of trade liberalization, for the economic benefits of tariff reduction flow from the competitive adjustments which increased imports help to induce.

The administration's trade expansion bill would eliminate the no-adjustment philosophy of the present law. It retains the essence of the peril-point procedure but vests authority for establishing peril points in the President rather than the Tariff Commission.

The bill also retains the essence of the escape clause: The President's authority to withdraw a tariff concession. But an alternative remedy for hardship caused by tariff cuts is also provided in the form of adjustment assistance to firms, workers, and industries which can show that they have been seriously hurt by tariff concessions.

These provisions of the bill are among its most controversial. It is to be hoped, however, that any changes made in them by the Congress will not perpetuate the no-adjustment philosophy of the present law, which is inconsistent with the aims of the trade expansion program and would gravely weaken the President's bargaining power in negotiating with the Common Market.

THE TRADE EXPANSION PROGRAM AND ITS MEANING FOR NEW ENGLAND

On January 26, 1962, President Kennedy presented to Congress a bill which, if passed, will become the Trade Expansion Act of 1962. The Trade Expansion Act would replace the Trade Agreements Act, which expires this year. The President's proposal differs from the present law at many points. The central difference, however, is not in the details of the bill but in the underlying concept of trade policy.

The proposed new law is presented to Congress and the public as a major instrument of policy, foreign and domestic. The trade agreements program has not usually been thought of in this way. Indeed, it was largely separate from the main stream of our foreign and domestic concerns. The work of a small group of devoted men in the executive agencies and on Capitol Hill, allies and followers of Cordell Hull, believers in free trade, the program never enjoyed widespread public understanding or support.

Mainly for this reason, the President's authority under the Trade Agreements Act has been gradually whittled down. Without general support based on a belief that vital national interests require a reciprocal reduction of tariffs, the program has inevitably suffered attrition under pressure from those who fear the impact of tariff concessions on particular domestic industries.

The authority to cut tariffs has, it is true, been extended repeatedly and somewhat expanded since 1934, when the act first became law, but restrictive amendments have greatly reduced the real scope of that authority. The so-called peril-point and escape-clause provisions of the act have been amended and reamended, until today they largely destroy the effectiveness of the act for trade liberalization. Indeed it can be said that these amendments have reduced the present law to little more than a statement of good intentions.

Thus, though the Trade Agreements Act has in its time served our country well, it is today obsolete. The proposed Trade Expansion Act of 1962 is an effort to bring U.S. trade policy into line with present-day realities.

U.S. trade policy and the European Common Market

The trade expansion program has been presented to the public as necessary to national security, to the unity of the free world, and to the growth of production and employment at home. Is this new characterization of tariff reduction just public relations gimmickry? Or does it reflect changes in the world situation

and in our domestic economy which have given foreign trade a new importance to national security and economic health?

The major new fact which has compelled a rethinking of U.S. trade policy is the emergence of the European Common Market. This new aggregate of economic power is based on a population equal to that of the United States and a gross production of $180 million—greater than that of any single country except the United States. Its production, moreover, has been growing twice as fast as our own. If Britain and other prospective members join, the Common Market will be producing $285 billion of goods and services, and its population will be over 250 million. If the economic stimulus which the Common Market has given its present members extends to the prospective new members, the day may not be too far distant when the combined purchasing power of the Common Market will equal that of the United States.

The sudden rise of this young economic giant creates major opportunities for the United States. Nearly a third of our total exports are already sold to members and prospective members of the Common Market. With its rapid rate of economic growth, the Common Market offers the possibility of rapidly expanding imports from the United States, which could provide a much-needed stimulus to our whole economy, where rate of growth has for some years now lagged behind that of all other Western industrial countries except Belgium and and the United Kingdom, as the following figure show:

Growth of total output: 1950–58

[Percent per year]

Country	Percent
United States	3.3
Japan	7.9
West Germany	7.4
Italy	5.5
Netherlands	4.5
France	4.3
Canada	4.0
Belgium	2.9
United Kingdom	2.2

Source: U.S. Congress, Joint Economic Committee, "The European Economic Community and the United States" (Washington, 1961), p. 24.

At the same time, increased imports from the Common Market would apply another form of stimulus to the domestic economy: foreign competition. We have much to gain from exposing more of our industry to the necessity of keeping up with industrial advance in Europe. Increasing imports would likewise help to restrain inflation. Evidence is accumulating that the forces of domestic competition in commodity and labor markets are not sufficient to prevent inflationary price and wage increase. Increasing foreign competition, made effective through tariff reduction, may therefore prove to be a fundamental means of combating inflation, that is, of making a higher rate of economic growth compatible with reasonable stability of prices.

Because European markets are growing more rapidly than our own, mutual tariff reduction will tend to increase our exports more rapidly than our imports, thereby strengthening our balance of payments at a time when strength is greatly needed. Reduction of the Common Market's external tariff will likewise reduce the incentive for direct investment by American firms in Europe, to the extent that such investment has been induced by a desire to establish production inside the external tariff wall. This too will tend to ease the strain on the dollar.

The weakness of the U.S. balance of payments has restricted the growth of the economy by making a more cautious credit and monetary policy necessary. The pressure on the dollar also tends to limit our ability to spend abroad for foreign aid and military needs. Strengthening the foreign balance through growing exports and reduction of uneconomic foreign investment is thus necessary both to stimulate the domestic economy and to support foreign commitments.

These are great opportunities, but whether they are realized depends upon the external trade policy of the Common Market. The Common Market countries have committed themselves to the total removal of all barriers to trade among themselves, and the creation of a common external tariff equal to the average of their present national tariffs. This, of course, will greatly ease the difficulties of trade within the Common Market—indeed to a remarkable extent

it has done so already, as the vigorous growth of trade among the present members attests. In the period of 1957-60, trade among the six Common Market countries increased 43.2 percent. In the same period, U.S. exports to the Common Market increased by only 7.8 percent.

But the removal of internal barriers increases the difficulties of outsiders who wish to penetrate the market with their goods. A Connecticut manufacturer of textile machinery and his German competitor formerly competed on equal terms in the French market. The creation of the Common Market gives the German exporter a price advantage equal to the Common Market's external tariff on textile machinery.

Thus the promising potential market for U.S. exports in the Common Market will remain potential if the Common Market's external tariff on manufactures, which is somewhat more restrictive than the U.S. tariff, and markedly so in the case of consumer goods, is not bargained down to much lower levels. Obviously this can be done only if the United States is prepared to offer important tariff concessions in return.

The external tariff of the Common Market is still being negotiated among the members. Now, while the basic external trade policy of the Common Market is still undetermined, is the time to act. The present opportunity may not last. For if the external tariff remains high, investments within the Common Market will be made on that assumption, creating vested interests that will demand continued protection.

Moreover, the discrimination which is inherent in the formation of the Common Market trade could lead to a political rift between Western Europe and the United States which would not only diminish the possibility of successful tariff negotiations at a later time but would have serious consequences for the unity of the Western alliance. The discrimination against outsiders created by the Common Market's external tariff can, however, be lessened if not largely eliminated by substantial reduction of the external tariff on a most-favored-nation basis in exchange for similar action by the United States and other industrial countries.

Failure to seize the present opportunity will have other undesirable consequences. The underdeveloped nations of Asia and Africa are attempting to raise their living standards through economic development and industrialization. To support their growth, they too need expanding opportunities for trade, not only for their traditional exports (raw materials and unmanufactured foodstuffs) but also for the simpler manufactures. Our ally, Japan, has a similar and even greater need to expand exports, as do our Canadian neighbors. The principal export markets for these countries' products are the United States and the Common Market.

The United States has a major political interest in seeing to it that the Common Market's external trade policy as well as our own evolves in the direction of providing adequate trading opportunities for third countries—unless we wish to see the political and economic gap between the wealthy, industrial West and the underdeveloped countries of Latin America, Asia, and Africa widen, driving them toward communism.

Our stake in the expansion of Latin American exports to the Common Market is particularly great. Tropical Latin America competes directly in the Common Market with the associated oversea territories and possessions of member countries, whose exports of products such as coffee, cocoa, and bananas will enter the Common Market duty free, behind the protection of the Common Market's external tariff. For political reasons, we dare not neglect the interest of our southern neighbors in nondiscriminatory access to European markets. The trade expansion bill preserves the most-favored-nation principle, thus assuring that tariff concessions among the Western powers will be generalized for the benefit of other non-Communist countries.

To avoid the dangers and realize the opportunities which the Common Market presents, the United States needs a trade policy which is more than an expression of good intentions. The United States needs a powerful instrument for the building of an Atlantic trade partnership. This is the aim of the trade expansion program.

The trade expansion program

The central feature of the administration's trade expansion program will be a far-reaching trade agreement with the European Common Market. The agreement would provide for a major reduction of United States and Common Market tariffs on a selective basis. The basis of selection is the so-called dominant sup-

plier authority which the trade expansion bill would provide. It would authorize the President in a trade agreement with the Common Market to reduce or even eliminate entirely tariffs on those categories of goods for which United States and Common Market exports in combination account for 80 percent or more of the free world's trade (excluding trade among the Common Market countries themselves).

Under this authority, tariff cuts could be negotiated in terms of the broad industrial product categories of the United Nations Standard Industrial Trade Classification. Tariffs would not have to be negotiated article by article and duty by duty, as the present law is interpreted to require.

This novel form of tariff-cutting authority has been proposed for several reasons. In the first place, the products included are those industrial products which are of most interest to American and European exporters. For they are, by definition, the goods on which we and the Europeans have demonstrated an overwhelming advantage over other countries as producers and exporters.

Just what articles will be included under the dominant supplier authority has not been officially determined. It depends, under the bill's definition, on the membership of the Common Market (particularly on whether Britain joins) and on the base year chosen for the 80 percent calculation. To illustrate broadly the kinds of goods involved, a hypothetical "dominant supplier" list has been prepared for this report, based on 1960 trade figures and on the assumption that Britain, Denmark, Greece, Ireland, and Norway join the Common Market, as now seems quite probable. The resulting product categories and the 1960 figures on trade between the United States and the enlarged Common Market in these categories are shown in the table on page 1565 of this report.

The dominant supplier principle also simplifies the application of the most-favored-nation principle in negotiating with the Common Market. Since we and the Europeans are the main suppliers of these products, tariff concessions can appropriately be negotiated on a bilateral basis and the results generalized to other countries on a most-favored-nation basis, as the bill requires.

Another reason for adopting the dominant supplier principle is that it excludes the products of certain industries which might be seriously affected by imports if tariffs were cut, such as textiles, footwear, and pottery. We are not major suppliers of these products in world trade, because our international competitive position is not strong.

The President's proposed authority to negotiate a tariff agreement with the Common Market in terms of the broad product categories of the standard industrial trade classification (SITC) is also a useful innovation. The traditional item-by-item procedure in international tariff negotiations is slow and exceedingly cumbersome. It tends to freeze trade patterns and makes little provision for the many new products developed each year. The traditional approach to tariff reduction was abandoned by the Common Market countries in negotiating tariff cuts on trade with each other, in favor of across-the-board percentage cuts applicable to broad product categories. The new technique proved effective. The President's authority to negotiate in terms of the broad SITC categories is a long step in the same direction. It would simplify the negotiating process, and the resulting cuts, applicable to broad product categories rather than to particular articles, would have less tendency to freeze trade patterns and would apply to new as well as old products in the same category.

Another aim of the trade expansion program is to obtain nondiscriminatory access to the Common Market for the agricultural exports of Latin America and southern Asia. To carry out this purpose, the trade expansion bill would grant the President authority to reduce or eliminate U.S. tariffs on agricultural commodities produced in the geographical area lying between latitude 20° N. and 20° S., in exchange for parallel tariff cuts by the Common Market.

The trade expansion bill would also authorize the President to reduce any duty existing on July 1, 1962, by not more than 50 percent. This third grant of tariff authority is similar to past grants of authority under extensions of the Trade Agreements Act. The 50-percent authority would presumably be used in situations where the dominant supplier authority did not apply—for example, in tariff negotiations on articles of which Canada or Japan were important suppliers in world trade. Or it might be used for products on the dominant supplier list in cases where it was felt inadvisable to extend a tariff cut negotiated between the United States and the Common Market to a third country without simultaneously negotiating an equivalent concession from the third country.

Under the bill, tariff cuts in all three categories must be spread over a period of not less than 5 years, in order to cushion the impact on domestic producers and provide time for adjustment. As already noted, the bill also preserves the most-favored-nation principle of the present law.

Perhaps the most far-reaching difference between the proposed Trade Expansion Act and the present law is the modification of the peril-point and escape-clause provision and the provisions for readjustment assistance. These changes reflect a fundamental difference of philosophy between the trade agreements program and the trade expansion program, as explained in the final chapter of this report.

The economic impact of tariff reduction

If the United States and the Common Market make major tariff concessions to each other, what will the effect be on the national economy? What effect on the economy of New England?

A selective lowering of tariffs and an expansion of trade with Europe would be generally beneficial to U.S. industry and to the American consumer. The effect of tariffs and other artificial barriers to trade is to cause labor, capital, and management to be used less efficiently, thus reducing the Nation's real output and income. Likewise tariffs tend to limit the consumer's choice, causing him to accept a less desired and possibly inferior domestic product in place of the foreign product he might have bought if the tariff had not raised its price.

The productivity of each worker in the 65 principal U.S. exporting industries is 50 percent higher (measured in terms of value added per worker) than in the industries which face serious competition from imports and which are protected by high tariffs.[1] Wages in the exporting industries are also somewhat higher than in the highly protected industries, and the exporting industries are generally faster growing and technologically more progressive. The Nation's economy will therefore be substantially better off to the extent that employment in the exporting industries expands at the expense of employment in the protected industries as the result of a tariff agreement with the Common Market. The American consumer's range of choice will also be wider, and he will get more for his money.

Of course, industrial efficiency and the satisfaction of consumers' wants are not the only considerations in making tariff policy. Some tariffs may be needed to protect industries important to national defense. Some may be needed, on a temporary basis at least, to avoid serious reduction of output and employment in industries which face competition from imports and whose manpower is unable to find alternative employment. Yet there is no avoiding the fact that the main effect of tariffs is neither to strengthen national defense nor to prevent hardship, but to protect inefficiency.

Many American businessmen seem hardly aware of the existence and importance of export markets. Yet exports already play a large and growing role in our economy. Labor Department figures for 1960 show that 7.7 percent of all employees in manufacturing produce directly or indirectly for export.[2] Indeed, the majority of our industries share directly or indirectly in exports. Reductions in the Common Market tariff and increased European dollar earnings due to tariff concessions by the United States would therefore benefit a wide segment of American manufacturing.

From the figures we have been able to obtain, it appears that New England would share more than proportionately in these gains. The proportion of New England manufacturing employment which is engaged directly or indirectly in exports is larger (8.4 percent) than for the Nation as a whole (7.7 percent). Moreover, manufacturing is substantially more important in New England than in the country at large. Reduction of Common Market tariffs on manufactured goods would therefore increase wage payments, employment, and production in New England at least as much as, and possibly more than, in the country as a whole. The following table shows some of these relationships.

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[1] Beatrice N. Vaccara, "Employment and Output in Protected Manufacturing Industries" (Brookings Institution, Washington, D.C., 1960), p. 71.

[2] See U.S. Department of Labor, Bureau of Labor Statistics, "Domestic Employment Attributable to United States Exports" (January 1962), table 5.

Manufacturing employment directly and indirectly related to exports in 1960: United States and New England

	United States	Northeast	Northeast as percent of United States
Total manufacturing employment (thousands)	16,654.7	1,446.0	8.7
Manufacturing employment directly attributed to exports (thousands)	640.6	60.2	9.4
Percent of manufacturing employment directly attributed to exports (percent)	3.8	4.2	
Manufacturing employment indirectly attributed to exports (thousands)	647.0	60.8	9.4
Percent of manufacturing employment indirectly attributed to exports (percent)	3.9	4.2	

Source: U.S. Department of Labor, Bureau of Labor Statistics, "Domestic Employment Attributable to U.S. Exports, 1960" (January 1962), and Federal Reserve Bank of Boston, except the figures for indirect manufacturing employment in New England attributed to exports, which are the writer's estimates.

What industries would be primarily affected by increased export opportunities and by new competition from imports under the trade expansion program?

The central feature of the program and the first step in carrying it out, according to present indications, will be the negotiation with the Common Market of a general tariff reduction for products on the dominant supplier list. A hypothetical dominant supplier list based on 1960 trade figures appears on page 1565. The table suggests that a general reduction of the Common Market tariff would benefit American exporters of aircraft, coal and coke, organic chemicals, metalworking machinery, other industrial machinery, electric machinery, automobiles and trucks, office machinery, and medical and pharmaceutical products. These are products we already sell in large quantities to Western Europe and would doubtless sell in still larger quantities if the Common Market's tariffs were substantially reduced. New England industry is well represented in most of these categories.

A list of 57 New England exporting industries may be found in the table on page 1566. In 1958, these 57 industries employed some 330,000 persons in New England—nearly a quarter of New England's total employment in manufacturing.

Within the broad product categories of the dominant supplier list, the particular things we produce more cheaply than Europe, or in which we produce superior products owing to technological leadership or more rapid product innovation, will be the chief beneficiaries of reductions in the Common Market's external tariff. Conversely, where our costs are higher, our European competitors will usually be the stronger in their own markets and, if the U.S. tariff is reduced sufficiently, in our markets as well.

Some of these items are in the product categories in which we are also strong exporters. The table on page 1565 shows that our main imports from Western Europe in the dominant supplier categories were automobiles, paints and pigments, office machinery, agricultural machinery, industrial machinery, and electric machinery.

American wages are two to four times wages in Britain and western continental Europe. Nevertheless, our industries produce a wide range of manufactures at costs substantially below European costs. For labor costs are not determined by wage rates but by the relation between wages and the productivity of labor. And the average productivity of European labor is as much lower, proportionately, than the average productivity of American labor as European wages are lower than American wages.

In fact, this relationship appears to hold true among all the industrial countries, and the reason is not far to seek. For a country's general wage level is determined by the average productivity of its labor, or to put it a little differently, the productivity of a nation determines what wages employers can afford to pay.

It follows that no country has a general competitive advantage for all or most of its exports over other countries, however low its wage level. The argument which always crops up in tariff debates that a general reduction of tariffs would produce a flood of cheap imports of all kinds is thus without foundation in economic theory or experience.

The productivity of labor varies widely in all countries from industry to industry, and within industries from product to product. Wages, on the other hand, are more uniform. This is the main reason why the United States (or any other country) produces some goods (those in which its productivity is relatively high) more cheaply than foreign competitors, while other industries (those in which labor productivity is relatively low) are vulnerable to foreign competition unless protected by tariffs. If, then, one would assess the effect of tariff reduction, something must be said about the causes of differences in labor productivity among our own industries and in comparison with those of Western Europe.

The productivity of labor of course is effected by many things but above all by the amount of capital plant and equipment used, and by its technological level. In the high wage American economy, management has a strong incentive to substitute capital for labor and to introduce improved equipment as rapidly as it becomes available, in order to keep labor costs down. Firms which do this consistently generally have little to fear from imports and are usually strong competitors abroad.

Of course, all industries are not equally able to substitute capital for labor and to improve continually the technical level of their equipment. Some industries seem to have exhausted the possibilities of advance in production techniques. In others, markets may be static or declining or profits may be too low to make modernization feasible.

In general, however, our large markets make mass-production methods possible, which in turn makes possible the use of the more expensive, specialized, high-speed equipment which cuts labor costs per unit of output way down. Large markets which are also growing encourage the rapid replacement of older equipment with more advanced and productive machinery. Because we have the largest national market and the highest living standards in the world, we are therefore able to produce many products at costs lower than our European competitors. Automatic electrical household, appliances are one among a great many examples. They are mass-produced in this country at costs well below European costs. Automatic appliances are still a luxury in Europe, and the market is too small to permit mass-production techniques.

The European market for some products, however, is large and growing fast. The Common Market already produces more bicycles, motorcycles, and small cars than the United States. It will soon exceed the United States in total production of automobiles. Portable typewriters are produced in Italy and Switzerland on a volume basis. Thus despite Europe's substantially lower income per capita, certain European manufactures are already sold to mass markets and are produced by mass-production techniques.

Given Europe's lower wages, products of this kind can be sold at prices below American prices, as shown by increasing United States imports of the items mentioned. Tariff cuts would result in further increases. Japan, too, now produces a number of products on a volume basis, including radios and transistors, and sells them here in substantial quantities, and would sell more if our tariffs were lower.

As European incomes grow and as the Common Market creates a single continental market in place of several national markets, new opportunities to introduce volume-production techniques in Europe will appear. As this happens, the Common Market's competitive strength will increase in some lines. But at the same time, rising income means rising wages and rising labor costs in other lines, where productivity happens to be growing less rapidly than the average. This will open up new opportunities for United States exporters who are alert to them.

Thus, as Europe's income and wages continue to rise, the character of our mutual trade will also change. It will consist less than at present of the exchange of mass-produced American products for labor-intensive European goods and more of the exchange of specialties between trading partners more nearly equal in technology. The composition of our trade with Western Europe in the dominant supplier categories, as shown in the table on page 26, suggests the extent to which this is true already.

The major part of the manufactured goods we import from Europe are still not mass-produced, however. They are sold here at competitive prices (if the tariff is not too high), because the production methods used by competing producers in this country are not sufficiently labor saving as compared with European methods to offset lower European wages. Such tariff-protected industries as textiles, footwear, canned seafood, leather products, wood prod-

ucts, cutlery, and silverware (to name only products which compete with products of New England industries) are of this kind. In the main, however, these imports are not included in the dominant supplier list and therefore may not be the subject of tariff negotiations with the Common Market, at least for the present.

We import other goods because nothing really comparable is made here—Italian handicrafts and British sports cars, for example. In these cases no competing domestic producer is directly affected. Similarly, a large and growing part of U.S. exports consists of goods which are not produced in comparable quality abroad. These are mainly the result of technological leadership. The aircraft engine industry, which employs some 42,000 persons in New England, is a good example. American aircraft engines owe their competitive strength in foreign markets not to price but to technical excellence and advanced design. Many similar examples can be found in most of the dominant supplier categories. Reduction of European tariffs would mean an increase in many U.S. exports of this kind.

Here again it is our own mass markets and high consumption which help create export opportunities. Our larger domestic markets make it economical for manufacturers to install new and more productive kinds of industrial machinery, such as high-speed, automatic machine tools and electronic computers. New kinds of industrial equipment tend therefore to be developed first in the United States, which gives American manufacturers of such equipment a solid export lead as demand develops abroad.

Likewise, our consumer goods industries develop every year hundreds of new products, some of which find ready export markets. Another unique characteristic of American industry is the stress on continuing service to customers. American firms doing business abroad frequently find that they have a competitive edge over European rivals for this reason.

In sum, an agreement with the Common Market to reduce tariffs on dominant supplier products will tend to raise productivity and wages in American and New England manufacturing and to improve the variety and quality of our standards of living. Our mass-production industries and those which emphasize technological leadership and rapid product innovation will be particularly benefited.

New England, it appears, will benefit more than proportionally, because the New England economy has a somewhat larger stake than the Nation as a whole in exports of manufacturers, and because of the stress on research and product innovation so characteristic of the newer New England industries. At the same time, most New England industries which are particularly vulnerable to imports and which are now protected by high tariffs would, it appears, be little affected by the trade expansion program, at least for the present, because their products are not on the dominant supplier list.

The competitiveness of New England industries in foreign trade

In the preceding chapter, three broad categories of U.S. industries were distinguished in terms of their competitiveness in foreign trade. One was the older manufactures such as textiles and footwear, in which labor costs in this country run generally higher than abroad, so that these industries tend to be vulnerable to competition from imports. A second category includes mass-produced items which have cost advantages over foreign competitors because of our larger domestic markets. A third category includes science-based industries and industries producing specialized producers goods for an advanced industrialized society, whose competitive strength in foreign trade comes from the technological lead of their products and not from any advantage in costs.

To help make these general economic categories come to life so far as New England is concerned, case studies have been made of representative New England firms in the first and third of these categories, which are generally considered to be typical of manufacturing in New England. Firms in the older industries—woolens, footwear, and silverware (including stainless steelware)—were examined. Among the specialized producer goods industries, firms making machine tools, industrial instruments, and textile machinery were chosen. Interviews were held with executives, and the conclusions which follow were drawn in part from more extensive reports of these interviews.[8]

[8] The interviews were conducted through a research grant from the Federal Reserve Bank of Boston, and the interview reports were written by Mr. Raphael W. Hodgson of Arthur D. Little, Inc., of Boston. Mr. Hodgson also collaborated in the preparation of this chapter. The firms to be interviewed were selected in consultation with the Research Department of the Federal Reserve Bank of Boston.

One conclusion which emerges from our study is that substantial parts of the woolen, footwear, and silverware industries in New England are not as vulnerable to competition from imports as is commonly assumed. This is because a substantial part of their business is a fashion and merchandising business, which presents major difficulties to the foreign manufacturer. On the other hand, the staple (standardized) parts of their business are vulnerable and probably could not exist without substantial tariff protection.

In producing for a fashion market, a manufacturer takes serious risks. Fashions change rapidly and what will sell is difficult to foresee. Thus a manufacturer of women's styled fabrics or shoes, for example, can produce in only relatively small lots and must keep inventories under careful control, or he will suffer inventory losses which will put him out of business. He must balance the manufacturing economies of longer production runs, plus the sales advantage of being able to deliver quickly from stock, against the risk of being caught with large stocks that cannot be sold.

The problem is serious enough for the domestic producer of fashion goods, but it is a good deal more serious for the competing foreign manufacturer because of his distance from the American market. Italian manufacturers of woolens for women's wear can make rapid deliveries, and their merchandisers in this country are usually skilled stylists. Yet the greater distance from factory to market and the less intimate contact between the manufacturer and the distributor or retailer mean that the Italian manufacturer must produce in much smaller lots than his New England competitors. In consequence, Italian-styled woolen fabrics are no cheaper than competing American fabrics despite much lower wages in Italy.

Apart from cost considerations, the foreign producer of style goods also faces a formidable merchandising problem. For the interest of distributors and retailers must be retained, and this requires not only consistent success in bringing out new designs but the offering of a wide line and a sustained level of advertising and selling. Foreign producers of style goods in the industries under consideration have been generally unable to meet these requirements.

The only way a foreign manufacturer of fashion goods can overcome these cost and merchandising problems is to produce to order for a large American merchandiser, such as a chainstore or a large department store, which is close to the American market and is able to assume most of the inventory risk. This has proved practical to a limited extent in fashion shoes, but not in the other industries examined.

On the other hand, the staple (standardized), nonfashion items produced by the New England woolen, shoe, and silverware industries are vulnerable to foreign competition and would doubtless be more so if our tariffs were lowered. Rubber and canvas footwear and women's flats, for example, are relatively standardized and are now imported in substantial quantities despite the tariff. The fashion risks and delivery timing problems are small in comparison with men's and women's fashion shoes. The product changes little from season to season, so that problems of design and merchandising are minimized and the foreign manufacturer can produce in runs long enough to realize the cost advantage of the lower wages he pays, bringing his labor costs substantially below those of his American competitors.

The same is generally true in worsteds for men's wear, such as sharkskins, glens, and herringbones. (The foreign cost advantage in worsteds is more marked in the high quality worsteds than in the lower grades, because the labor content is higher.) Hence the New England worsted mills have been in trouble, while the mills making women's style fabrics have not. The woolen firm interviewed has concentrated most of its New England production on fabrics for women's wear, with the result that its employment in New England has expanded in recent years, although total employment in the New England woolen industry has been declining.

In the silverware business, the inexpensive grades of stainless steel flatware are the main staple. Unlike stainless flatware of higher quality, which is retailed in jewelry stores and department stores and is distinctly a fashion product, stainless flatware of the lower qualities is sold mainly to chainstores, discount houses and mail-order houses, where design and marketing problems are at a minimum and the main consideration is price. In this market, Japanese competition has been strong. Indeed, in 1958 the Japanese captured 40 percent of the American market for these grades. (The Japanese industry is understood

to have accepted in 1960 a voluntary quota equivalent to 30–35 percent of the American market.)

Lower labor costs are not the only reason for the competitive strength of foreign producers of worsteds, staple shoes and stainless flatware, however. The New England woolen manufacturer pays about $1.15 a pound for raw wool as compared with the 80 cents his foreign competitor pays, because of the high U.S. tariff on raw wool. The price of stainless steel in Japan is about $420 a ton, as compared with the American price of about $950 a ton, the difference being apparently due to differences in pricing policies The Japanese practice of selling some articles abroad at prices below the Japanese domestic price is believed to be responsible for some part of Japan's competitive strength in worsteds and rubber and canvas shoes.

These specific points suggest a more general conclusion: There are many factors apart from comparative labor costs which must be considered before conclusions are drawn about the international competitive position of a New England industry.

Our study of New England firms making machine tools, textile machinery and industrial instruments show how the exacting competitive requirements of the American market, particularly the constant demand for new, cost-saving machinery, lead to competitive success abroad in these highly technical capital goods industry.

The machine tool company had until quite recently been producing standard machine tools. Three years ago the company decided to make a major change in its product line. The decision was dictated by the state of the American machine tool market. With heavy excess capacity in the metalworking industries (which are the machine tool industry's customers), the only way a machine tool company could expect to sell its products was to develop new machines that would cut the buyer's labor costs of production substantially.

The company therefore initiated a major research and development effort and brought out a class of automatic machine tools which have short set-up times, making the machines very economical for use in production of short runs. The high rate of innovation achieved is shown by the fact that 60 percent of the company's output in 1961 consisted of products introduced since January 1, 1959.

The company's change in business policy and product line has increased costs substantially. Research and development expense has doubled. Expenses of product engineering have increased 50 percent. Indirect shop and tooling costs have also increased substantially, because of the many new models. A great deal more sales engineering and customer service work is now necessary. But despite higher costs, the company now has a product line which is developing new business in this country and is so unique abroad that it has a promising export potential. It is also immune to foreign competition in the American market.

Competing European producers of machine tools offer standardized machines. Their costs are lower, because they do little product development and run a steady production line, allowing a large backlog of orders to develop to make this possible. Their delivery times are therefore slow (1½ to 2 years). Their customer servicing is not good. And they are vulnerable to competition by American firms such as the one examined which are strong in product development and customer servicing and which offer more rapid delivery.

The same characteristics distinguish the New England textile machinery firm and the industrial instruments firm examined. Large expenditures on research and development leading to the rapid introduction of new products have been the basis of sales success both at home and abroad. The firms do not compete with their European competitors in terms of price. Sales emphasis is on the technical excellence and reliability of products, on sensitivity to the customer's special requirements, on rapid delivery, and on superior servicing.

Adjusting to increased imports

Tariff cuts leading to increased imports will create problems of adjustment for competing domestic industries and for their suppliers. The nature of the problems and their severity are by no means the same for all import-competing firms and industries, however.

Where the domestic market for the product is growing, increased imports may merely slow down the growth of production and employment in the domestic industry. In other cases, increased imports of a product may cause domestic firms producing these items to increase production of other things, or

to diversify by adding new products to their lines, without displacement of workers or idling of capacity. In still other cases, increased imports may force the discharge of workers in circumstances where they can find other work without much delay.

On the other hand, increased imports may force workers to be discharged in circumstances where they remain unemployed, because other work is not available in the vicinity, or because they are unqualified for available work. This is likely to happen to any considerable body of workers only in the one-industry town, or where the import competing firm is located in a community which is already chronically depressed.

No tariff policy which ignored problems of adjustment would make sense, or stand a chance of congressional approval. But the question remains, Where should the line be drawn? At what point does economic injury to an industry, a firm, or a group of workers outweight the general interest in tariff reduction? And is the only remedy in such cases to maintain or raise duties, or can means of preventing hardships be found which facilitate rather than prevent competitive adjustments?

The answer to these questions under present law is found in the "peril-point" provision and the "escape clause." The present law requires the President, before entering into tariff negotiations, to submit the list of duties under consideration to the Tariff Commission for a determination of "peril points." A peril point is the point below which the Commission finds that a duty cannot be reduced without "causing or threatening to cause serious injury to the domestic industry producing like or directly competitive articles." The Tariff Commission has interpreted "serious injury" very broadly to mean a decline, actual or threatened, in the domestic output of the product or in the share of the domestic market held by domestic producers.

The escape clause of the present law authorizes the Tariff Commission, at the request of an interested party, to determine whether any existing duty is causing or threatening to cause "serious injury" to the domestic industry. The escape clause is drafted so broadly as to authorize a finding of "serious injury" if there is any adverse effect on production or profits or even "a decline in the proportion of the domestic market supplied by domestic producers."

Moreover, a 1955 amendment to the law directs the Tariff Commission's investigations under the escape clause, not to the effect on an industry or even to the entire business of the firm which applies for relief, but to the effect on a single product. Thus any reduction in the share of the domestic market held by a firm with respect to one of several product lines, or the decline of profits in one line, could under the present law be found to constitute "serious injury," justifying an increased duty, although the firm's total business might be in excellent shape.

The philosophy of the peril-point provision and the escape clause has been called the "no-injury doctrine." It might better be called the no-adjustment doctrine. For the economic benefits of trade liberalization flow from competitive adjustment which increased imports help to induce. To characterize all or most such adjustments as "serious injury" and to require that they be avoided by maintaining or raising duties is thus fundamentally at odds with the purpose of the law and the general economic interest in reducing tariffs.

A far better policy and one consistent with the aims of trade liberalization would be to draw the line not at the point of "serious injury," but at the point where real hardship is threatened, and to provide alternative means of preventing or relieving hardship. Broadly speaking it appears to be the philosophy underlying the modified peril-point and escape-clause provisions of the trade expansion bill and the adjustment assistance program which the bill would establish.

The trade expansion bill modifies the peril-point procedure substantially. It requires the President before entering into tariff negotiations, to request findings from the Tariff Commission "as to the economic effect of reduction or elimination in duties * * * on U.S. firms, workers, and industries producing like or competitive articles." Unlike the present law, the bill does not require the Tariff Commission to fix peril points. It leaves that responsibility to the President.

The bill would eliminate the escape clause in its present form and replace it, on the one hand, with a simple delegation of discretionary authority to the President to modify or terminate any previous tariff cut and, on the other hand, by elaborate adjustment assistance provisions. Thus the essential feature of the escape clause would be retained: the President's authority to withdraw tariff

concessions. But an alternative to this remedy is provided in the form of adjustment assistance to firms, workers, and industries adversely affected by tariff actions.

To qualify for adjustment assistance, a firm would have to show something more than "serious injury" as defined in the present escape clause. It would have to show that imports are increasing in such quantities as to cause, or immediately threaten to cause, significant idling of productive facilities, prolonged and persistent in ability to operate at profit, or unemployment or underemployment of a significant number of workers of the firm.

Similarly, employees, to qualify for adjustment assistance, would have to show that imports have caused or immediately threaten to cause unemployment or underemployment of a significant number of workers of the firm. When the application is made by an industry, eligibility requirements include a showing that reasonable efforts in the industry to adjust have been made and have not substantially mitigated the problem.

Once eligibility for assistance has been determined, various forms of financial and technical assistance and certain tax relief would be available. The provisions for assistance are elaborate and need not be summarized here. Suffice it to say that any firm, group of workers, or industry which could establish its eligibility for assistance would find its reasonable requirements for adjustment adequately provided for, if the bill becomes law.

The changed peril-point and escape-clause procedures and the adjustment-assistance provisions are the trade expansion bill's most controversial features. They will no doubt be modified before the bill is enacted. It is to be hoped that the changes made will not perpetuate the no-adjustment philosophy of the present law, which is inconsistent with the aims of the program and would gravely weaken the President's bargaining power in negotiating with the Common Market.

A discussion of adjustment to increased imports would hardly be complete without some attempt to suggest the general magnitude of the problem. What tariffs would be cut and by how much, and how much the cuts would increase imports are all as yet unknown, but the effect of a hypothetical increase of dutiable imports on employment can be very roughly estimated.

A recent exhaustive study done for the Brookings Institution estimates the effect on domestic employment in tariff-protected industries, and in industries supplying them with goods and services, of increases in competing imports due to reduction of the U.S. tariff.[4] It concludes that if competing imports were to increase by $1 billion (at present prices), roughly 100,000 jobs would be displaced. This includes jobs in the import-competing industries themselves and in all industries supplying them with goods and services.

Dutiable imports in 1960 were approximately $8 billion. Let us assume a tariff reduction sufficient to increase dutiable imports by $2 billion a year, or 25 percent, over a 5-year period—undoubtedly a far more rapid increase in imports than would be likely to result in a 5-year period from any probable program of tariff reduction. On the basis of the Brookings study, approximately 200,000 jobs would be displaced over the 5-year period, or 40,000 jobs a year. A little over half of the displaced jobs would be in the protected industries themselves. The rest would be in supplying industries.

These figures, however, leave out of account the effect of reciprocal tariff reduction on exports and on employment directly and indirectly engaged in manufacturing for exports. If exports increase as much as imports, the number of jobs created should not be much less than the number of jobs displaced. Any difference would be due to the higher production per man in the export jobs than in the jobs displaced by imports.

Moreover, a displaced job does not necessarily mean a displaced worker, nor does it necessarily imply hardship. The effect of increased imports on an import-competing industry may be merely to prevent a new job from being created. Or the worker who held the displaced job may readily find other work in the same firm or community. Only a small fraction of the 40,000 jobs would therefore represent hardship cases.

[4] See Walter S. Salant and Beatrice N. Vaccara, "Import Liberalization and Employment" (Brookings Institution, Washington, D.C., 1961).

Each year the American economy has to create 1,500,000 new jobs to reemploy workers displaced through increases in productivity, and 1 million more to employ net new additions to the labor force. An economy which employs 53 million people, which normally creates 2,500,000 new jobs each year, and whose export industries are stimulated by tariff reductions abroad should not find it too difficult to create a few thousand more jobs.

Much depends, of course, on the state of demand and unemployment. If demand is buoyant and unemployment low, the import adjustment problem will attract little attention outside a relatively few firms and communities. But if growth is sluggish and unemployment rising, the fear of import competition spreads. Thus success of the President's trade expansion program probably depends on maintaining prosperity. The program itself would contribute to that end.

"Dominant supplier" product categories based on trade in 1960

S.I.T.C. Group No.	Product category [1]	U.S. and Common Market exports as percent of free world exports excluding intra-Common Market trade [2]	U.S. Exports to the Common Market [3]	U.S. Imports from the Common Market [3]
		Percent	*Millions*	*Millions*
734	Aircraft	97	$425	$20
862	Photographic and cinematographic supplies, except cameras	93	13	28
321	Coal, coke, and briquettes	92	197	
613	Fur skins	91	6	8
732	Road motor vehicles	91	76	596
091	Margarine and shortenings	90	38	(4)
664	Glass	89	5	44
533	Pigments and paints	88	20	3
*552	Perfumery, cosmetics, and cleansing preparations	88	7	7
731	Railway vehicles	87	1	(4)
062	Sugar confectionery and other sugar preparations	86	1	12
111	Nonalcoholic beverages	86		(4)
715	Metalworking machinery	86	95	27
733	Road vehicles, except motor	86	1	25
712	Agricultural machinery, including tractors	85	30	38
891	Musical instruments, sound recorders, and parts	85	19	34
612	Leather manufactures	83	(4)	2
512	Organic chemicals	82	176	26
711	Power generating machinery, except electric	82	130	17
*599	Miscellaneous chemicals, including plastics and insecticides	81	188	20
621	Materials of rubber	81	9	4
714	Office machinery	81	69	52
*716	Industrial machinery, except power generating and metalworking	81	340	92
122	Tobacco manufactures	80	11	.1
629	Articles of rubber	80	13	21
*721	Electric machinery	80	216	122
	Total 80 percent and above (26 groups)		2,086	1,199

[1] The product categories are those of the United Nation's standard industrial trade classification, revised, except where an asterisk (*) appears, in which case the original S.I.T.C. definitions have been used.
[2] Free world exports exclude exports of countries dominated or controlled by international communism.
[3] Includes the six present members of the Common Market (France, Germany, Italy, Belgium, the Netherlands, and Luxemburg) and five prospective members (the United Kingdom, Ireland, Greece, Denmark, and Norway).
[4] Less than $500,000.

57 New England exporting industries[1]

Industry[2]	New England employment in 1958 (estimated)	Estimated exports as a percentage of domestic shipments[3]
Aircraft engines and parts	42,200	10
Shipbuilding and repairing	21,300	11
Fabricated plastics products n.e.c.	+8,000	6
Textile machinery	16,400	20
Ball and roller bearings	15,500	6
Machine tool accessories	14,000	6
Radio, TV communication equipment	13,200	10
Mechanical measuring devices	12,500	9
Metal cutting machine tools	12,100	18
Aircraft propellers and parts	10,300	8
Narrow fabrics	9,700	7
Valves and pipe fittings	9,600	9
Steam engines, turbines, turbo generators and parts, and internal combustion engines n.e.c.	9,400	9
Electric measuring instruments	8,000	5
Typewriters	7,300	8
Special industry machinery n.e.c.	7,000	22
Abrasive products (part)	6,500	7
Electron tubes, transmitting	6,400	7
Hand and edge tools, except machine tools, and hand saws	6,300	10
Electron tubes, receiving type	5,800	5
General industrial machinery n.e.c.	5,700	9
Plastics materials (part)	5,700	6
Switchgear and switchboards	5,300	6
Electric housewares and fans	4,600	5
Office machines n.e.c.	4,400	9
Refrigeration machinery	4,200	7
Power transmission equipment	4,000	6
Scientific instruments	4,000	9
Photographic equipment	3,800	8
Paper industries machinery	3,600	18
Pumps and compressors	3,600	15
Food products machinery	3,100	16
Metal working machinery n.e.c. (part)	2,800	26
Surgical appliances and supplies	2,800	6
Blowers and fans	2,600	5
Engine electrical equipment	2,400	6
Metal forming machine tools	2,200	25
Automatic temperature controls	2,200	9
Optical instruments and lenses	2,100	11
Sewing machines	2,100	27
Pulp mill products	2,000	15
Hand saws, saw blades, and accessories	1,900	8
Painting trades machinery	1,900	13
Boat building and repairing	1,900	11
Canned and cured seafoods	1,900	5
Surgical and medical instruments	1,800	22
Nonferrous metals, rolled, drawn, and extruded n.e.c.	1,700	7
Woodworking machinery	1,600	10
Medicinals and botanicals	1,500	9
Phonograph records	1,200	8
Industrial furnaces and ovens	1,000	13
Scales and balances	1,000	11
Measuring and dispensing pumps	900	7
Industrial trucks and tractors	900	12
Pens and mechanical pencils	600	13
Commercial laundry equipment	400	11
Animal and marine oil mill products	200	8
Total, 57 industries	330,000	

[1] An "exporting industry" is here defined as one whose national exports were equal in value to 5 percent or more of its total shipments in 1958, and which had 6 percent or more of total U.S. employment located in New England.
[2] Listed in order of size of employment in New England.
[3] These export ratios apply to the national industry rather than to the New England industry. Export ratios for New England industries are not available at this time.

NOTE.—Detail will not add to total because of rounding.

Source: Federal Reserve Bank of Boston.

Statement of Glen Boxell on Behalf of Cycle Parts and Accessories Association

This statement is made on behalf of the Cycle Parts & Accessories Association, a trade association organized 37 years ago. At present there are 52 members who produce a wide variety of parts and accessories for bicycles in plants located in 13 different States. Association members produce and sell their products to the various bicycle manufacturers and to wholesalers and retailers in all parts of the U.S. In 1959, the latest year for which statistics are available these sales amounted to $24.2 million ($19 million for parts and $5.2 million for accessories). Exports of parts in 1959 were only 2 percent of domestic sales of parts and are estimated to be under 1 percent for 1960. This industry is unable to understand how any concessions made by foreign countries will maintain or expand these exports when the main reason for low exports is the inability to compete because of the difference in costs of production. As most of our products are high in labor content the wages paid in the U.S. are the principal factor in the cost difference.

This trade association was organized for the purpose of advancing the welfare of the cycle parts and accessories industry and promoting the distribution of the products of this industry.

Unfortunately, the purpose of this association is now the protection of the very existence of the industry. The facts included herein demonstrate the serious injury which has already been inflicted upon this industry by the trade agreements program from increased imports and why H.R. 11970 will serve to destroy most of the remaining companies producing bicycle parts and accessories.

Over the years there has developed in the United States an industry producing bicycle parts and assessories. This industry has been in existence as long as the bicycle industry, or some 77 years. Some of the members of the association produce bicycle parts solely while others produce other products as well.

The following list is representative of the items included as parts and accessories:

Mudguards
Chain guards
Saddles
Pedals
Spokes
Rims
Brakes
Handlebars and grips
Seat posts
Lamps and lighting sets
Horns
Pumps
Luggage carriers
Kickstands or other stands
Tanks
Toe clips
Bells
Mirrors
Gearshift mechanisms
Hubs
Sprockets
Cranks
Axles
Chains
Forks
Fittings, washers, nuts
Tire casings, single tube tires, bolts, etc.
Inner tubes
Dynamo mechanisms

While there have been no tariff concessions on bicycle parts since 1930, the rate of duty was bound at 30 percent in the GATT agreement of 1948.

Most accessories have been subject to two previous concessions from the 1930 rate of 45 percent ad valorem so that the present rate is now 19 percent.

Parts and most accessories were included on the President's list for negotiation under the 1958 authority. On September 2, 1960, this association appeared before the Tariff Commission and urged that the peril point had already been reached on bicycle parts and accessories and that not only should there not be any reduction in duty but that the Tariff Commission should order an escape clause investigation to determine what additional import restrictions were necessary to remedy the serious injuries already caused this industry by increased imports. The Tariff Commission ordered escape clause investigations on only 9 out of about 2,200 items on the list and unfortunately bicycle parts and accessories were not 1 of the 9.

The cycle parts and accessories industry was indeed encouraged to learn that the March 7, 1962, announcement of the negotiations at Geneva did not contain any concessions on bicycle parts. However, some concessions were granted on bicycle accessories.

This observance of the peril point may only be a temporary respite as it appears imports of parts and most accessories may qualify under the 80-percent provision of section 211 of H.R. 11970. The word "may" is used because this fact is not known nor is it reasonably available to the domestic industry. If these items do qualify then they may be put on the free list. Any tariff reduction, much less removing all duties, will operate to force many producers out of bicycle parts production entirely.

While this association is not opposed to the principle that there must be trade between nations it is violently opposed to any program which could destroy any part of this industry no matter how large or small it may be.

Bicycle parts have been very intimately affected in recent years by the operation of the trade program. This association in fact joined with the Bicycle Manufacturers Association in October of 1951 in filing an application for an investigation pursuant to the escape clause. This application resulted in investigation No. 7 under section 7 of the Trade Agreements Act and was concerned with bicycles and parts (not including tires). The Commission although it found that imports of bicycle parts had been substantial since the end of World War II, concluded that these imports were not causing serious injury at that time to the domestic industry.

Since 1952 two further investigations have been made pursuant to the escape clause concerning bicycles only and as a result that segment was found to be seriously injured and the concessions on bicycles were modified. Imports of parts found to be substantial in the report of 1952 have increased 10 times since that date and are now absorbing such a portion of the domestic market that many producers have been forced to stop producing certain products and others have been forced out of business altogether. Thus, only half the injury has been remedied.

The domestic bicycle industry is made up of two segments, the manufacturers or assemblers of bicycles, and the manufacturers of cycle parts and accessories. Increased imports have seriously injured both segments. Although the U.S. Government has endeavored to relieve the injury to the bicycle manufacturers through increases in rates of duty they are still not out of the woods. Bicycle imports currently are running as high as ever.

The average annual total of imported parts for the immediate postwar years to 1950 was slightly over $400,000. foreign market value. However, following the binding of the duty pursuant to GATT, this figure increased to the astounding figure of $11 million in 1960 and has averaged over $9 million for the past 3 years.

These figures are for parts only—neither accessories nor tires being included.

Qualified sources estimate the foreign value of imported accessories in 1960 at no less than $4 million. Thus, the total foreign value of parts and accessories imported as such in 1960 was $15 million. In the same year the sales of domestic parts and accessories producers were about $24 million. Imports thus accounted for about 40 percent of U.S. consumption of parts and accessories in 1960. By no means, however, is this alarming percentage to complete the story.

There is another extremely susbtantial volume of sales of parts and accessories denied the domestic producers and which they have no chance to share. This is the total of parts and accessories used on the 1 million bicycles imported yearly. These do double injury—affecting both the domestic bicycle manufacturers and their suppliers—the parts and accessory manufacturers.

Just who would benefit from the decrease in duties of these items contemplated in H.R. 11970? It could be argued that the American bicycle manufacturers will benefit from a tariff reduction on bicycle parts and accessories and support this proposition by stating that the low price of these foreign items was the main reason these American manufacturers were able to produce 2½ million bicycles in 1960. However, if you were to take this argument to its conclusion what you would be saying is that this increase in domestic bicycle production was in direct relationship to the increase in imports of components. Thus, to achieve the ultimate in domestic production of bicycles, 100 percent of the parts must be imported. When 100 percent of the parts are imported, an entire domestic industry producing parts and accessories will have been eliminated. This industry does not agree that it is expendable.

If 100 percent of the bicycle parts and accessories are imported, the domestic bicycle manufacturing industry would be completely at the mercy of the foreign producer who could then increase the price of his parts or even cut off the supply of parts entirely, thus forcing the American public to buy complete imported bicycles if they wish a bicycle at all.

The domestic parts and accessories industry would not benefit or even the domestic bicycle manufacturer in the final analysis; therefore, only the foreign producer and the domestic importer could benefit by any tariff reduction. Certainly it cannot be said that the present rates of duty on bicycle parts and accessories are burdening the commerce of the United States or any foreign country when $11 million worth of parts alone entered the United States in 1960.

What has been the result of these increased imports? Profits in the bicycle parts and accessories industry are almost nonexistent and some companies are operating at losses. But more important there are companies which have been forced by increased imports to eliminate the production of bicycle parts and accessories or even to go out of business entirely.

At one time the Diamond Chain Co. of Indianapolis was a major supplier of bicycle chains for the entire domestic industry. Diamond is about out of business today as far as bicycle chains are concerned. The record shows that in 1950 Diamond sold $1,155,000 worth of chain to U.S. bike makers employing approximately 180 workers, while in 1959 they sold only $4,000 a decline of 99.6 percent in 10 years. Needless to state the number of employees declined in the same ratio.

Diamond Chain is not an isolated case. In 1953 there were three bicycle brake manufacturers in this country—Musselman of Cleveland, New Departure Division of General Motors at Bristol, Conn., and the Eclipse Machine Division of Bendix at Elmira, N.Y. In 1953 Musselman discontinued production. In 1959 New Departure was forced out of business. Why could not a division of the General Motors Corp. continue to compete with imported brakes? It certainly has at its command almost unlimited finances; it has as much technical know-how and automation capability as any manufacturer in the world. Can anyone say that General Motors does not know how to meet competition in any area? It knows well enough, but this was not competition on anywhere near the same basis. This was competition at approximately one-third the labor rate the members of the Cycle Parts Association pay to their workers in order to maintain American standards.

Other companies which have suffered disastrous experiences resulting from increased low priced imports are the following:

The Lobdell Emory Co. which manufactured saddles and rims have discontinued this production.

The Electra Manufacturing Co. of Kansas City which manufactured lighting equipment has virtually ceased the manufacture of this product.

The Magna Products Co. of Brooklyn, N.Y., which manufactured pedals and mirrors are completely out of business.

The Torrington Co. of Torrington, Conn., one of the oldest in the bicycle business has been forced to suspend production of pedals.

The Troxell Co. of Elyria, Ohio, one of the oldest saddle manufacturers, has been forced to leave that area in order to reduce cost and try to compete.

Delta Electric Co. started business in 1913. Among its first products were bicycle head and tail lamps operated on dry cell batteries. We pioneered in this field and were the first to produce such items. In 1930 we developed and started production on the first horns for bicycles to operate on dry cell batteries. In 1956 we were using approximately 200 people in production of bicycle lamps and horns. At present we are using only 104 on this effort. Since 1956 we have lost 90 percent of our bicycle horn volume and more than 40 percent of our bicycle lamp volume to low priced imports. The greater loss in the horn volume is accounted for by a larger price differential due to a much larger amount of labor in horns than in lamps.

Our annual profits are down more than 80 percent and we find it impossible to pay reasonable dividends to our stockholders. It's a bitter pill to swallow when we see ourselves squeezed out of a field we pioneered and developed to its present level, by low priced imports, in many cases copies of our own design and engineering developments.

A large percentage of our remaining employees are well past 50 years of age. We are sure that any further inroads in our sales volume of bicycle parts because of any lowering of duty on imports would result in further curtailment of our production force. The finding of new employment by people past 50 would be a most difficult if not impossible task in our area.

We have spent much money and study on modern equipment and cost reducing methods in our efforts to compete with import prices but it seems that foreign manufacturers have ready access to latest production improvement, equipment, and methods. The real problem lies in basic wage differentials. Our

greatest competition comes from Japan and Hong Kong. We understand from the United Nations Monthly Bulletin of Statistics, September 1961, that wages in Japan average 29 cents per hour. Hong Kong wages were not quoted but we are reasonably sure they are no more than in Japan. Our own hourly wage, including fringe benefits, is $2.24.

Through the years Delta has proved its ability to successfully compete with domestic producers, but it's an impossible task to try to match the cost of goods produced with 29-cent labor, when our own rate is nearly eight times that figure.

The American parts and accessories manufacturers now in business have the industrial capacity to supply the complete American market. In fact, it did so, prior to the crushing influx of import competition. Today it has but 40 percent of that market.

The implications are clear. Discussion, in our experience and opinion, of the advantages of reducing duties is but academic. We have passed the peril point and any reductions will cause us to lose our struggle for economic survival in an industry we pioneered and developed.

H.R. 11970 accepts the destruction of domestic industry as a cornerstone for its existence. This is contrary to the historic development and exercise of the various trade agreement acts. Further H.R. 11970 changes the philosophy of the causal relationship of imports to injury from that of the duty reflecting the concessions granted to the reduction itself. In other words this means if there were no duty decrease, as in the case of bicycle parts, this industry would not qualify for tariff relief. This presupposes that the rate set in 1930 was eternally correct no matter what economic changes occurred thereafter.

This industry therefore urgently recommends that the Senate Finance Committee restore the basic principle of avoiding serious injury to domestic industry by operation of the Trade Agreements Act. The peril point provisions should be restored to the bill in a form to remove absolutely the authority of the President to exceed the peril points as determined by the Tariff Commission.

Further H.R. 11970 should be amended to continue the historic principle that peril point findings should be made to determine whether increased imports due in whole or in part to proposed concessions would cause or threaten serious injury rather than limiting the Tariff Commission to a consideration of whether imports resulting solely from concessions possible under the bill would cause "idling of productive facilities, inability to operate at a profit, and unemployment or underemployment."

These changes would direct the Tariff Commission to effectively warn the President in advance of negotiations for changes in duty which would be injurious to domestic industry. Total disaster attributable solely to a duty change will be rarely foreseen. The peril point procedure should be retained to serve as a guardrail to prevent disaster.

Statement of Policy of the Vinyl Film Division of the Society of the Plastics Industry, Inc., With Respect to H.R. 11970

The Society of the Plastics Industry, Inc.,
New York, N.Y., July 30, 1962.

Hon. Harry F. Byrd,
Chairman, Senate Finance Committee, New Senate Office Building, Washington, D.C.

Dear Senator Byrd: The Vinyl Film Division of the Society of the Plastics Industry, Inc., is unalterably opposed to those provisions of H.R. 11970 which would permit further reductions of duties on imports of vinyl film, sheeting and resin and of products thereof and to any further weakening of section 7 of the Trade Agreements Extension Act of 1951, as amended, the so-called escape clause, or the peril point provisions.

Vinyl film products are already being imported in such increased quantities as to threaten to eliminate the fabricators of such articles and the suppliers of the raw materials to such fabricators. For example, imports of vinyl raincoats increased by 1,100 percent in 1959 over the volume of imports for the previous year.

In 1958 imports of vinyl film raincoats were equal to only 5 percent of domestic production. In 1959 the figure had jumped to 71 percent and in 1960 to 97 percent. As a consequence, domestic production fell from 536,000 dozen in 1958 to 312,000 dozen in 1960, a decline of 41 percent.

Presently dutiable at 12½ percent by virtue of the similitude provisions of paragraph 1558 of the Tariff Act of 1930, which imposes duties pursuant to section 1537(b) on raincoats in chief value of rubber, it is undeniable that the present rate is not sufficient to afford sufficient protection to prevent the elimination of the domestic fabricators of vinyl film rainwear. Additional protection is essential and to consider any further tariff restrictions is unthinkable.

Similar difficulties from imports are being encountered by such other vinyl film products as baby pants, shower curtains, place mats and tablecloths. In addition, imports of vinyl film and sheeting are causing injury to the domestic producers. It is undeniable that if the escape clause provisions are further weakened the producers of all of these products are faced with virtual extinction.

Because of the present competition from imports the existing provisions of the peril point should not be watered down and any proposed future negotiations should be subject to the existing safeguards provided by the peril point provisions.

It is also relevant to note that the present method of supplying these plastic products by similitude has created and will continue to create inequities. Since these plastic products were unknown at the time of the adoption of the Tariff Act of 1930, the only sensible method of determining appropriate duties would be by the establishment of a separate schedule for such products with rates of duties set forth therein. Such a schedule would eliminate the anachronisms which had been produced by the similitude paragraph pursuant to which each of these plastic products are subjected to the rate of duty provided for the enumerated article which these items resemble "and the use to which it may be applied."

On January 24, 1961, representatives of the Vinyl Film Division of the Society of the Plastics Industry, Inc., appeared at a public hearing before the U.S. Tariff Commission requesting through the escape clause procedures that the duties be raised on imported vinyl film rainwear. The U.S. Tariff Commission by a vote of 4 to 2 turned down this petition of our industry. However, the two dissenting Commissioners strongly emphasized the very real hardship that would continue to be imposed on the domestic vinyl rainwear market if the tariff was not raised to the maximum amount under the escape clause procedures.

For the foregoing reasons the Vinyl Film Division of the Society of the Plastics Industry, Inc., is strongly opposed to the adoption of H.R. 11970 in its present form and will continue to oppose this measure unless appropriate amendments are adopted to retain the safeguards now provided for in the escape clause and peril point provisions of the Trade Agreements Extension Act of 1958.

Very truly yours,

WM. T. CRUSE, *Executive Vice President.*

DARIEN, CONN., *August 2, 1962.*

HON. HARRY FLOOD BYRD,
U.S. Senate, Washington, D. C.

DEAR SENATOR BYRD: I am writing with reference to the administration's trade bill (H.R. 11970), since I understand that the Senate Finance Committee is currently holding hearings on this bill.

I have been personally concerned about the long-range aspects of H.R. 11970 as it is now written. I sincerely believe that in the next few years the matter of foreign competition in many lines will become increasingly severe. A general consideration of our economy leads me inescapably to this conclusion. In a number of areas of our industry there may well be a real fight for survival. I am sure you are aware of the effect of foreign competition on such areas as the bicycle industry, the jeweled watch industry and, more recently, the textile industry, particularly finished textile products. These examples are but straws in the wind, and they are an indication of what we can expect in many other areas in the next few years.

The seriousness of the situation exceeds the narrow limits of any specific part of our overall business economy. If a worker in any one segment of industry is deprived of his ability to make a livelihood in his chosen field, there is a corresponding drop in the vigor of the total economy. The more widespread such dislocations become, the greater the effect on the total economy will be. It is all

very well to say that a worker can shift from one type of endeavor to another, but practically speaking, such a relocation of workers and families would be well nigh impossible. Even if it were possible, industry will not find it easy to expand markets in foreign countries in which the economies are rapidly being strengthened and in which the tariff and import restrictions are much more severe than in our country.

The administration's goals in H.R. 11970 are certainly worthy and one cannot quarrel with them. I do feel, however, that certain safeguards ought to be inherent in any bill which is passed by the Legislature. Accordingly, I would appreciate your considering seriously the following points:

(1) If for particular reasons a concession is made with one country, the economic conditions in other countries might not make the same step necessary. Therefore, it seems reasonable that the bill should provide that any concessions be made on an individual country basis rather than in an across-the-board manner.

(2) I think it is important that any special tariff limits be established by the Tariff Commission after thorough investigation by means of a hearing in which all sides could be heard. This sort of consideration of the problems of the affected industries seems to me to be the only reasonable way to handle the questions which will undoubtedly arise. It would be impossible for any individual or small group of individuals, such as the President or his advisers, to have a full knowledge of all phases of the complicated industrial structure of the United States. I would therefore suggest that any action of the executive branch of the Government which was not in accord with the recommendations of the Tariff Commission be referred to Congress.

(3) The existing laws contain escape clause provisions which could well be part of H.R. 11970.

(4) The adjustment of tariffs on a group which provides little recognition of the problems concerning individual products or articles is dangerous. Would it not be reasonable to suggest that adjustments should be made in relation to the product or article concerned and in view of the individual merits?

(5) There will always be a number of items which are manufactured in the United States which can be reasonably classified as "essential to national defense." It seems to me that recognition of this should be taken, and our productive capacities for such products should be maintained. It would appear reasonable that the Department of Defense could prepare a list of such items, together with the component parts necessary, and that this list might be kept exempt from the general tariff adjustments or, at least, regarded in a special category.

I have taken the liberty of sending a copy of this letter to the other members of your committee. I appreciate your consideration of these few suggestions.

Very truly yours,

JOHN A. FIELD.

INTERNATIONAL MOULDERS AND FOUNDRY WORKERS UNION, LOCAL 179,
Rutland, Vt., July 30, 1962.

DEAR SENATOR: I am writing this letter for our local of 100 members, and our brother members whose jobs are at stake and we must do everything possible to save these jobs.

Foreign trade bill H.R. 9900 is pending before Congress. This bill would give the President the right to lower and even to abolish tariffs. There has been a lot of talk about how this bill will improve the job situation through free trade. I am concerned about the fact that in the first 3 months of this year some 8,600 tons of soil pipe have been dumped in this country by foreign countries where wage scales and working conditions are far inferior to ours. That is more than 50 percent of soil pipe imports for all of last year. It means a loss of about 20,000 man-days of employment in the industry during the first 3 months of this year alone.

If H.R. 9900 becomes law, the soil pipe industry may well cease to exist in this country and I can only guess at how many foundries will be forced to the wall and out of business.

There is in the bill a so-called peril point escape clause through which some tariff relief can be obtained if an industry is in danger of extinction in this country because of this dumping of imports. The President wants that clause out of the bill. With that clause out of the bill, there is no way to even try to save certain industries.

This is a most serious situation that confronts us and we must not sit on our hands while our jobs are taken out from under us through destruction of our industry. We can do something about it because we are the voters of this country.

We are opposed to H.R. 9900 and particularly any attempt to take the peril point escape clause out of the bill.

Sincerely yours,

JAMES MULCAHY, *Recording Secretary.*

TESTIMONY OF JOSEPH V. FALCON, PRESIDENT OF SAVAGE ARMS CORP.

Mr. Chairman, my name is Joseph V. Falcon and I am president of the Savage Arms Corp. located in Westfield, Mass. This business dates back to 1864 and today we may well be the Nation's leading producer of sporting firearms in terms of total volume manufactured annually.

I am appearing on behalf of more than 700 employees and officers who, along with the great majority throughout our industry, have serious reservations about the pending trade bill. We believe H.R. 11970 holds dangerous implications for our future economic well-being and the industry's continued capability to meet its traditional responsibilities in a time of national emergency.

The criticisms and recommendations I shall make stem from firsthand experience. This includes an intolerable wait of 3 long years for a decision—which then proved to be unfavorable—under the national security clause of the 1958 Trade Act. Meanwhile, we have been doing everything in our power to combat the damaging effect on industry employment levels and sales resulting from the 300 percent increase in firearms imported since 1956.

Here is a brief profile of the industry, of which we are a part, pertinent to the trade picture.

There is no foreign market of major consequence for American sporting arms, primarily because of restrictions imposed on ownership of firearms in most foreign countries, including those in the Common Market. The American market is all important.

The value of firearms imported into the United States annually is more than double the amount our sporting arms industry sells abroad.

Since 1956, more than 1 million surplus military rifle imports have been dumped in the U.S. market bearing an average import value of under $4 apiece, less than one-tenth the price of the least expensive comparable American product.

Although the Office of Emergency Planning declared our industry essential to national security and found that foreign imports had indeed "resulted in lower sales, production, employment, and profits," relief from surplus military rifle imports was denied in June of this year after 36 months of deliberation.

New tariff concessions effective July 1 will surely increase the serious threat new foreign firearms already pose to a major product line in the industry, shotguns. Total sales slumped almost 30 percent in 6 years as imports rose sharply.

Against that background, let me stress how imperative it is to retain the language in the bill as it passed the House which would keep the escape clause as a standard means of safeguarding domestic industries. The President's original request that it be used only in exceptional cases demanding "extraordinary relief" would mean extinction for hundreds, if not thousands, of firms now an integral part of our economy.

The proposed bill would give the President broad power to reduce duties drastically and, probably in the case of firearms and certain other categories, to eliminate them entirely. Should it be used unwisely, many American companies would be badly damaged. Adjustment assistance would be their chief hope but it certainly is no guarantee of survival.

The business adjustment aid provision should also be scrutinized most carefully from another viewpoint—that such assistance could discriminate unfairly against firms which have already financed necessary changes without relying on elaborate loan, tax, and technical assistance from Government. In the case of our west coast tuna fisherman, whose request for higher duties on imports was rejected, much criticism has been leveled at the Government's action in lending money to a selected group so they could "modernize" their boats, thus subsidizing the least efficient.

The pending bill would invite the endless repetition of such discrimination. A few years ago Savage Arms launched a multimillion dollar modernization and plant relocation program. A substantial portion of our profits were diverted into it, and as a result, we are probably the most aggressive competitor among

domestic sporting arms manufacturers. However, should some companies in our field—but not all—qualify for extensive adjustment aid under this bill, Savage, in effect, would be penalized unfairly for its costly display of initiative and drive.

In short, the availability of such aid would discourage many companies and perhaps entire industries from pushing ahead with their own technological development. Instead, they will tend to rely on Federal assistance in the event that conditions worsen as the result of increased foreign competition.

Neither is the provision for adjustment assistance to workers relevant to our industry, which has an unusual percentage of highly skilled employees. Many of those affected by the severe drop in employment due to imports have relocated successfully while the new Federal training program, provided outside of this act, should aid others still unemployed.

Our major manpower concern revolves around the shrinking reservoir of skilled craftsmen and technicians essential for an immediate shift to wartime production. And, with the industry's future in jeopardy because of our diminishing share of the peacetime market, it will become increasingly difficult to attract good workers to be trained in these essential skills.

Because the pending trade bill would grant sweeping new tariff cutting authority to the President for up to 5 years, Congress must maintain and strengthen, where necessary, our traditional tariff and quota machinery.

For example, now that our petition for quota limitations on surplus military rifle imports has been denied by the OEP, we may have no alternative but to start an escape clause action. Reasonable duties on new foreign firearms would help us retain a necessary portion of the U.S. market. But higher tariffs would not solve the problem of extremely low cost surplus rifles—such imports have usurped 37 percent of the American demand for sporting centerfire rifles.

We find the OEP decision inexplicable. Rumors have been circulated that some executive branches consulted on the problem stressed the desirability of finding a "safe" market for millions of surplus rifles overseas. Such areas are made obsolescent by NATO rearmament policies and modern weapons supplied to other free world allies through our military aid programs. Our industry would not know where to begin to substantiate such rumors. But we must continue to search for necessary relief.

As a result, we have examined the Antidumping Act and recent amendments to it authored by the Committee on Finance. We believe our problem is clearly within the intent of the law as clarified by this committee in 1958, when it said: "The antidumping feature of our Tariff Act is of considerable importance in protecting domestic industries from inroads of foreign goods sold or offered for sale at less than fair value."

However, the act's language does not appear to cover the specific situation wherein the low cost is due to surplus disposal by a foreign government. Therefore, we strongly urge the inclusion in the pending bill of an amendment to the Antidumping Act that would recognize this circumstance and make clear that the fair market value of such goods is a constructed value for their present day cost of manufacture—not the artificially depressed disposal price with which we could never hope to compete.

Such action would not restrict imports of new sporting firearms, but it would help us recapture some of our own market for high powered rifles, thus restoring our military productive capacity.

However, if help is not available under this law, we might well be forced to appeal for quotas again under the national security section provision. Our recent experience points up the urgency of amending that section so it will function fairly and promptly.

No industry should be subjected, as we were, to 3 years of agonizing procrastination while various departments and agencies bucked our petition back and forth. No industry should be subjected to the risk that new tariff concessions granted while national security investigation is underway must be taken into consideration even if the eventual decision is for relief.

We urge the committee to amend the national security provision to require that a decision be rendered within 6 months after a petition is filed. Also, any concessions negotiated by our Government during that time should be nullified automatically in cases where relief is granted. Such minimum protection is automatic under the escape clause and similar provisions.

In conclusion, let me stress that I do not believe it is the intent of Congress to pass legislation which would seriously damage necessary domestic industries and those clearly vital to national security. However, I am sure the committee is

conscious of the tidal wave of alarm surging through many U. S. industries over the pending trade bill. Therefore, it is a matter of the highest national interest that Congress not only modify this trade legislation to prevent irreparable injury, but that it also review and update existing machinery so it will effectively safeguard American business and labor.

THE GREATER NEW HAVEN CHAMBER OF COMMERCE,
New Haven, Conn., July 30, 1962.

Senator HARRY F. BYRD.,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

MY DEAR SENATOR BYRD: I have just written you about our chamber's position on the tax bill. Here I would like to give you our position on the trade bill.

By recommendation of our congressional action committee and with approval of our board of directors, we believe there are several modifications that would improve the trade bill as now being considered. They are:

1. That tariff reductions of the United States be accompanied by truly reciprocal reductions for similar products by all foreign countries and that other police and regulatory restrictions on the importation of the product into the foreign country be examined closely to be sure that the tariff reduction is really meaningful in terms of the ability of the U.S. industry to export to that country.
2. That tariff concessions on the part of the United States be selective as to product, i.e., that the negotiators be absolutely certain that nearly all of the market for the particular product in question is not located in the United States and that U.S. industry has an equal chance with foreign industry to benefit from any reciprocal tariff reductions.
3. That within 6 months there must be administrative action and Presidential decision regarding a petition for relief by any industry or company under the escape-clause procedure, or under the national security procedure.
4. That the provisions of the bill regarding subsidies for industry and the retraining of workers be eliminated. It is our belief that industry is not interested in this type of subsidy and than the Manpower Training Act, already a law, provides the type of relief for labor which is necessary.
5. That the State Department negotiating teams be required to have representation from industry advisers when they are negotiating tariff reductions on the products of any particular industry.

Your help in getting these modifications accepted will be greatly appreciated.

Sincerely yours,

RICHARD O. GIBBS, *President.*

QUAKERTOWN, PA., *August 4, 1962.*

Hon. HARRY BYRD,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.

DEAR MR. BYRD: Enclosed you will find a carbon copy of a letter to Senator Hugh Scott, of Pennsylvania.[1] It speaks for itself.

The Constitution of these United States expressly gives to the Congress the power to control tariffs, and regulate foreign trade. This authority should never be given up by Congress, or delegated to any other branch of the Government.

We are unalterably opposed to H.R. 9900 because its enactment is contrary to the constitutional—and commonsense—plan for checks and balances, to safeguard this Nation from any one-man tyranny. This bill would not only be unconstitutional, it would be very dangerous for the country's economy, now and in the future. Powers once given away are seldom regained. We urge the defeat of H.R. 9900.

Please make this letter part of the hearing record, as testimony against this bill.

Sincerely,

THEODORE D. STARR, Jr.
C. C. STARR,

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[1] Made a part of committee files.

NATIONAL BOARD OF THE YOUNG WOMEN'S
CHRISTIAN ASSOCIATION OF THE U.S.A.,
New York, N.Y., August 2, 1962.

Hon. HARRY FLOOD BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

MY DEAR SENATOR BYRD: The enclosed policy statement on international trade, adopted by the national board of the Young Women's Christian Association of the United States of America, provides the basis for our support of the Trade Expansion Act of 1962. We believe that H.R. 11970 embodies the principles enclosed in our statement and we, therefore, urge your favorable consideration of the bill as passed by the House.

Sincerely yours,

MRS. ARCHIE D. MARVEL, *President.*

YWCA POLICY STATEMENT ON INTERNATIONAL TRADE

At a meeting of the total national board of the YWCA on Monday, March 26, 1962, the following statement was adopted upon recommendation of the national public affairs committee:

"Two cornerstones of the YWCA public affairs program have been commitments to work internationally for peace and good will and at home for economic and social justice. Within this framework the YWCA has supported the expansion of international trade along with measures designed to encourage growth of the domestic economy.

"Recent developments on the international scene call for a restatement of the YWCA position on this issue. The European Economic Community with its emphasis on elimination of trade barriers and pooling of economic resources, the rapid and dramatic changes in the political status of emerging nations in Africa, growing national interest in economic development of Latin America are among the pressures on the U.S. Government for revision of trade policy.

"The YWCA of the U.S.A. as part of a worldwide movement is called upon to reaffirm its support of measures to expand the flow of international trade with consideration both for the economic growth of the United States and the economic stability and development of nations throughout the world.

"To this end the national board of the YWCA supports those measures in our foreign trade policy that will—

"1. Make tariff adjustments to meet the pattern being established in the European Economic Community and gain the greatest benefit from the free flow of trade.

"2. Use the policy established in the most favored nation clause to prevent the building of a bloc of the more economically advanced nations to the detriment of the emerging nations and those outside the European Economic Community.

"3. Possess long-range procedures suitable to the planning for economic advance both abroad and in the United States.

"4. Provide greater flexibility in trade negotiations such as dealing with categories 'across the board' instead of item by item.

"5. Assist in the adjustment of domestic industry and labor through area development measures which will facilitate the transfer of capital and manpower and cushion the impact on individuals in affected industries."

STATEMENT IN SUPPORT OF TRADE EXPANSION BILL (H.R. 11970) BY IRVING JAY FAIN, APEX TIRE & RUBBER CO., PAWTUCKET, R.I.

Equality of opportunity.—This concept, implicit in civil rights, is relevant to trade. In civil rights, equality of opportunity means that individuals in the society are free to learn and to earn, to work and to play, free of arbitrary manmade discrimination based on factors unrelated to personal merit. In trade, cartographic equality of opportunity means that business elements in the society are free to buy and to sell, free of arbitrary manmade discrimination based on map boundaries unrelated to economic merit. This concept of cartographic equality of opportunity in trade within the national market was recognized by the Founding Fathers, and formalized in the Constitution in article I, sections 9 and 10. It has been part of our economic way of life for almost

200 years. It has been an essential factor in the strength, efficiency, and growth of the U.S. economy.

Our country's experience attests to the validity of the eternal verities of economics relating to trade within the largest possible area and population. These doctrines are applauded in teaching and in speeching, but are at times ignored when their implementation threatens change to vested interests.

What is sauce for the national goose is sauce for the international gander. Our country has not yet expanded this concept of cartographic equality of opportunity in trade from the national to the international. Other nations are doing this now. Their appreciation of this expanded concept is revealed in their current efforts to create regional trade groups, especially the European Economic Community.

There comes a time for decision in the affairs of men and of nations. In politics, our world is now completing an extraordinarily brief period of transition from colonialism to national political independence. In economics, our world is now beginning a period of internationalizing of horizons. In this transition period, what will the United States do?

Our country has long been the biggest single market in which there is cartographic equality of opportunity in trade. The business elements in our society have been free to buy and to sell throughout the domestic economy, free of arbitarary manmade State boundary discrimination unrelated to economic merit. Our country can choose to restrict this concept to our national boundaries. We can stand pat, and protect the status quo vis-a-vis international competition. There are proponents for such protection against change from international competition, although such protectors of the economy would not so blatantly ignore the laws of economics as to protect the status quo from the effects of change in technology and living patterns. In this transition period, our country can choose to go international. We can seek the goal of opening to our economy the sources and markets of other nations, and conversely opening to other economies the sources and markets of this Nation. It is easier to play it safe, to make no change, to embark on no new program, to appease vested interests. It is more difficult and more challenging to enlarge our trade vistas—it is also more rewarding. It was not easy in 1787, but it has been rewarding.

At this period in the affairs of nations, there can be no postponement of decision. As in the classic example of boy and girl (which example knows no national boundaries), a decision is inevitable: "Yes" means "Yes"; hesitation means "No."

The trade expansion bill (H.R.11970) before this committee, gives the administration a new power to negotiate new relationships with other nations and groups of nations. Its passage will be a clear declaration to the world that the United States is ready and willing to expand its concept and its practice of cartographic equality of opportunity in trade from the national to the international.

Personal Addendum to Statement of Irving Jay Fain

I am a native and lifelong resident of Rhode Island and have been engaged in private business continuously for the past 35 years, except for military service. I am a director and officer of several business firms owned and operated by our family group, including: Apex Tire & Rubber Co., Pawtucket, R.I. (rubber and plastic products); Thompson Chemical Co., Pawtucket, R.I., and Attleboro, Mass. (plastic raw materials); Tower Iron Works, Seekonk, Mass. (steel fabrication and industrial machinery); Apex, Inc., Pawtucket, R.I. (retailing). These business firms buy and sell in the domestic market, also in other markets of the world.

I have been active in the international aspects of our businesses. Organizationally, I am past president of the World Trade Club of Providence; past president of the International Trade Association of New England; past director of the International Executives Association of New York; past member of the Export Advisory Committee of the U.S. Department of Commerce; past member of U.S. trade missions to Turkey in 1956, to west Africa in 1961: and currently member of the Regional Export Advisory Council of the U.S. Department of Commerce.

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ATHOL, MASS., *July 31, 1962.*

CHAIRMAN, SENATE FINANCE COMMITTEE,
Senate Office Building, Washington, D.C.

Request that you accept this as a filed statement against favorable action by your committee on trade expansion bill. In my opinion this bill contains some very grave dangers to our economy and to our business in particular. If this is not so, then why is one-half of the bill directed to paying subsidies and indemnities to those who would be injured by this legislation?

THE L. S. STARRETT CO.,
D. R. STARRETT, *President.*

STATEMENT OF THE RUBBER MANUFACTURERS ASSOCIATION, INC., TO THE SENATE FINANCE COMMITTEE ON H.R. 11970

SUMMARY

The Rubber Manufacturers Association believes that enactment of the Trade Expansion Act of 1962 alone will not relieve the Nation's economic distortions. Adoption of the proposals of H.R. 11970 as a trade policy, without other necessary changes:

1. Will not stimulate employment.
2. Will not sustain business recovery.
3. Will not provide real economic growth.

The reciprocal trade agreements program, as embodied in H.R. 11970, has been promoted by its sponsors as the stimulus needed to increase American exports with claims of additional economic benefits that would:

Accelerate the growth of our domestic economy; improve our balance-of-payments position; help prevent domestic inflation; promote the strength and unity of the West; aid developing nations; maintain U.S. leadership in the free world; increase employment; benefit the consumer and provide that "American goods, produced by American know-how with American efficiency, can compete with any goods in any spot of the world."

The rubber manufacturing industry endorses these objectives and would support other fiscal, monetary, and economic reforms necessary for such an achievement.

The expanding Common Market and the rapid industrialization of Japan present a new and hard competitive challenge to U.S. industry. As an industry, we recognize this challenge. While we do not seek an advantage, we wish to be unshackled so that this competition may be met on more nearly equal terms.

The rubber manufacturing industry is opposed to the adjustment assistance provisions in H.R. 11970. These would interject arbitrary Government decisions into the marketplace and would create a preferred class of unemployed claims. We need to avoid more federalization of the unemployment compensation system and restrict these payments of Federal subsidies which undermine the will to work. We recommend that chapters 2 and 3 of title III be deleted entirely from the bill.

We recommend that the comprehensiveness of product categories in which the United States and the EEC countries might aggregate 80 percent or more of the world trade by section 211 of title II, be limited to avoid "basketing" substantially diverse products into the same broad category.

The rubber manufacturing industry supports new and bold revisions of public policy which are needed to make U.S. production more competitive in international trade. But adoption of H.R. 11970 will not automatically increase our exports. Already the unit costs of many efficiently produced foreign products are lower than ours and every evidence points toward an adverse widening of this differential.

To meet the hard challenge of our competitors in the industrialized free world, we must create a favorable business climate without restrictive conditions. Only then can we hope to meet foreign rates of economic growth, which presently outstrip our own.

To put U.S. manufacturers in a position to meet the challenge of world competition, we need to stimulate private capital formation to provide a much higher rate of productive investment. Our production capacity is running down as obsolescence and antiquated equipment take their toll.

If America is to hold its leadership in the world community, we must go beyond the provisions of H.R. 11970, and:

1. Limit Federal spending programs and end the overpowering burdens of Federal deficits and monetary inflation to give stability to the dollar in the world markets;
2. Overhaul the tax structure to lower corporate taxes and individual surtax rates of our system of progressive income tax which is a definite deterrent to business initiative;
3. Grant depreciation allowances equal to those permitted to producers in other industrial nations to allow for the modernization of American plant and equipment;
4. Terminate the monopolistic practices of labor and allow an equitable part of the future productivity gains to be devoted to reduction in prices rather than increases in wages;
5. Strengthen the profit position of American business to allow it to go forward to create the jobs which are needed;
6. Encourage rather than stifle expansion of private investments in the foreign markets of the world. (Reference our testimony on H.R. 10650, p. 3991 of the hearings.)

Dedication of these principles through remedial legislation is necessary if the United States is to stop standing still and losing ground to competitors who are moving ahead.

Efforts of nations to increase exports often run into import limitations in other nations. Many nations push their exports while simultaneously banning imports from other nations.

The United States seeks to be a notable exception on the precept that those who wish to sell to the world must also buy. U.S. tariffs already are among the world's lowest.

H.R. 11970 contains no assurance that our future tariff negotiations will be any more realistic than in the past. To promote freer trade, other industrialized nations of the free world must match our example by cutting their tariffs to U.S. levels and by reciprocal actions to remove quotas, hidden excises and internal licensing arrangements. In terms of reciprocity, such action on their part should come before any further reduction in U.S. tariffs, if U.S. exports are to be truly stimulated.

THE INTERNATIONAL ASPECT OF THE RUBBER MANUFACTURING INDUSTRY IN THE UNITED STATES

The rubber manufacturing industry in the United States was born in the atmosphere of international trade. For the first 100 years of its existence, it depended exclusively on imports of natural tree rubber from the tropical areas of the world. It is only during the last quarter century that it has become increasingly and now predominantly dependent upon the domestic manufacture of synthetic rubber.

During the early years of the industry, it grew rapidly to where it accounted for 70 percent of the world's rubber use by 1920, gradually declining to 50 percent of the world total just prior to World War II. It regained free world leadership at 55 percent of the total in 1950 but in 1960 it accounted for a sharply reduced 41 percent. During this past decade, rubber consumption increased 24 percent in the United States but it grew by an amazing 116 percent in the rest of the free world.

In terms of supplying the world's markets for rubber products, the factories overseas have substantially increased their share of the total and strongly outpaced our domestic factories.

Some U.S. companies have shared in this sharp growth of oversea markets for rubber products through their subsidiary factories in foreign countries. The U.S. rubber manufacturing industry has devoted a greater share of its capital expenditures to foreign investment than have most domestic industries. By 1961 rubber companies in the United States manufactured rubber products in 77 subsidiary foreign plants, 34 of which are located in European countries. These are exclusive of the oversea operations in which American rubber companies have partial ownership or contractual relationships.

By these oversea investments, the companies sought to overcome import restrictions and cost differentials and to compete effectively in the growing markets. Such major capital investments were made because of management decisions that

the investments would earn a satisfactory rate of profit. Tax "gimmicks" cannot account for such investments. An indication of profit potential was the spur.

THE DOMESTIC INDUSTRY AND THE IMPACT OF H.R. 11970

A. General appraisal

The Trade Expansion Act of 1962 (H.R. 11970) as passed by the House will have a widely varying impact on the rubber industry because of the great diversification of products and the many different domestic and export markets the industry serves.

The rubber manufacturing industry in the United States is made up of 1,425 companies producing some 40,000 different rubber products essential to every modern form of transportation, communication, industry, agriculture and national defense. During 1960, the aggregate sales of the companies in our industry were in excess of $6 billion. Of this total, tires and tubes accounted for 39 percent and nontire rubber products 38 percent. The remaining 23 percent was sales of nonrubber products of some of the widely diversified companies.

Certain of the industry's products have already experienced the dislocating effects of import competition and would suffer further if U.S. imports are increased. This applies to certain industrial rubber products such as belts and hose, medical supplies, including surgeons' gloves and tubing, and most particularly rubber footwear.

Rubber footwear imports have nearly always been a disturbing influence and have now approached a position where foreign producers enjoy one-half of our total domestic market. At the same time, U.S. produced rubber footwear has been practically eliminated from world markets by low-cost foreign producers.

Tire imports presently account for a very small proportion of total domestic sales and the value of tire exports in 1960, although 4.9 percent of the domestic market, was still four times the value of imports.

On balance, certain of the industry's rubber products could be further injured by increased imports, while others might benefit by increased exports if foreign tariffs and other trade barriers were lowered.

B. Special provisions concerning European Economic Community (Title II, ch. 2, sec. 211, H.R. 11970)

Under the authority granted by this section, U.S. tariffs may be eliminated where the United States and all countries of the European Economic Community account for 80 percent or more of the world export value of all articles in a product category. There is nothing in the language of section 211 or H.R. 11970 or in House Report 1818, page 14 and page 15, that gives any clue to the content of the product categories to be created under this section. Unlimited authority is granted to the President to select the categories and the Tariff Commission then determines the articles falling into such categories.

The recently approved Customs Simplification Act (Public Law 87-456) established definite rubber product classifications which are more inclusive than the former classifications they replace but still reflect the historical differences in tariff treatment for diverse types of products.

"Rubber products" or "articles of rubber" have been mentioned as included in the 80 percent EEC group for which zero U.S. tariffs can be negotiated. Our industry makes some 40,000 different products and the sensitivity to import competition varies considerably. If all of these products are "basketed" into one category and tariffs are eventually reduced to zero, the impact on certain items within such a broad category would be devastating.

It is recommended that the recently approved classification of Public Law 87-456 be maintained and that the "basketing" authority of section 211 be appropriately limited to exclude from the "basket" those rubber products where the current level of imports represents a substantial share of the domestic market for such products.

C. Title III, Chapter 2, assistance to firms

This chapter of H.R. 11970 recognizes that certain producers will be injured to the point of loss of their domestic markets to low-cost foreign imports and offers as a substitute or restitution, government intervention in the form of adjustment assistance. These provisions would primarily be used to "adjust"

for giveaway tariffs, resulting in serious injury to American business. This also indicates we are to abandon the historic position that all such negotiations must be carried on with competitor nations in good faith to seek protection for home producer as well as to open up foreign markets for our goods.

Determination of eligibility by Government "experts" including "outside" management consulting firms must of necessity be arbitrary. In their efforts to solve such a problem they would create others which could lead only to further Government intervention into our economic life. Firms might qualify and accept these assistance provisions but would thereafter find their operations dominated by a Federal overseer. The technical, financial, and tax relief provisions, involving a practical partnership between an affected firm and the Federal Government, could distort the free enterprise system.

The rubber manufacturing industry is opposed to the principle of Government providing such assistance and recommends that these provisions be deleted from the bill.

D. Title III, chapter 3, assistance to workers

The unemployment and retraining benefits provided in H.R. 11970 are substantially higher and of longer duration than are those now authorized under existing Federal and State law for persons unemployed for any other reason. This is highly discriminatory and without logic. State systems are prepared to meet the problem of unemployment regardless of cause.

Approval of these provisions would establish a precedent that would threaten the integrity and autonomy of the State unemployment compensation systems and could lead to the complete federalization of the unemployment compensation system which Congress heretofore has consistently rejected.

These provisions of H.R. 11970 are obviously the price that is to be paid to organized labor for their support of the bill. The ability of the U.S. domestic industry to compete effectively in world markets depends upon the basic economic reforms suggested elsewhere in this statement. This negative approach, to create a special class of unemployed, should be rejected. The rubber manufacturing industry recommends that chapter 3 of title III be eliminated from 11970.

COMPETITION WITH THE COMMON MARKET

The facts are that the expanded Common Market, without internal trade barriers, and having a population greater than the United States, will give foreign manufacturers a greater potential for mass production. The trends point to a continuation of their lower labor costs, improvements in productivity, decreased materials cost and lowered overheads through increased volume.

Many foreign factories already are equipped with the most modern facilities and there are ample investment incentives to build and pay for even more efficient factories.

U.S. mass production, created to serve a gigantic domestic market has heretofore been unique in the world, permitting industry to thrive and sell abroad. When European producers reach the point of general mass production which is presently within their potential, with wage advantages, productivity improved, material costs decreased and overhead costs lowered through increased volume, our domestic industries will be at a disadvantage in both domestic and foreign markets on both sides of the Atlantic.

The Trade Expansion Act of 1962 (H.R. 11970), in simple terms, places the cart before the horse. Before a program can be devised which will achieve the results claimed for it, the United States needs to face up to the reasons which already prevent a large share of its industry from competing. A greater share will be unable to compete when the Common Market fulfills its final goal.

HOW U.S. INDUSTRY CAN BE COMPETITIVE

Private capital formation is the keystone to sound economic growth. The present inadequate rate of U.S. productive investment is a major factor in our unfavorable growth rate as compared with other industrialized nations. We have been enjoying the luxury of a high-consumption economy while our foreign competitors have out-saved and out-invested us.

To compete effectively in world markets, and this includes our own unrestricted domestic market, we must have domestic fiscal, monetary, and economic reforms to give stability to the dollar in the world markets. The overpowering burden of Federal deficits and its resultant monetary inflation must be corrected.

We must curb the many Federal subsidies that have become a burden upon our economy. These programs are diluting the resources needed for our entire economy. We must realize that, in a vigorously competing industrial world, we cannot continue to sacrifice our own resources to the point of weakening our national economic self-reliance and strength.

The Federal tax structure must be overhauled to provide lower corporate and individual rates to stimulate investment and modernization of American plants and equipment. Anticipated revenue losses should be offset by corresponding reductions in Federal spending. Fiscal policy should strive for balanced budgets and debt reduction.

The Treasury's new depreciation guidelines and rules announced July 12, while apparently an improvement for some industries, is in fact, of no benefit for the major portion of the rubber industry. We therefore recommend legislation to permit depreciation deductions which would be fully competitive with other industrial nations. Such depreciation reform would also be more equitable than the investment credit "subsidy" included in the pending tax bill, H.R. 10650.

The restrictive demands and practices of unions, perpetuating inefficiency and high costs, must give way in the public interest. Legislation is needed to bring under control the monopoly power of organized labor, so that a large share of productivity gains could result in the lower prices needed to compete effectively in world markets.

"Business" to our industry and to all other U.S. producers represents a method of supplying essential needs and wants. Profit is a necessary driving force but it is just one valuable result of the transaction of business. Jobs and purchasing power also are resulting products. And from the same source comes taxes which are paid to run Federal, State, and local governments.

Our foreign competitors have increased their earnings and are profiting from the facts that their currency is stabilized, their nations are accumulating substantial gold reserves, strengthening their financial position. While we still have a favorable export-import balance, it is constantly being narrowed.

REDUCE FOREIGN TARIFFS AND TRADE BARRIERS

The report of the Joint Economic Committee of Congress entitled "Trade Restraints in the Western Community" clearly demonstrates that, taking tariffs and quantitative restrictions together, U.S. barriers to trade are among the lowest in the world. For this reason, much of the responsibility for promoting freer trade now rests with other industrialized countries, and especially the Common Market nations. In terms of real reciprocity, much more should be done to lower these foreign barriers before making further reductions in the U.S. tariffs.

In fact, in view of the attractiveness of our domestic market, the strongest basis from which to negotiate should be to stand on the facts of our low tariffs and strive for reduction and removal of foreign barriers to match our past concessions.

UNITED STATES MUST ACCEPT THE TRADE CHALLENGE

The world challenge is a dynamic one. We must adapt to the new situation by exploiting our capabilities to the fullest. It involves thousands of employers who do not now sell or seek to market their products abroad. It involves a careful reappraisal of some of the vague and inconsistent provisions of business regulatory statutes which impede the improvement of efficiencies on the part of domestic manufacturers. We have been fortunate, in this century, to have an economic and political system which has permitted us to enjoy a great economic development as an outgrowth of our national drive and ingenuity and a vast domestic market. Now we must regard competition from our allies and friends in the free world as a stimulant and incentive toward further research, innovation, cost reduction and improvement in efficiency.

STATEMENT OF AMERICAN RAILWAY CAR INSTITUTE SUBMITTED BY WALTER A. RENZ, EXECUTIVE VICE PRESIDENT

The American Railway Car Institute is a trade association of independent contract carbuilders of railroad passenger, rail rapid transit and freight cars. Its membership includes the following:

Greenville Steel Car Co., Greenville, Pa.
General American Transportation Corp., Chicago, Ill.
Magor Car Corp., Clifton, N.J.
Pullman-Standard—Division of Pullman, Inc., Chicago, Ill.
St. Louis Car—Division of General Steel Industries, Inc., St. Louis, Mo.
Thrall Car Manufacturing Co., Chicago Heights, Ill.

It is proper at this point to note that the views expressed herein do not include those of the Magor Car Corp. However, it is the opinion of the rest of the membership of the Institute that its comember Magor Car Corp., has individual and factual circumstances, conditions and a past production record which prompts the position it takes. This industry does have a problem confronting it with respect to the proposed trade expansion legislation now facing the Congress.

Since the publication of the famous "zero" list in President Kennedy's trade bill, much concern has been expressed by the independent American railroad carbuilders about the listing of "railway vehicles" on said "zero" list, which shows as 87 percent U.S. and European Community control of the world trade; nothing imported by the United States from the European Community, and 1 percent of U.S. exports to the European Community.

At first it was difficult to understand just what "railway vehicles" covered, but after reveiwing the standard international trade classifications, revised, of the United Nations, group No. 731, we find that "railway vehicles" includes every item which is produced by any member of the American Railway Car Institute. Specifically, the designations which we believe should be eliminated under group No. 731 are as follows:

731.4 Mechanically propelled railway and tramway cars, passenger, freight or maintenance.

731.5 Railway and tramway passenger cars (coaches) not mechanically propelled (including special purpose coaches for passenger services such as luggage vans, travelling post office, etc.)

731.6 Railway and tramway freight and maintenance cars, not mechanically propelled.

731.6(1) Railway tramway service vehicles.
731.6(2) Railway and tramway goods wagons (freight cars).
731.6(3) Road-rail and similar containers.

For your information since the United Nations grouping of the standard international trade classification No. 731 does not differentiate between new and used railway vehicles, it is our opinion that rebuilt and used equipment have been included in the total railway group mentioned in the release of the proposed "zero" list.

For your review and study I am attaching certain export production figures to support the contention that the "80 percent dominant supplier formula" portrays a completely distorted picture as to what our industry produces for the world market.

Your attention first is invited to exhibit I entitled—"Classification of Passenger Train Cars Delivered for Export"—from the year 1931 through 1961. This list does not include any transit, subway or street cars. However, as to the latter classification, no rail transit cars, etc., have been built for export since 1932. This statement is based on our own records which include the production of transit cars of our members since said date. The American Transit Associa-

tion has no records whatsoever of any export figures re rail rapid transit cars. In any event exhibit I is indicative of the small amount of passenger train cars delivered for export showing none for 1959, 1960, and 1961. Exhibit I represents new cars built and would not, of course, include secondhand rail passenger cars sometimes sold by American railroads to foreign countries. (For countries to which passenger cars were delivered, see separate statement, exhibit IV.)

With respect to freight cars, please refer to exhibit II attached hereto and note the small totals in recent years. In connection with this exhibit some explanation is in order. The large totals for 1943 through 1945 are the result of war production. The years 1946 and 1947 represent a rehabilitation program of the French railways, financed by our Government. Of 1955's total, 3,300 cars were produced for India and financed by the U.S. Government or through a U.S. financial agency such as Ex-Im Bank. Of 1954's total, 1,440 cars were for Korea and again these were financed out of U.S. funds. Of 1953's total, 1,200 cars went to Canada for the Labrador region. (See also breakdown 1946–61 by countries—16 statements—exhibit V.)

Generally speaking and taking into consideration the exceptional years explained above, such other production indicated was directed to the Central and South American market and primarily financed through U.S. agencies.

As I stated at a meeting held in February before the Commerce Department, the American railroad carbuilders are interested in foreign business but we have not been competitive with foreign railroad carbuilders particularly those in the Common Market sphere, unless financing has been arranged through U.S. agencies such as the Ex-Im Bank, and where perhaps American standards have been involved or where mass production and immediate deliveries are of primary importance. Recent world market bids have indicated a complete imbalance in favor of the Common Market and other foreign builders. This applies to rail rapid transist and passenger equipment as well as freight equipment. Should this imbalance be extended to the U.S. domestic market, the result would be devastating to our already depressed industry. One must keep in mind the necessity of maintaining a health transportation system in this country—a subject with which you are well acquainted, but likewise the national defense is a prime consideration in keeping manufacturers in this country healthy and upon whom the country will depend in time of war or national emergency, when help from elsewhere is quite dubious.

We respectfully submit that "railway vehicles" do not properly belong on the "zero" list. The purpose of said list is to develop a world market beneficial to the EEC and United States. To permit "railway vehicles" to remain on said "zero" list would result in a "one-way street" advantage totally in favor of the EEC group which already enjoys at least 90 percent of the work market under the 80 percent formula.

WALTER A. RENE,
Executive Vice President.

P.S.—Attached herewith is exhibit III relating to interurban, subway and other heavy electric cars delivered. This exhibit is not referred to in the above statement but is attached as an additional record for passenger cars.

Exhibit I

Classification of passenger train cars delivered for export

Year	Coach	Coach combination	Baggage and express	Sleeping and combination	Parlor club, etc.	Dining	Postal and combination	Self-propelled	Other	Total
1931	6			5		4	6			21
1932										
1933										
1934	15									15
1935										
1936										
1937										
1938										
1939										
1940	20	8								28
1941	14									14
1942	11									11
1943	21									21
1944										
1945										
1946	35									35
1947	12		7				7			26
1948	45					6	4			55
1949	33			23	2	7	14		1	80
1950										
1951	71		6	10	6	11	6	22		132
1952	11									11
1953								5		5
1954			15	149	24	43		5		236
1955	30		3	26	6	18		14		97
1956	9							25		34
1957	90							50		140
1958								6		6
1959										
1960										
1961										

Note.—Breakdown of Self-propelled: 1951—14 coach, 8 coach combination; 1953—3 coach, 2 coach combination; 1954—4 coach, 1 postal and combination; 1955—3 coach, 9 coach combination, 2 postal and combination; 1956—6 coach, 17 coach combination, 2 postal and combination; 1957—23 coach, 23 coach combination, 4 postal and combination; 1958—4 coach, 2 coach combination.

Classification of passenger train cars delivered for domestic use (carbuilder and railroad shops)

Year	Builder	Coach	Coach combination	Baggage express [1]	Sleeping and combination	Parlor club, etc.	Dining	Postal and combination	Other	Troop hospital	Troop sleeping	Troop kitchen	Total
1935	Total	107	25			14	2	1	56				205
1936	Total	84	19	33	27	15	9	2	2				191
1937	Total	299	56	71	33	20	37	10	103				629
1938	Total	136	37	38	156	27	33	5	2				434
1939	Total	98	12	29	80	18	37	2					276
1940	Total	69	10	19	117	8	20	14					257
1941	Total	201	10	2	49	22	35	20	3	7			349
1942	Total	111	2	82	157	2	18	22				24	417
1943	Total				3			4			652	26	685
1944	Total			3				5		17	558	420	1,003
1945	Total	3		13				10		193	368	344	931
1946	Total	356	9	59	2	12	9	11	1		822	56	1,337
1947	Contract shops	307	57	91	55	11	101	47	1				670
	Company shops	105		28	12	5	16	25					191
	Total	412	57	119	67	16	117	72	1				861
1948	Contract shops	154	21	25	368	81	97	20	1				767
	Company shops	81				23	18		2				124
	Total	235	21	25	368	104	115	20	3				891
1949	Contract shops	174	9	16	517	36	123	27	13				915
	Company shops	16					2						18
	Total	190	9	16	517	36	125	27	13				933
1950	Contract shops	368	11	60	380	33	61	33	8				954
	Company shops							10					10
	Total	368	11	60	380	33	61	43	8				964
1951	Contract shops	89	4		14	27	6	5					145
	Company shops			34									34
	Total	89	4	34	14	27	6	5					179

Year	Type												
1952	Contract shops	28	19	4	22	9	11	1		23			117
	Company shops												0
	Total	28	19	4	22	9	11	1		23			117
1953	Contract shops	138	13	61	35		4	5		41		89	386
	Company shops												0
	Total	138	13	61	35		4	5		41		89	386
1954	Contract shops	187	9	28	85	16	2	19		2		1	349
	Company shops												0
	Total	187	9	28	85	16	2	19		2		1	349
1955	Contract shops	295	7	525	25	15	14		5				886
	Company shops												0
	Total	295	7	525	25	15	14		5				886
1956	Contract shops	220	12	85	56	13	9		1				396
	Company shops												0
	Total	220	12	85	56	13	9		1				396
1957	Contract shops	54		598	1		6	43	3				705
	Company shops												0
	Total	54		598	1		6	43	3				705
1958	Contract shops	27	7	64	2	1	1		22				124
	Company shops												0
	Total	27	7	64	2	1	1		22				124
1959	Contract shops	33		15	12		10						70
	Company shops			10									10
	Total	33		25	12		10						80
1960	Contract shops	73		155				6	3				237
	Company shops												0
	Total	73		155				6	3				237

[1] Includes express refrigerator.

EXHIBIT II

Classification of freight cars delivered for export

Year	Box	Flat	Stock	Gondola	Hopper	Covered hopper	Tank	Refrigerator	Caboose	Other	Total
1943	21,567	5,253		13,111	293		1,654	200	894	145	43,117
1944	12,638	11,050		8,567	200		1,991	470	2,210	1,633	38,759
1945	4,406	1,006		4,250	170		574		5	247	10,658
1946	10,772	852		5,816	170		231			179	18,020
1947	20,521	80	50	6,447	25		303		20	275	27,721
1948	1,365	99		250	80		219	20		212	2,245
1949	2,091	100	30	4	100		220		20	45	2,610
1950		7		200			11				218
1951	45						5				50
1952	830	36		352		200	117			30	1,565
1953	852	12		48	1,572		164		5	137	2,790
1954	1,125			967	639		24				2,755
1955	2,252			1,950	204		51			40	4,497
1956				235	131		15		2	42	425
1957	265	15		25	575	6	24		107	62	1,079
1958	113	311	115	330	381	4	40		100	128	1,522
1959		9			524					95	628
1960					238	12	1		4	12	267
1961					75	62	8				145

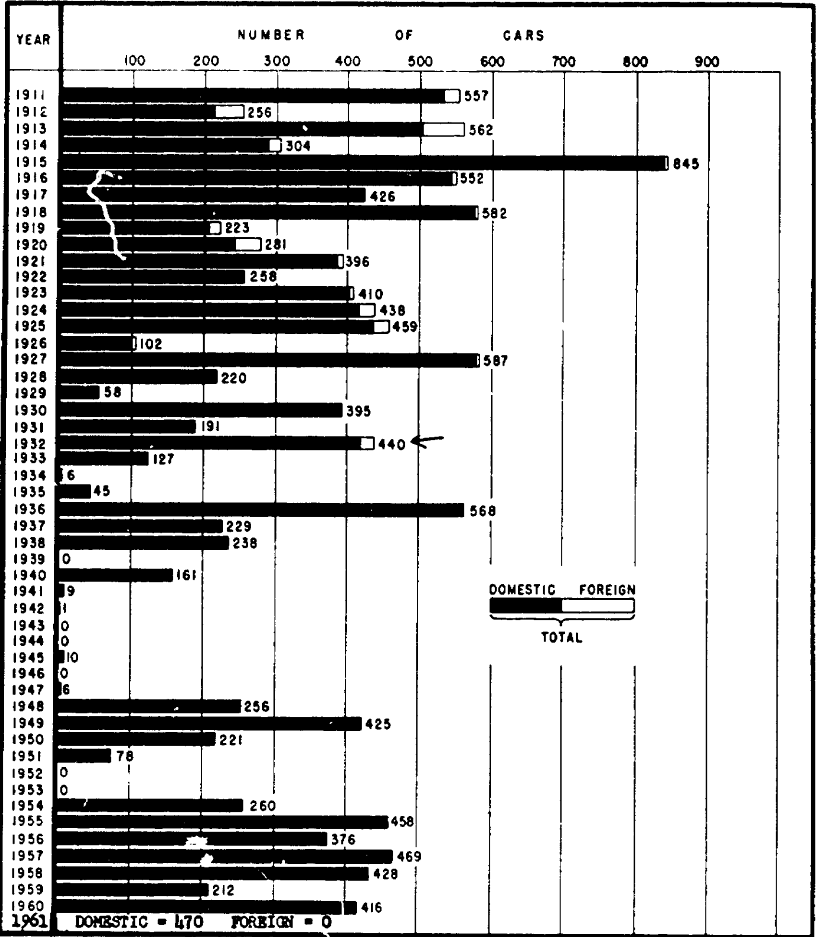
Freight cars delivered to railroads, private car lines and government (domestic)

Year		Class I railroads	Other railroads	Private car lines and industries	U.S. Government	Total
1942	Car builders	42,686		3,522	1,221	47,429
	Company shops	14,634	201	609		15,444
	Total	57,320	201	4,131	1,221	62,873
1943	Car builders	21,010		2,859	747	24,616
	Company shops	6,947	92	11	170	7,220
	Total	27,957	92	2,870	917	31,836
1944	Car builders	26,767	135	861	190	27,953
	Company shops	14,442	113	495		15,050
	Total	41,209	248	1,356	190	43,003
1945	Car builders	27,015	110	1,959	1,927	31,011
	Company shops	11,323	1,000	530		12,853
	Total	38,338	1,110	2,489	1,927	43,864
1946	Car builders	29,787	666	1,431	1	31,885
	Company shops	9,132	141	797		10,070
	Total	38,919	807	2,228	1	41,955
1947	Car builders	42,005	1,124	9,861		52,990
	Company shops	13,772		1,760		15,532
	Total	55,777	1,124	11,621		68,522
1948	Car builders	71,061	704	11,418	13	83,196
	Company shops	25,412	5	4,027		29,444
	Total	96,473	709	15,445	13	112,640
1949	Car builders	55,541	691	6,111	612	62,955
	Company shops	23,603	25	5,979		29,607
	Total	79,144	716	12,090	612	92,562
1950	Car builders	21,155	132	3,038	118	24,443
	Company shops	17,931		1,617		19,548
	Total	39,086	132	4,655	118	43,991

Freight cars delivered to railroads, private car lines and government (domestic)—Continued

Year		Class I railroads	Other railroads	Private car lines and industries	U.S. Government	Total
1951	Car builders	58,194	1,615	7,337	598	67,744
	Company shops	24,555	200	3,494		28,249
	Total	82,749	1,815	10,831	598	95,993
1952	Car builders	42,893	1,242	6,794	2,658	53,587
	Company shops	20,356		3,890		24,246
	Total	63,249	1,242	10,684	2,658	77,833
1953	Car builders	40,995	1,431	5,757	5,115	53,298
	Company shops	24,401	1,000	2,322		27,723
	Total	65,396	2,431	8,079	5,115	81,021
1954	Car builders	14,629	381	6,681	627	22,318
	Company shops	10,759	260	2,359		13,378
	Total	25,388	641	9,040	627	35,696
1955	Car builders	19,374	171	3,958	283	23,786
	Company shops	11,739	7	2,013		13,759
	Total	31,113	178	5,971	283	37,545
1956	Car builders	35,211	1,095	6,138	58	42,502
	Company shops	21,618		2,960		24,578
	Total	56,829	1,095	9,098	58	67,080
1957	Car builders	47,128	1,243	7,997	30	56,398
	Company shops	38,330		4,862		43,192
	Total	85,458	1,243	12,859	30	99,590
1958	Car builders	20,288	331	6,123	15	26,757
	Company shops	14,371	250	1,382		16,003
	Total	34,659	581	7,505	15	42,760
1959	Car builders	20,430	50	4,032	20	24,532
	Company shops	12,534		753		13,287
	Total	32,964	50	4,785	20	37,819
1960	Car builders	27,688	11	9,468	52	37,219
	Company shops	18,130		1,698		19,828
	Total	45,818	11	11,166	52	57,047

EXHIBIT III



Classification of passenger train cars in the United States (includes "Class I: Other Railroads and Pullman Co.")

Year	Coach	Combination passenger	Other combination car	Dining	Parlor	Sleeping	Baggage and express	Postal	Others	Total
1910	25,881	5,760		974	1,397	4,910	11,524		1,934	52,380
1911	27,158	5,852		1,081	1,510	5,561	12,269		2,299	55,730
1912	27,961	5,956		1,157	1,563	5,799	12,766		2,491	57,693
1913	28,075	5,666		1,223	1,650	6,198	12,943		2,826	58,581
1914	28,709	5,784		1,296	1,704	6,575	13,607		3,074	60,749
1915	30,135	5,861	3,125	1,385	1,737	6,761	9,938	1,566	2,571	63,079
1916	29,618	5,705	3,388	1,368	1,760	6,992	9,709	1,453	2,494	62,487
1917	29,468	5,768	3,206	1,381	1,754	6,882	11,435	1,336	2,415	63,645
1918	29,694	5,744	3,149	1,352	1,671	7,078	11,979	1,285	2,370	64,322
1919	29,476	5,700	3,084	1,350	1,617	7,042	11,962	1,354	2,344	63,929
1920	29,343	5,681	3,066	1,351	1,623	7,145	12,101	1,243	2,362	63,915
1921	29,558	5,553	3,063	1,370	1,529	7,322	12,608	1,231	2,542	64,776
1922	29,485	5,473	3,181	1,414	1,511	7,226	12,516	1,239	2,546	64,591
1923	29,504	5,526	3,132	1,431	1,501	6,949	12,827	1,221	2,630	64,721
1924	29,483	5,565	3,249	1,561	1,563	7,169	13,104	1,131	2,625	65,450
1925	28,744	5,574	3,255	1,568	1,609	7,863	13,174	1,092	2,749	65,628
1926	28,657	5,543	3,313	1,635	1,604	7,840	13,343	1,017	2,855	65,807
1927	27,696	5,524	3,313	1,659	1,589	7,838	13,219	1,011	2,918	64,797
1928	26,616	5,508	3,328	1,652	1,605	8,007	13,137	1,007	3,188	64,048
1929	25,424	5,472	3,318	1,687	1,623	8,254	13,020	991	3,578	63,367
1930	25,178	5,270	3,284	1,760	1,723	8,516	12,981	954	3,778	63,444
1931	24,255	5,143	3,224	1,743	1,617	8,267	12,578	952	3,800	61,579
1932	23,421	5,032	3,169	1,704	1,605	8,067	12,313	963	3,603	59,877
1933	22,218	4,697	3,038	1,642	1,451	7,403	11,294	949	3,463	56,155
1934	20,763	4,333	2,925	1,555	1,419	7,356	10,699	933	3,374	53,357
1935	19,384	4,052	2,853	1,476	1,365	6,950	10,303	905	3,165	50,453
1936	18,893	3,925	2,839	1,434	1,332	6,963	10,086	852	3,070	49,394

Year	Coach	Coach combination	Dining	Parlor, club lounge, observation and sleeping combinations	Sleeping	Baggage express and other nonpassenger	Postal	Others	Total
1937	18,585	3,539	1,576	1,707	6,865	14,054	1,951	435	48,712
1938	18,124	3,416	1,576	1,608	6,736	13,705	1,918	426	47,509
1939	17,827	3,279	1,551	1,473	6,362	13,261	1,865	411	46,029
1940	17,470	3,207	1,536	1,370	6,320	13,087	1,829	405	45,224
1941	17,490	3,115	1,539	1,223	6,625	13,247	1,797	361	45,397
1942	17,807	2,937	1,554	952	6,890	13,389	1,739	314	45,582
1943	17,929	2,879	1,569	805	6,981	13,282	1,713	[1] 999	46,157
1944	17,842	2,777	1,568	786	6,971	13,343	1,732	[1] 1,951	46,970
1945	17,668	2,748	1,552	634	6,562	13,671	1,701	[1] 2,689	47,225
1946	17,654	2,692	1,549	817	7,241	13,708	1,690	[1] 534	45,885
1947	17,542	2,635	1,628	954	6,099	14,160	1,693	[1] 419	45,130
1948	17,150	2,592	1,730	948	6,234	14,063	1,724	270	44,711
1949	16,806	2,482	1,803	931	5,847	13,919	1,756	269	43,813
1950	16,488	2,331	1,836	938	6,155	13,817	1,770	250	43,585
1951	15,856	2,188	1,784	954	6,183	13,686	1,702	249	42,602
1952	14,957	2,021	1,691	927	6,139	13,529	1,680	242	41,186
1953	14,460	1,879	1,617	876	5,527	13,481	1,586	264	39,690
1954	14,210	1,711	1,534	874	4,858	12,890	1,562	251	37,890
1955	13,543	1,438	1,639	851	4,789	11,063	3,191	380	36,894
1956	12,867	1,282	1,559	794	4,504	11,146	2,536	393	35,081
1957	12,328	1,150	1,474	749	4,169	10,873	2,438	353	33,534
1958	11,934	1,066	1,342	710	3,638	10,672	2,321	323	32,006
1959	11,121	954	1,273	686	3,435	10,244	2,157	307	30,177
1960	10,287	771	1,170	675	3,173	10,077	1,970	273	28,396

[1] Includes troop sleeper and kitchen.

Source: Interstate Commerce Commission, Bureau of Transport Economics and Statistics.

Exhibit IV

Passenger train cars delivered for export by country of destination, 1951–61

Year	Arabia	Australia	Brazil	Canada	Cuba	Korea	Mexico	Total
1950								0
1951	3	3	99		16		11	132
1952							11	11
1953				5				5
1954				236				236
1955	1			96				97
1956				25		9		34
1957			90	42	8			140
1958			6					6
1959								0
1960								0
1961								0
12-year total	4	3	195	404	24	9	22	661
Percent to total	0.61	0.45	29.50	61.12	3.63	1.36	3.33	100.00

Source: American Railway Car Institute, July 27, 1962.

Exhibit V

Freight cars delivered to foreign countries, 1961

Country	Hopper	Covered hopper	Tank	Total
Canada			8	8
Mexico		62		62
Panama	75			75
Car builders	75	62	8	145

Freight cars delivered to foreign countries, 1960

Country	Hopper	Covered hopper	Tank	Others	Caboose	Total
Canada			1		4	5
Chile	[1] 20					20
Korea	99					99
Mexico	100	12				112
Peru	[1] 15			[2] 12		27
Venezuela	[3] 4					4
Car builders	238	12	1	12	4	267

[1] Ore cars.
[2] Air dump cars.
[3] Ballast cars.

Freight cars delivered to foreign countries, 1959

Country	Flat	Hopper	Others	Total
Alaska	9			9
Argentina		[1] 440		440
Chile		[2] 30		30
Dominican Republic			[3] 40	40
Iran			[4] 15	15
Peru		[2] 54		54
Saudi Arabia			[5] 40	40
Car builders	9	524	95	628

[1] Ballast cars.
[2] Ore cars.
[3] Banana cars.
[4] General cars.
[5] Air dump cars.

Freight cars delivered to foreign countries, 1958

Country	Box	Flat	Stock	Gondola	Hopper	Covered hopper	Tank	Others	Caboose	Total
Alaska		91			50					141
Canada						4	20			24
Chile				170						170
Dominican Republic								[1] 98		98
Haiti		20								20
Jamaica					35					35
Mexico		200	100	135	147		20		100	702
Peru					114					114
Venezuela	113		15	25	35			[2] 30		218
Car builders	113	311	115	330	381	4	40	128	100	1,522

[1] Cane cars.
[2] Air-dump cars.

Freight cars delivered to foreign countries, 1957

Country	Box	Flat	Gondola	Hopper	Covered hopper	Tank	Others	Caboose	Total
Arabia						2			2
Brazil			1						1
Canada			24			10		3	37
Chile				[1] 50					50
Cuba	250								250
Dominican Republic							[2] 62		62
Mexico					6			100	106
Peru	10								10
Venezuela	5	15		[1] 525		12		4	561
Car builders	265	15	25	575	6	24	62	107	1,0[illegible]9

[1] Ore cars.
[2] Cane cars.

Freight cars delivered to foreign countries, 1956

Country	Gondola	Hopper	Tank	Others	Caboose	Total
Belgian Congo		51				51
Brazil				2		2
Canada			15		2	17
Chile		[1] 50				50
Jamaica	35					35
Mexico				40		40
Peru		30				30
Venezuela	200					200
Car builders	235	131	15	42	2	425

[1] Ore cars.

Freight cars delivered to foreign countries, 1955

Country	Box	Gondola	Hopper	Tank	Others	Total
Alaska			100			100
Arabia				1		1
Brazil	602	300	80	2		984
Canada				10		10
Chile			[1] 24			24
Cuba					40	40
India	1,650	1,650				3,300
Portuguese East Africa				38		38
Car builders	2,252	1,950	204	51	40	4,497

[1] Ore hoppers.

Freight cars delivered to foreign countries, 1954

Country	Box	Gondola	Hopper	Tank	Total
Canada				9	9
Chile			[1] 11		11
Colombia				2	2
Costa Rica				7	7
Guatemala				2	2
Honduras				1	1
Jamaica		4			4
Korea	825	565	50		1,440
Mexico	300		360	3	663
Portuguese East Africa		398			398
Venezuela			[1] 218		218
Total	1,125	967	639	24	2,755

[1] Ore hoppers.

Freight cars delivered to foreign countries, 1953

Country	Box	Flat	Gondola	Hopper	Tank	Others	Caboose	Total
Bolivia	30							30
Brazil	430	12	28	10				480
Canada				[1] 1,200	156			1,356
Colombia			20					20
Costa Rica					2			2
Guatemala						[2] 100		100
Honduras					2			2
Mexico	384					[3] 1		385
Newfoundland					4			4
Venezuela	8			[1] 362		[3] 20	5	395
Unknown: Surinaamsche bauxite						[3] 16		16
Total	852	12	48	1,572	164	137	5	2,790

[1] Includes ore, coal, and coke.
[2] Banana cars.
[3] Air dump cars.

Freight cars delivered to foreign countries, 1952

Country	Box	Flat	Gondola	Covered hopper	Tank	Others	Total
Bolivia	60						60
Brazil					2		2
Canada	300				40		340
Chile		16					16
Colombia					1		1
Cuba	350					[1] 30	380
Mexico	100		300	200	1		601
Panama	20	20					40
Unknown:							
British American Oil					20		20
U.S. Army					50		50
Esso Standard Oil					3		3
Kaiser Bauxite			52				52
Total	830	36	352	200	117	30	1,565

[1] Cane cars.

Freight cars delivered to foreign countries, 1951

Country	Box	Tank	Total
Arabia	45		45
Brazil		5	5
Total	45	5	50

Freight cars delivered to foreign countries, 1950

Country	Flat	Gondola	Tank	Total
Brazil			1	1
Chile	7			7
Mexico		200	10	210
Total	7	200	11	218

Freight cars delivered to foreign countries, 1949

Country	Box	Flat	Stock	Gondola	Hopper	Tank	Others	Caboose	Total
Alaska								20	20
Arabia		100							100
Belgian Congo	100								100
Brazil					Ore 100	4			104
Canada						102			102
Colombia	166		30						196
Costa Rica						3			3
Cuba							Cane 45		45
Guatemala						5			5
Mexico				4		106			110
France	1,825								1,825
Total	2,091	100	30	4	100	220	45	20	2,610

Freight cars delivered to foreign countries, Jan. 1–Dec. 31, 1948

Company	Box	Flat	Gondola	Ore	Tank	Refrigerator	Others	Total
Argentina	600							600
Brazil					91		[1] 80	171
Canada					34			34
Chile						20		20
Colombia		24	100		2			126
Costa Rica					2			2
Cuba					14			14
Ecuador					4			4
France	675							675
Guatemala							[2] 122	122
Honduras					5			5
Kenya					63			63
Madagascar		75			4			79
Mexico			150					150
Peru	90							90
Venezuela				80			[1] 10	90
Total	1,365	99	250	80	219	20	212	2,245

[1] Air dump cars.
[2] Banana cars.

Freight cars delivered to foreign countries, Jan. 1, 1947–Dec. 31, 1947

Country	Box	Flat	Stock	Gondola	Hopper	Tank	Others	Caboose	Total
Alaska								20	20
Arabia		80							80
Brazil	151		50			98			299
Canada						20			20
Chile						10			10
Colombia				87		67			154
Costa Rica						11	[1] 80		91
Cuba	135								135
Ecuador	90					17			107
France	20,070			6,360					26,430
Guatemala						17	[1] 78		95
Madagascar	75								75
Mexico						37	[3] 30		67
Newfoundland							[3] 10		10
Panama						2			2
Peru					[4] 25		[3] 25		50
Russia							[5] 2		2
Salvador							[1] 50		50
Turkey						20			20
Venezuela						4			4
Total	20,521	80	50	6,447	25	303	275	20	27,721

[1] Banana cars.
[2] Cane cars.
[3] Airdump cars.
[4] Aluminum cars.
[5] General cars.

Freight cars delivered to foreign countries, Jan. 1–Dec. 31, 1946

Company	Box	Flat	Gondola	Ore	Tank	Others	Total	Percent to total
U.S. War Department			1,368				1,368	7.59
Mexico	1,550				102	[1] 30	1,682	9.33
France	6,680		3,640				10,320	57.27
Belgian Congo	50						50	.28
Brazil	1,385	650	550	50	73	[1] 90	2,798	15.53
Chile	980		250	100			1,330	7.38
Colombia		40			25		65	.36
Costa Rica					3		3	.01
Cuba	115					[1] 50	165	.92
Ecuador	10				4		14	.08
Guatemala					8		8	.05
Honduras		40					40	.22
Panama		60			10		70	.39
Peru		36					36	.20
Puerto Rico					6		6	.03
Russia		14				[2] 9	23	.13
Venezuela	2	12	8	20			42	.23
Total	10,772	852	5,816	170	231	179	18,020	100.00

[1] Cane cars.
[2] General cars.

Statement of Emile Benoit Submitted in Behalf of the Friends Committee on National Legislation

Mr. Chairman and members of the committee, my name is Emile Benoit. I am associate professor of international business at the Columbia University Graduate School of Business. I am speaking today on behalf of the Friends Committee on National Legislation, an organization which seeks to represent many of the concerns of Friends but does not claim to speak for all Friends. In the interest of saving time for possible questions, I am greatly abbreviating my presentation.

We support passage of the Trade Expansion Act without crippling amendments.

RELIGIOUS BASIS FOR TRADE LIBERALIZATION

The Friends Committee on National Legislation has historically supported liberalization of U.S. trade policy. This is not only for the usual economic reasons, but also because we feel that recognition of the brotherhood of man imposes a moral and religious duty to eliminate as far as possible all artificial barriers impeding the free intercourse of human beings, which make for unjustified, discriminatory treatment as between fellow-nationals and others. We hope also that freeing of trade may reduce incentives to war by satisfying, without recourse to violence, the essential needs of nations for foreign markets and for sources of raw materials.

URGENT NEED FOR IMPROVED TRADE POLICIES AND MECHANISMS

The establishment of the Common Market makes it essential to have a new policy and new powers in this field of trade. To bargain effectively with the Common Market and strengthen its liberal inclinations, we must be able to make large concessions, by broad categories of product, without having to worry about peril points and escape clause actions except in rare instances. But at the same time, the Government must be ready and able to help persons and industries injured by tariff concessions. We are pleased to note that the House-passed bill contains measures for adjustment assistance which coincide with the improvements we supported in our testimony before this committee in 1958. They include retraining and relocation allowances for workers and technical and financial asistance to industries.

THE CRUCIAL CHARACTER OF TRADE FOR UNDERDEVELOPED COUNTRIES

We regret the special emphasis in this bill, and in the administration's presentation, on our trade with Europe, and on maintaining our own exports. Highest priority should be given, we feel, to expansion of the trade of the underdeveloped countries. Such countries are virtually dependent on international trade for their hope of economic development and for overcoming shockingly low living standards.

Expanding the flow of U.S. cars, TV sets, and dishwashers to Europe is of far less significance than absorbing more exports from the countries of Asia, Latin America, and Africa, and expanding the flow of capital goods and technical assistance to these areas. It is vital that we use our bargaining power with Europe not only to reduce barriers to our own exports, but to reduce also official and unofficial obstacles in Europe to imports from the developing countries and from such a country as Japan.

We commend section 213 on tropical agricultural and forestry commodities, which allows the President to reduce duties on such commodities, but we disagree with the protectionist provision in section 213 (a) (2) which restricts reductions to commodities which are "not produced in significant quantities in the United States." We would like to see section 213 expanded to cover certain manufactured products and minerals, and we hope Congress will expand the restricted geographic coverage.

TRADE WITH COMMUNIST NATIONS

We urge the committee to eliminate section 231 of the House-passed bill which would require the President to withdraw tariff concessions from "any country or area dominated or controlled by communism." We believe it highly inadvisable to limit Presidential discretion in this way. Section 232 of the bill provides adequate protection against trade concessions injurious to national security. Only the President, we believe, can appropriately determine, in the shifting day-to-day political developments, what, if any, interruptions in trade are required in the interests of national security, and what U.S. trade concessions are desirable for humanitarian reasons, and for the strengthening of friendly relationships between peoples. The present proviso risks imposing on the President, despite his better judgment, the need to take actions increasing international tension and strengthening the control, in Yugoslavia and the Russian satellites, of hard-line extremists who believe there can be no accommodation with the United States. We believe decisions on such issues can best be left in the hands of the President.

SPORTING ARMS AND AMMUNITION MANUFACTURERS' INSTITUTE,
New York, N.Y., July 30, 1962.

Trade Expansion Act of 1962 (H.R. 11970).

Senator HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR MR. CHAIRMAN: The American manufacturers of sporting arms filing this statement represent over 90 percent of U.S. production of centerfire rifles, and over 75 percent of all U.S. sporting shoulder arms production. Their plants are located in Connecticut, Massachusetts and New York.

THE INDUSTRY IS ESSENTIAL TO NATIONAL DEFENSE

Department of Defense mobilization policy places the major responsibility for quantity production of military firearms on the American fireams industry.

FIREARMS IMPORTS HAVE INJURED THE INDUSTRY UNDER EXISTING TARIFFS

Since 1934, import duties on firearms have been reduced by 50 to 78 percent. General Agreement on Tariffs and Trade (GATT) negotiations during 1961 have resulted in additional reductions on the principal firearms imported of approximately 20 percent to take effect over a 2-year period starting July 1, 1962.

Firearms imports under existing tariffs have increased from $5.8 million in 1956 to $9.5 million in 1961, an increase of approximately two-thirds. In units, imports have more than tripled, increasing from 130,000 to 417,000.

Firearms imports, 1956–61

[Amounts in thousands]

	Rifles		Shotguns		Total	
	Units	Dollars	Units	Dollars	Units	Dollars
1961	310	$2,856	107	$6,708	417	$9,564
1960	400	2,930	124	7,648	524	10,578
1959	269	2,205	129	7,563	398	9,768
1958	198	1,430	93	5,486	291	6,916
1957	130	1,227	99	5,407	229	6,634
1956	38	698	92	5,105	130	5,803

The preponderance of shotgun imports is autoloading shotguns from Belgium. In 1961, over 70,000 autoloaders were imported into the United States and it is estimated they accounted for approximately 40 percent of all autoloading shotguns sold in the domestic market. Industry sales of autoloading and other shotguns have declined approximately 27 percent over the past 6 years.

Included in 1961 rifle imports are approximately 265,000 surplus rifles having an estimated import value of approximately $3.70 per rifle which is less than one-tenth the price of the lowest priced American-made centerfire rifles. These surplus rifles account for approximately $960,000 of 1961 rifle import value.

Surplus military rifle imports

[Amounts in thousands]

	Units	Value
1961	265	$960
1960	360	1,250
1959	232	830
1958	172	545
1957	98	132
1956	21	44

In 1961, imports of surplus rifles were 36 times greater than the quantity imported in 1955, while at the same time domestic sales of American sporting centerfire rifles were 37 percent below their 1955 level.

Three of the companies subscribing to this letter manufacture ammunition. These companies are the principal domestic commercial suppliers of ammunition to the U.S. Armed Forces.

Import volumes under existing tariffs have increased more than seven times, from $364,000 in 1956 to $2.8 million in 1961.

Ammunition imports, 1956–61

[Amounts in thousands]

	Metallics	Shotshells	Total
1961	$2,059	$823	$2,882
1960	952	804	1,756
1959	660	579	1,239
1958	334	323	657
1957	230	305	536
1956	192	172	364

THE NATIONAL SECURITY PROVISION HAS FAILED TO GIVE RELIEF

Since June 1959, the American manufacturers of sporting arms and ammunition waited for relief under the national security provisions of the Trade Agreements Act against imports of cheap surplus military rifles, which severely cut the sales, profits, and employment of the industry and endangered its capability to meet its responsibility for quantity production of firearms in time of war. At last on June 5, 1962, 3 years after the industry's petition was filed, the Office of Emergency Planning issued its decision.

Although the OEP found both that the American sporting arms industry is essential to the national defense and that it had been injured by foreign surplus rifles being dumped in the U.S. market, it concluded that the injury had not yet reached the point of endangering the national security. It is difficult to image how any industry would qualify for relief under the national security provision if the American firearms industry cannot do so.

While waiting for this decision, the American industry suffered from still further increases in imports of surplus rifles and, in addition, from growing competition by foreign manufacturers of autoloading shotguns. At the same time, in the last GATT negotiations, the United States made further concessions on sporting arms, below the level of the peril point recommended by the Tariff Commission.

SECTION 225(a) SHOULD BE STRENGTHENED TO PREVENT NEGOTIATIONS ON PRODUCTS PENDING INVESTIGATION

Based on the experience of our industry, which suffered increasing import competition and further tariff cuts while waiting for a decision, we urge the Congress to strengthen section 225(a) of the Trade Expansion Act so as to preclude placing any product on the negotiating list while an escape clause or national security investigation is pending.

Such a provision would have two desirable effects:

(1) It would prevent added import competition while the injured domestic industry was waiting for the Government to decide its case. The sporting arms industry, after the experience of waiting nearly 3 years for decision, is keenly conscious of the injury that can result while the Government delays in acting.

(2) It would spur the Government to decide promptly petitions under the two provisions. The inexcusable time taken to decide the industry's national security petition calls for such an incentive to faster action.

To accomplish this, we suggest that the words "investigation or other" be inserted at the beginning of section 225(a) after the words "while there is in effect with respect to any article any," so that it will read as follows:

"(a) While there is in effect with respect to any article any investigation or other action taken under (1) section 232 or 351, (2) section 2(b) of the Act entitled 'An Act to extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended', approved July 1, 1954 (19 U.S.C., sec. 1352a), or (3) section 7 of the Trade Agreements Extension Act of 1951 (19 U.S.C., sec. 1364), the President shall reserve such

article from negotiations under this title for the reduction of any duty or other import restriction or the elimination of any duty."

THE ANTIDUMPING LAW SHOULD BE STRENGTHENED

Export sales to the U.S. market of surplus military rifles by foreign governments at prices totally unrelated to their cost are clearly contrary to the principles of the antidumping law. To strengthen the law against such dumping we urge that it be amended to provide that the constructed value for foreign military surplus imports be based on the original cost of the articles to the foreign government.

A TIME LIMIT SHOULD BE SET ON NATIONAL SECURITY INVESTIGATIONS

The industry's experience in waiting 3 years for a decision on its national security petition shows the need for a time limit on consideration of such petitions. Otherwise, relief can be denied simply by postponing a decision.

We urge that the national security provision be amended to require a decision to be rendered within 6 months of the filing of a petition.

THE RECIPROCITY PRINCIPLE IN TARIFF NEGOTIATIONS SHOULD BE STRENGTHENED

Duties.—The United States should not grant duty concessions on products made by an American industry without obtaining reductions in the foreign duties imposed on the products of that industry. Yet this has often been done in the case of the American sporting arms industry in past negotiations.

To insure due reciprocity, we urge that the Trade Expansion Act be amended to require that the United States should not make any tariff concessions for products on which a foreign country imposes duties, unless a reciprocal reduction is made in the foreign duties on such products.

Discrimination.—The American sporting arms and ammunition industry is put at a serious disadvantage every time duty concessions on arms and ammunition are made by the United States, because foreign tariff concessions on such products are generally nullified as a result of restrictions imposed on firearms imports.

Some of the largest foreign countries control the sale and use of arms and ammunition through monopolies which can and do discriminate against imports. Other countries regulate arms and ammunition so stringently that they provide virtually no market for U.S. exports. When such countries make tariff concessions, there is no practical benefit to U.S. manufacturers of arms and ammunition. This is confirmed by the fact that export volumes in firearms and ammunition, under present duties and restrictions, have remained constant over the past 6 years totaling approximately $6.8 million in 1956 and $6.7 million in 1961. Imports during this period, however, have doubled, from $6.2 million in 1956 to $12.3 million in 1961.

Ammunition cannot be imported into France without special government permission, nor into Switzerland except through a national monopoly, which effectively restricts such imports. No matter how far the duty might be reduced in such countries, U.S. manufacturers cannot except significant increases in sales in these countries as long as the governments control imports.

The majority of other European countries either limit the sale and use of sporting arms and ammunition through stringent licensing requirements or ban them altogether, except for small calibers. Thus, when those countries grant duty concessions on arms and ammunition, U.S. manufacturers do not necessarily gain additional foreign markets; certainly they do not gain anywhere near the markets that have been opened up for foreign producers in the United States as a result of progressive tariff reductions under the reciprocal trade agreements program.

The United States exposes a relatively free and very broad firearms and ammunition market in exchange for an extremely small market in Europe which is severely restricted and highly unpromising.

We recommend therefore that the Congress provide that American tariff reductions be made contingent not only on the reduction of foreign tariffs but also the elimination of quota or other restrictions which effectively bar U.S. exports.

THE SUBSIDY PROVISION OF H.R. 11970 SHOULD BE ELIMINATED

The American sporting arms industry opposes the readjustment provisions of the Trade Expansion Act and urges their elimination. Our industry desires adequate protection from unfair foreign competition; it does not wish to be eased out of business, with or without Government subsidies.

The subsidy provisions of the Trade Expansion Act take attention away from the real need, which is to defend American business against excessive imports. Strengthening the reciprocity principle in the trade agreements authority and expediting the processing of industry petitions under the escape clause will do more to keep a healthy domestic economy than putting American business on a dole.

CONCLUSIONS

In the light of the industry''s experience, we strongly urge that the following specific changes be made in the Trade Act:

(1) An amendment to the antidumping laws expressly providing that the constructed value for foreign military surplus be based on original cost to the foreign government. This would go a long way toward eliminating the unfair competitive impact of extremely low cost surplus military rifles that have been dumped in vast quantities on the U.S. market.

(2) A requirement that every reduction of American duty should be made contingent on (*a*) an equivalent reduction of foreign duty on the same item, and (*b*) the elimination of restrictions whic heffectively deny export opportunities to the American products.

(3) An amendment to the national security provisions requiring the President to render a decision on petitions brought under these provisions, within 6 months after the filing of the petitions. This would prevent nullifying the national security provisions through delays such as that experienced by the American sporting firearms manufacturers.

(4) A provision that the President shall not make any further tariff concessions on products of industries that are essential to the national security.

(5) An amendment to section 225(a) to reserve products from negotiation while investigations are pending under the escape clause or national security provisions.

(6) We also urge elimination from the act of the provisions for adjustment assistance. Such measures are undesirable and inadequate to protect American business from unfair foreign competition.

We respectfully request that this statement be included in the record of the hearings of your Committee on the Trade Expansion Act, and urge that the committee adopt the industry's recommendations.

Very truly yours,

FEDERAL CARTRIDGE CORP.,
THE HIGH STANDARD MANUFACTURING CORP.,
ITHACA GUN CO., INC.,
O. F. MOSSBERG & SONS, INC.,
REMINGTON ARMS CO., INC.,
SAVAGE ARMS CORP.,
WINCHESTER-WESTERN DIVISION,
OLIN MATHIESON CHEMICAL CORP.
By H. L. HAMPTON, Jr.,
Secretary, Sporting Arms & Ammunition Manufacturers' Institute.

STUDEBAKER INTERNATIONAL,
South Bend, Ind., July 30, 1962.

Hon. HARRY FLOOD BYRD,
Chairman, Finance Committee,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: On March 23, 1962, the Automobile Manufacturers Association submitted a statement to the Committee on Ways and Means of the House of Representatives in its public hearings on H.R. 9900. As copies of the statement have been sent to all members of the Senate, I will not repeat the position set forth by the Automobile Manufacturers Association, but take this occasion again to fully endorse the position and to provide for the information of the Senate Finance Committee the following additional statement.

Studebaker International directs and manages the international effort of all Studebaker Corp. product lines. These include, in addition to automotive products, such things as electrical generating equipment, small hand-operated tractors, floor maintenance equipment, commercial refrigeration, superchargers, and various defense products.

"* * * We are the protectionists * * *"

I believe that protectionist is an expression best suited to those persons and organizations that, like myself, vigorously support H.R. 9900. Its enactment will protect and improve our living standards, protect and expand U.S. employment levels, protect and strengthen our ability to provide economic and military aid to those many critical areas overseas urgently in need of such support.

The means to achieve these goals can be found only in achieving the highest possible level of free-world economic activity. Thus, we who support programs specifically designed to achieve that end are indeed the protectors of the American free enterprise way of life. Perhaps restrictionist would describe better the opposing view.

"* * * National goals and advantages * * *"

As the many advantages that will flow to the United States from the enactment of this essential legislation already have been clearly and vigorously stated in the President's message and in many other statements prepared by supporters of the legislation, there is no need to repeat them in this statement. As I see it, our national interest is linked strongly to the prompt enactment of this bill.

I wish to set forth, briefly, my view concerning adjustment assistance and full employment.

"* * * Critical nature of adjustment assistance * * *"

Instead of perpetuating economic inefficiency by the creation of high tariffs, H.R. 9900, like certain provisions of the Treaty of Rome, provides for orderly and acceptable changes in domestic economic activity to accommodate to changing international economic conditions.

I support those who urge that before the bill is enacted the Congress insure that adjustment assistance to workers, to industry, and to areas in need of redevelopment be fully adequate unto the need. Current programs that may meet some of these needs have to be reinforced and expanded.

"* * * Critical need for expanded U.S. employment levels * * *"

We are all, of course, vitally concerned with increasing the level of U.S. economic activity. And not simply or primarily to remove possible obstacles to the acceptance of this legislation. But it would be tragic if the opponents of a liberal trade policy were allowed to link present U.S. employment and economic activity levels to this legislation. Unfortunately the dislocated worker draws a clear and immediate relationship between imports and his problems, whereas the millions of workers whose jobs actually depend on exports frequently are unaware of the tremendous importance to them of our national level of exports. However, the evidence is clear that this bill will contribute to expanding U.S. employment levels.

I urge the committee and the Senate to support H.R. 9900 in full confidence that our Nation will benefit from this measure to reduce trade barriers, stimulate competition, and expand world trade.

Respectfully,

A. R. GALE.

WASHINGTON, D.C., *July 30, 1962.*

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

On behalf of the 182,000-odd individual independents in business and the professions from all 50 States, members of the federation, we urge you reject the administration's request for expanded powers to reduce tariffs. At the same time, if your decision is to recommend this legislation favorably, then we urge you to amend the bill with the strongest possible safeguards against overeager use of its authorities by administration theorists which could lay our economy wide open, especially the smaller independent business segment, to ruinous competition by foreign produced goods made either by subsidiaries of U.S. large businesses or 100 percent foreign producers who benefit from wage,

tax, and other cost advantages denied those operating only in our country. Our position is based on three polls taken among our members within the past 120 days, both on the administration's trade proposal. The first in mandate No. 271 (December 1961) reads: "Should Congress give the President power to further reduce tariffs?" The vote on this was 36 percent favorable, 57 percent unfavorable with 7 percent no opinion. The second in mandate No. 273 (March 1962) reads: "H.R. 9900 grants the President greater power to reduce tariffs, for use in bargaining with European Common Market nations for new international trade agreements." The vote on this was 33 percent favorable, 63 percent unfavorable, with 4 percent no opinion. The third in mandate 275 (May 1962) reads: "S. 2840 Congress reserve for itself the power to veto international trade agreements made by the President". The vote on this was 88 percent favorable, 9 percent unfavorable, and 3 percent no opinion.

We consider the fact that opposition to the administration's propoasals increased during a period when there was heavy propaganda in press and magazines and direct from the White House, as most significant. We feel that this is due largely to the fact that the administration has been less than candid on the subject which in turn has generated uncertainty and fear.

Attesting the accuracy of our conclusion, we cite: (1) the result of a poll taken in mandate No. 273 (March 1962) on S. 2663 (provide Government loans and other help for firms seriously injured by increased imports, and assistance to workers employed by these firms) which ran: 23 percent for, 72 percent against, with 5 percent abstaining; and (2) results of our continuing "How's Business With You?" 1962 special survey in which 27,532 members in all 50 States were polled during the first 6 months of the year (this survey will continue during the balance of the year) which shows that to date 84 percent of them claim not to have been affected by imports.

If there were confidence in the direction of the proposed assistance to injured firms and employees, there would have been every reason for favorable vote on S. 2663. By the same token if there were confidence in the future handling of the authority sought with the administration's trade proposal and belief in the lack of injury claimed by top level Government officials, this 8 percent should have given the votes necessary for a favorable response in the polls on the trade proposals themselves. We repeat, those who vote in these polls are responsible individuals who know what it takes to meet a payroll and make a profit, who must be realistic in assessing the future of their operation, they do not dwell in ivory towers.

They are looking to your committee to exercise the lawmaking powers vested in it to safeguard them from arbitrary injury such the they foresee in the administration's program as it now exists. You can do this by retaining and strengthening the national security provisions written into the bill by the House, and by inserting a strengthened peril-point provision, and by further increasing the powers written into the legislation by the House to permit Congress to veto injurious trade agreements made by the President. Let us make these points clear: We and our members recognize the need for trade but on a fair competitive basis. We are favorably impressed by development of the Common Market in Europe. We recognize it is a fact of history and that we must deal with it also, adjust our concepts to the realities it promotes. We have done and will continue doing all possible to encourage and assist smaller independent businesses in developing their export capabilities. However, we do not believe that the Common Market nations intend to give away any part of their economy in trade with us. There is no reason why they should. By the very same token we should not give away any part of our economy to them, especially when it involves smaller indepndent businesses which are the backbone of our business opportunity system.

Finally we urge that if you concur in the House's action in setting up a program to assist injured firms, you delegate responsibility for it to the Small Business Administration, which has developed a mass of experience in representing and assisting the smaller, independent business segment of our economy, rather than by vesting such responsibility in any other agency of Government or in any new agency. We ask that you make this statement of the Federation's position part of the record of your hearings on H.R. 9900.

GEORGE J. BURGER,
Vice President, National Federation of Independent Business.

WEST ENGLEWOOD, N.J., *July 27, 1962.*

Hon. HARRY F. BYRD,
Chairman, U.S. Senate Finance Committee,
Washington, D.C.

GENTLEMEN: After an exhaustive study of the original bill on tariffs and trade, H.R. 9900, which emerged from the House of Representatives as H.R. 11970, and is now before your committee for hearings, we submit this statement, opposing the legislation and respectfully request that it be made a part of the hearings.

We strenuously object to the sweeping powers which it would grant to any President to reduce or eliminate, at his discretion, any or all remaining tariffs on U.S. imports. Granting of such power could be used either for protectionism or free trade, eliminating the constitutionally delegated power granted Congress upon which a large part of the national welfare is dependent. Under this arrangement we could end up with a dictatorship.

U.S. tariffs already are at exceptionally low levels in comparison with former years and in comparison with other countries. This coupled with low hourly rates of earning in most other countries enables these other countries to flood our markets thereby causing more unemployment (which is already on the rise) in our own country.

Since all arguments for granting this power to the President hinge on competition with the European Common Market we should realize that the purpose of the European Common Market is for protection to them but even more important is the fact that it is first and essentially political. They are trying to build a political union and the customs union and the economic union are means to attain that end. For this reason there is absolutely no assurance that the Common Market will allow the United States to export on equal terms.

Since the gross national product of the United States is twice that of the European Common Market we would be opening our entire market in return for their opening one half as big. How on earth could this increase our exports?

We respectfully request this committee to reject this proposed legislation as being detrimental to the welfare of our Nation.

Respectfully submitted.

MRS. GERALDINE EARLIN,
Director, West Englewood Legislative Study Club.

THE CINCINNATI MILLING MACHINE CO.,
Cincinnati, Ohio, July 20, 1962.

Hon. HARRY F. BYRD,
Senate Office Building,
Washington, D.C.

DEAR SENATOR BYRD: Because of your deep interest in the vitality and growth of the Nation's economy, I know you are concerned to know of any serious adverse effects of the pending "Trade" bill. Almost no one realizes that the administration's announced intent to put machine tools on the free list will certainly undermine the defense potential and the future industrial productivity of the Nation.

This sober conclusion rests on lifelong experience with the largest producer of machine tools in the World War II and Korea defense emergencies. In machine tools this company is first in the United States, and first in the free world. It is both the most export-minded, and the most experienced in manufacture abroad for oversea markets, with no product shipped from abroad into our own country.

The serious consequences to the Nation's defense potential and its future industrial productivity are briefly set forth below. May I urge you to consider them.

The writer speaks from firsthand experience as indicated in attached notes.

Respectfully,

FREDERICK V. GEIER.

Prior to World War I and II and even after war began in Korea, Government overlooked the key role of machine tools in defense. But Gen. George C. Marshall, as Chief of Staff of the U.S. Army, was early to declare that, "Practically every problem concerned with the production of arms and equipment, ships and planes, starts with the question of machine tools. The tool builders, therefore, constitute the keystone of the entire procurement structure."

And it was the distinguished Dean of Engineering at Cornell University, Dexter S. Kimball, who pointed out that machine tools are the "Master Tools of Industry". They are the machines required to produce all others, they alone can reproduce themselves. They are in fact the very cutting edge of industrial productivity.

U.S. industrial strength and productivity derive primarily from the technical equipment and machinery industries, of which machine tools are the core. Such machines are built in small lots or on individual order—not mass-produced. Thus labor and engineering are the large element of cost, as much as 35 to 55 percent of selling price. But foreign-built machines of good quality, built with wage rates one-third to one-fourth those in the United States, sell at prices 30 to 50 percent below those built here.

Contrary to the current impression that foreign wages are outpacing those here, the disparity in wage rates through the years has actually widened, the differences in productivity have narrowed, while the U.S. tariff on machine tools was successively reduced from 30 to 15 percent, recently to 12. And now is slated for zero.

The consequences are clear. In all other major countries machine tool capacity and production are expanding, but in the U.S. they are shrinking. It is not surprising that 67 U.S. machine tool companies, including most major producers, have in recent years felt impelled to arrange for some oversea manufacture in 109 plants in 11 foreign countries.

The striking recovery, expansion and progress of the metal-working equipment industries in Europe and Japan, together with their much lower wage costs, will increasingly affect U.S. builders of such equipment in the American home market, now in its fifth decidedly subnormal year.

The actual new domestic orders for metal-cutting machine tools reported for the 4 years beginning 1958 were $232 million, $442 million, $352 million, and $376 million. For 5 months of this year they were at an annual rate of $413 million. Present industry capacity is above $850 million, 1942 World War II shipments were $1,320 million, 1953 Korea shipments were $1,191, price levels not currently comparable.

Overall industry statistics of the past several years imply excellent demand for U.S. built machines abroad. Actually the United States was beneficiary of a large spill-over of orders because European and Japanese builders were sold out with deliveries up to 2 years. An additional factor was the foreign need for U.S. specialties not as yet built in volume abroad. Export orders the first 6 months of 1962 are down 45 percent from the last half of 1961.

This is now the position:

1. The momentary wave of exports is receding.
2. Even abolition of European tariffs on U.S.-built machine tools would not materially enlarge U.S. exports because U.S. basic employment costs put U.S. machines above the reach of most oversea buyers.
3. As European and Japanese backlogs run down, foreign imports into the United States will mount.
4. U.S. builders will be further weakened in finances and in holding together research, engineering, technical and specially skilled personnel.
5. Pressure to shift operations abroad will intensify.
6. In self-preservation, U.S. builders will be forced to consider following the example of some of their long-time U.S. customers who are now producing "U.S." product abroad for shipment into the States.
7. Considering U.S. defense needs, machine tool facilities in other industrial nations abroad are far more vulnerable to sabotage, destruction or capture than if located in the United States.

Some U.S. technical equipment makers can survive this situation, but the distinctive American technology most likely will not. The U.S. industrial supremacy and the superior standard of living it has produced have been based on American progress in management, methods and machinery. Fortunately, management has had available our technical equipment industries to develop the processes, tooling, gaging, instrumentation and all manner of machinery to fit the American urge for manufacturing progress. This could never have been attained if U.S. industry had had to equip with foreign machinery designed by foreigners with a background of concepts, education, and experience foreign to the distinctive American way.[1]

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[1] For example, the automated transfer-line equipment developed and used in the French Renault factory (and also sold by them for use elsewhere) is distinctly different from that favored and used by U.S. motorcar manufacturers.

This is a dangerous direction for our Nation. Even if the momentum of some of our mass production industries can absorb the disparity in wages and meet free trade pro tem, many equipment builders cannot. But even our most favorably situated mass producers cannot remain competitive unless they can continually draw on healthy, technically progressive native machine tool and equipment builders. Hanging in the balance is the question—will the latter still be here, financially and technically able to lead the way in new methods, new processes, and cost-cutting innovations?

In time of national emergency a strong machine tool industry on the job here in the United States is a critical necessity. Even more, since the United States has elected to receive the first atomic blow, the resources of a first-rate, technically-advanced machine tool industry are a matter of national survival and chance to recover.

NOTES REGARDING MR. GEIER

"International Year Book and Statesmen's Who's Who, London 1962."

"Who's Who in America, 1961."

U.S. News & World Report, March 12, 1954, "Lower Prices Through New Machines," pages 48–57, a general review of the role of machine tools in the economy.

American Machinist/Metalworking Manufacturing, page 133, December 11, 1961.

Mr. Geier's associations with defense and machine tools:

- Ordnance sergeant, U.S. Army, 1917–19.
- Assistant Chief, Cincinnati Ordnance District, U.S. Army, 1938–40.
- Foreign Economic Administration, Committee To Survey Axis Machine Tool Industries, 1945.
- Army and Navy Munitions Board, Machine Tool Industry Advisory Task Committee, 1947–50.
- Economic Cooperation Administration, Industrial Advisory Committee, 1948, review German plant dismantlement.
- Business Advisory Council, Department of Commerce, 1944:
  - Graduate member, Vice Chairman, 1948–50.
  - Committee on Reciprocal Trade, Committee on Labor.
- American Ordnance Association, 1933:
  - National director, 1933.
  - Cincinnati post director, 1936.
  - President, Cincinnati post 1944–45.
- National Association of Manufacturers, National Defense and Mobilization Committee, 1939–40.
- National Machine Tool Builders' Association:
  - National Defense Committee, 1938–41.
  - Vice president, 1939–40; president, 1941–42.
- Machinery & Allied Products Institute Executive Committee, 1936–39.
- Director, Cincinnati branch, Federal Reserve Bank of Cleveland, 1943–46.
- Cincinnati Milling Machine Co., 1916:
  - General manager, 1929–34.
  - President, 1934–58.
  - Chairman, 1958.

From a pre-World War II volume of $16 million, the company expanded to produce $103 million for defense in 1942.

STEELE HOLMAN & ASSOCIATES,
Sausalito, Calif., July 15, 1962.

Re H.R. 11970.

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

HONORABLE SIR: I would like to insert a comment into the hearings of your committee on the above bill as follows: recommendation of John W. Hight that I testify before your hearing:

As a small business consultant for the past 15 years I have observed the high death rate on marginal businesses, more particularly those caught in the general profit squeeze. I sincerely believe that this pending legislation will increase the individual profit squeeze but will improve the total business health of the Nation, and therefore I wish to endorse fully.

The sooner we realize that we are in competition with a world market and trim down to compete within that area the better we as a Nation will be capable of surviving this Common Market challenge and the Japanese and Soviet trade offensives. We must liberalize our policy to prepare for this.

Yours most sincerely,

STEELE HOLMAN, *President.*

RAILWAY LABOR EXECUTIVES' ASSOCIATION,
Washington, D.C., July 19, 1962.

The Honorable HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR SENATOR BYRD: We are pleased to lend our voice in support of the Trade Expansion Act of 1962.

Railway workers have long recognized the fact that the transporting and handling of exports and imports by rail and auxiliary equipment contributes to their economic well-being.

Estimates are that more than 1,600,000 carloadings in 1961 can be attributed to U.S. exports and imports.

The President's proposals are intended to spur the exchange of goods among nations of the free world, and will, we believe, contribute toward job stability among those of us who have the responsibility for transporting so much of America's commerce.

We wish the committee to know that we recognize the potential problem that the external tariff wall of the Common Market creates for American workers and industry. The power to bargain down Common Market tariffs is the power to generate job opportunities in the United States.

We therefore wish to be recorded in favor of granting the President the instruments of negotiation that can make this prospect a reality, and I respectfully ask that you make this letter a part of the record of the Senate Finance Committee's hearings.

Sincerely,

DONALD S. BEATTIE, *Executive Secretary.*

THE WURLITZER CO.,
Chicago, July 18, 1962.

Re House Resolution 11970.

The Honorable HARRY F. BYRD,
Chairman, Senate Committee,
Senate Office Building,
Washington, D.C.

DEAR SENATOR BYRD: Your committee is now holding hearings on the Trade Expansion Act, 1962. Because of my concern, both personally and as president of the Wurlitzer Co., over the effect of this bill, if passed, I wish to express our opposition to the enactment of this bill into law. The Wurlitzer Co., which has a history of more than 100 years in the music business is, as you may know, a leading manufacturer and seller of musical instruments throughout the world.

It is my considered opinion that the bill, as proposed, would have a long-lasting, deleterious effect on the American domestic economy. The tariff reductions under the Reciprocal Trade Act have already caused loss of employment and real economic suffering to American workers together with the outright elimination of some American businesses.

The benefits that are supposed to flow from the adoption of this bill are entirely speculative, whereas the injuries, which past experience has shown to follow domestic tariff reductions, are outside the area of conjecture. Our company, in common with many other U.S. manufacturers in the music industry, has already experienced the unfortunate consequences of the reductions of our domestic tariffs.

It is incumbent on both Government and business to do all we can to preserve and maintain the strength of the American economy, and in this regard, first things must come first. The highly skilled and trained American labor force is one of our great national assets together with the vigorous and progressive management which characterizes American business today. The inevitable loss

of employment which would flow from the passage of this bill would certainly result in the loss of the efficiency and the present productivity of American labor because of the large-scale change in jobs, retraining, and difficulties in obtaining reemployment.

Further, the loss of sales, established channels of supply and distribution, and a trained labor force would inevitably result in a long-term loss of efficiency and strength in the affected industries, assuming the companies involved were able to survive the impact of these losses.

I also wish to state our opposition to the "dole" provisions of the bill which offer "adjustment assistance" when the impact of the tariff cuts proposed in the bill should be felt. I do not believe that this type of reparation for injury inflicted is effective or consistent with the maintenance of a healthy and workable economy.

Finally, I object to the bill because it constitutes a delegation to the executive branch of the traditional and proper authorities of the Congress without any effective limitations or controls over the exercise of the powers thus abandoned.

I respectfully request that this letter be incorporated in the record of the public hearings scheduled to be held before your committee, as testimony in opposition to the passage of H.R. 11970.

Yours sincerely,

R. O. ROLFING, *President.*

STATEMENT SUBMITTED BY ERIC JOHNSTON, PRESIDENT, MOTION PICTURE ASSOCIATION OF AMERICA

My name is Eric Johnston. I am president of the Motion Picture Association of America, 1600 I Street NW., Washington, D.C. I am also president of two allied associations, the Motion Picture Export Association of America, and the Association of Motion Picture Producers.

I want to thank the committee for the privilege of submitting this statement in support of the Trade Expansion Act of 1962.

I want to stress two reasons why I favor enactment of the trade bill. The first stems from some of the lessons learned by the U.S. motion picture industry throughout its long history of export activities. The second is my deep belief that the trade bill has implications for the United States and the free world that go far beyond the economic exigencies of the moment.

Let me begin with the industry I represent—motion pictures. The motion picture must export to live. It cannot exist on its domestic market alone. We discovered years ago that we had to get out into the world and compete.

Right now, in fact, American movies dominate the theater screens of almost every country of the globe. More than half of our revenues comes from our oversea business. And we are even now striving to expand film markets especially in Africa, Asia, and Latin America.

And I can assure you that this has been no small task, no easy job. Over the years the American motion picture has faced an endless variety of trade barriers. It has met stiff and unrelenting competition. It has encountered virtually every form of trade discrimination.

But in this rugged, never-ending battle, one fact stands out: Wherever we managed to get into a market, we found ways of doing business successfully.

In short, we have had to be an outward-looking industry, and it has paid off.

Perhaps the two most valuable lessons we have learned from our experience in world trade are these: (1) American business can compete successfully in any world market to which it has access; and (2) the elimination or reduction of trade barriers among nations should be welcomed—not feared.

Here, it seems to me, are two of the strongest arguments for passage of the trade bill. For the trade bill sets up machinery that will give American business the chance to compete—machinery that will provide access to the growing markets of the world. And next, it recognizes that a healthy, mutually beneficial atmosphere of freer world trade is essential to America's prospects for increased economic growth.

Time, certainly, is growing short. The vigorous, fast-paced economic integration currently underway in Europe will not slow down for us. If American business wants to compete in this burgeoning new market—and I think it must—we have to act now. In my opinion, the trade bill is the way.

Now, for my second point—the long-range implications of the trade bill.

I feel there is more than economic considerations involved in this issue.

America has assumed the leadership of the entire free world. And it's a changing world. We must constantly keep this in mind. The plan that worked yesterday can be hopelessly outdated today—the innovation of today can be obsolete tomorrow.

Can we lead a changing world if we do not keep abreast of the change—if we do not change with it I fail to see how.

More importantly, we must try to anticipate the changes ahead. And we must assess every present action in the light of this future world.

One of the most important of these changes, in my judgment, is the evolving partnership of the industrialized nations of the West. To me, the trade bill is probably the most essential step we can take right now in the interest of promoting this Atlantic partnership.

In concert with the Atlantic nations, we can help to make the Atlantic partnership a mighty economic instrument capable of achieving many things.

It can mean an area of prosperity such as we have never known.

It can be a way of strengthening the Western alliance and ultimately insuring the security of the nations of the free world.

It can provide the means to promote growth and progress in the less developed regions of the world.

It can do all this, and I think we have an obligation to work toward these objectives now and in the future.

That's why I feel our present course of action is clear. We live in a tough, difficult, ever-changing world. But an opportunity has presented itself. I believe the trade bill is the only way we can take advantage of it.

I urge its passage.

STATEMENT OF THE WOMEN'S INTERNATIONAL LEAGUE FOR PEACE AND FREEDOM

(Submitted by Mrs. Michael Ingerman, research assistant)

The Women's International League for Peace and Freedom endorses in principle H.R. 11970, because it makes possible the lowering of tariff barriers. We believe that the level of living for the people of the world will be improved by a free exchange of products unhampered by trade restrictions. We look forward to the time when narrow national advantage and security stockpiling will no longer dominate economic foreign policy. We hope that relationship of the United States to the Common Market will not result in a regional trade association which will be the economic counterpart of a political and military bloc and thus increase rather than diminish the tensions of the cold war.

We commend the provisions in H.R. 11970 for the welfare of industries and workers who may be displaced by the shifts in exports and imports resulting from the new trade agreements.

STATEMENT SUBMITTED BY ROBERT J. MCGORRIN, PRESIDENT, THE INTERNATIONAL TRADE CLUB OF CHICAGO, CONCERNING THE TRADE EXPANSION ACT OF 1962 (H.R. 9900)

The International Trade Club of Chicago, with more than 700 members representing more than 500 firms engaged in international trade or allied services, believes that enactment of the Trade Expansion Act is imperative now, in 1962, for the following reasons:

1. The emergence of the European Common Market already has revolutionized world trading patterns and still greater changes are in the making as Britain, Scandinavia, Austria and Switzerland move toward closer economic union with their European neighbors. American tariff walls to keep the products of Europe out of this market will be matched by tariff walls to close off U.S. exports from 300 million potential customers in Europe.

2. The national security, if not survival, demands that our trade policy support our foreign policy in the struggle against international communism. We can no more retire into an economic Fortress America than we can retire into a political Fortress America. To assert American leadership and marshal the economic resources of the free world, the President must have authority to negotiate, on a reciprocal basis, trade agreements that will strengthen our own economy and the economies of friendly nations. If we shrink from this com-

petitive challenge, Mr. Khrushchev will indeed make good his boast to bury us.

3. The continued growth and prosperity of the United States demand expansion, rather than contraction, of our world trade. U.S. exports in 1961 amounted to over $20 billion, and more than 4½ million Americans today depend directly on international trade for their jobs, far more people than would be affected by industrial displacement as a result of imports. The whole history of the reciprocal trade program, going back 28 years, proves that liberalized foreign trade means more jobs, more markets for the products of American farms and industries.

Enactment of the Trade Expansion Act of 1962 inevitably will cause dislocation in some few domestic industries. But the act provides ample adjustment assistance in such cases, including tax relief and technical and financial aids for affected industries, as well as retraining and readjustment and relocation assistance for workers in those lines. The Government will be empowered to move swiftly and effectively to assist the transfer of labor and capital into the more productive channels which an expanding American economy constantly provides.

In sum, we are for the Trade Expansion Act of 1962, and we urge its passage now, because it is vital to America's continuous growth.

ST. LOUIS, MO., *July 6, 1962.*

Re proposed tariff bill.

Hon. HARRY F. BYRD,
Senate Office Building,
Washington, D.C.

DEAR SENATOR BYRD: Enclosed find brief statement re the above bill which may interest you and your committee.

If this bill should pass and we remain on a paper currency standard domestically while the Common Market remains on the gold standard, it means to my mind economic suicide for us.

You may make such use of the enclosed as you wish, and I would be glad of the opportunity to express my views before the Senate Finance Committee.

Yours very truly,

PAUL BAKEWELL, Jr.

A CONTROLLED DOMESTIC ECONOMY VERSUS FREE WORLD TRADE

In our domestic economy the Government:

(*a*) Controls the production of farm products and provides minimum prices for them;

(*b*) Spends billions to purchase and store such farm products;

(*c*) Fines a farmer who produces grain in excess of his quota, even though he feeds that grain to his own cattle;

(*d*) Subsidizes metals, sugar and other commodities with other billions;

(*e*) Sets the price of gold below the cost of production here and thereby shuts down most of our gold mines;

(*f*) Establishes a minimum wage law;

(*g*) Uses a managed currency which grows in volume and decreases in purchasing power;

(*h*) Sends millions abroad which may be used to build new factories which can produce at lower costs than our factories here and even sell and produce here at lower prices than our own;

(*i*) Regulates the railroads until they face bankruptcy;

(*j*) Gives billions to foreign nations;

(*k*) Contracts the biggest debt in world history;

(*l*) Issues currency against that debt;

(*m*) Takes so much in taxes that there is little remaining for the cities and the States, which therefore turn to the Federal Government for aid.

In that situation the same Government proposes that the President be given power to reduce tariffs in order to aid our economy.

How can our Government advocate free world trade when our domestic trade is subject to such controls by the Government? Will reduction of our tariffs stimulate the export of our high cost products?

In 1936 Senator Vandenberg said in the Senate: "The trade agreements are stimulating imports faster than they are stimulating exports."

He proved that statement with figures from the Department of Commerce.

THE THEORY OF FREE TRADE

One may well accept the theory of free trade.

But such theory assumes that the currency of all nations will be freely convertible into gold; that all artificial internal controls, as well as all tariff barriers, will be removed.

THE INCONSISTENCY BETWEEN THE ACT OF 1946 AND THE PROPOSED TARIFF ACT

The Employment Act of 1946 declares the policy of our Government to foster and promote private employment.

Contrary to that policy the proposed Tariff Act implicitly asserts that its operation will cause unemployment. It does so by providing for financial payments by the Government to those who would be put out of employment as the result of the act.

HARNISCHFEGER,
Milwaukee, Wis., July 5, 1962.

Hon. HARRY F. BYRD,
Chairman, The Senate Finance Committee,
Washington, D.C.

DEAR SENATOR BYRD: I received notice that your committee is holding additional hearings on H.R. 11970 which has to do with modifying the existing trade bill. Personally, I believe it is most unrealistic to reduce tariffs under prevailing conditions when business finds itself in an extremely hazardous position—first of all by reason of our unsound fiscal position and secondly because of the stock market collapse.

I believe the most sensible thing would be to reenact the existing tariff bill for another year. In the event that a new tariff bill is enacted, I believe that it should incorporate that all tariffs are set by a nonpartisan tariff commission reporting to Congress so that in each industry experts in costs and trading conditions can testify and that tariffs should be set under that philosophy.

A most serious situation in our tariff bill is that our representatives of GATT are horse trading our tariffs on the basis of averages without due consideration to the influence that will have to our industries. The American business machine is an extremely sensitive machine and unless these conditions are carefully weighed, we will find ourselves with more distressed areas and more unemployment financed at the expense of the American taxpayer. If any industry wants free trade, they certainly are entitled to it. However, it is most unrealistic in the manufacturing industry with $3 labor rates to compete against 70 cent rates in Europe and 40 cents or less in the Orient without injuring our economy.

Furthermore, at a time when we are looking for more exports, a horizontal reduction in tariffs will bring about more imports and further dislocate industry and bring about more imbalance in trade balances.

Another provision of the House bill to enable the President to gain control of our business economy by giving him powers of life or death in an industry are unwarranted and are already being used for political purposes—very much to the detriment of our country.

Even under existing conditions, for any manufacturing industry to survive in the international markets, it is essential to produce in foreign countries which are low-cost producing areas.

If desirable, I will appear before your committee although it seems to me that if these statements are read, it will serve its purpose.

We are headed for a further serious deterioration in our national and international picture and the problem of tariffs, taxes, and giveaway programs are very much tied together.

At a special meeting called by the Council of State Chambers, the attached recommendations were developed by some of the leaders in industry and were adopted.[1] You no doubt received these recommendations but I am enclosing another copy for your attention.

Kindest personal regards.

Sincerely,

W. HARNISCHFEGER.

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[1] Attachment referred to made part of committee files.

UNITED WORLD FEDERALISTS, INC.,
Washington, D.C., July 12, 1962.

Re H.R. 11970.
Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: We will appreciate your including the statement below in the record of your committee's hearings on the trade bill.

United World Federalists, Inc., has long favored the stimulation of freer world trade. We believe that the Trade Expansion Act of 1962 is an important step in this direction. We believe that it will strengthen our economic and political relations with the European Economic Community and countries, will assist the less developed countries, and will counter economic penetration by the Communist bloc. We favor the objectives sought in H.R. 11970 and hope that this measure will be reported favorably by the Committee on Finance and enacted by the Congress.

Respectfully,

PAUL W. WALTER, President.

AIR TRANSPORT ASSOCIATION,
Washington, D.C., July 19, 1962.

Senator HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: The Air Transport Association of America, on behalf of its members, which include virtually all U.S. scheduled certificated airlines, fully supports the principle of the trade expansion program as contained in H.R. 11970. By the nature of air transport service and the congressional mandate under which it is performed, our policy has been and is to advocate and work for the freer flow of persons and property in international and domestic commerce.

The business activity of the air transport industry is influenced by such economic factors as industrial production, national income, personal consumption, and the behavior of major markets. The economic well-being of our country and its ability to maintain steady economic growth is, therefore, of considerable interest to us. Such economic growth depends to a large measure on our ability to efficiently and economically produce and sell goods, and to achieve greater productivity. Greater productivity requires expanded markets. There now exist new world market opportunities for American industry, provided tariff barriers abroad do not impose competitive disadvantages. In our opinion, enactment of the provisions of H.R. 11970 would provide American industry with the opportunity and incentive to increase the domestic production and sale of American goods abroad.

As a member of the international, as well as the national, business community, the airline industry is sensitive to matters which may affect international political stability. It supports efforts to achieve the goal of peaceful and harmonious relations among free nations. In the airline industry's view, mutually beneficial commerce and trade between nations is one of the most effective means of achieving that goal.

The scheduled airline industry has a vital interest in the foreign trade policy of the United States because it is a most important international industry. As a regular day-to-day matter, the scheduled airlines of the United States link over 700 American communities with hundreds of communities throughout the world in friendship and commerce, and they devote tremendous efforts to promote international commerce. They provide an extensive and highly developed transportation and communications network essential to the expansion of foreign trade. Of particular importance is the fact that the U.S.-flag air transport system provides a creative influence in projecting the image of the United States and private enterprise abroad.

The scheduled airline industry of the United States also represents a stimulus for the promotion of U.S. exports through its worldwide marketing services. In this connection, the industry is a major factor in helping to minimize the balance-of-payments problem by (*a*) conserving dollars which would otherwise be expended to procure foreign transportation, and (*b*) earning foreign exchange from foreign travelers and shippers. The increased amount of international commerce made possible in a large part by the speed, reliability, and economy

of air transportation has contributed much to better world understanding and harmonious trade relationships.

Longe-range modern aircraft have overcome geographic and other natural trade barriers but much work is necessary to overcome artificial barriers that today restrict international trade. In our opinion, flexibility to adjust tariffs to meet changing conditions will do much to overcome these obstacles.

In many respects the trade environment envisaged by H.R. 11970 closely approximates the environment under which our international air transportation system operates. For example: Section 232 of H.R. 11970 provides for national security considerations similar to those of the Federal Aviation Act which provide, as a matter of policy, for " * * * an air transportation system properly adopted to the present and future needs of the foreign and domestic commerce of the United States, of the postal service, and of the national defense." Moreover, the general principles of H.R. 11970 clearly establish the fact that reliance is placed on American business to provide the creative economic development necessary to meet the international competitive challenge. This kind of a program not only recognizes the role American businesses play in economic development, but also provides for an equitable exchange of trading opportunities to insure maximum benefit to the domestic economy.

The air transport industry of the United States is one of the many American industries that will be directly affected by, and an active participant in, increased international commerce. Increased travel, trade, and communications between the United States and other nations will naturally lead to a greater demand for air transport services. This in turn will result in expanded public service, increased employment, greater financial strength for our industry, and enhance the contribution made by the U.S. airlines to our Nation's economic growth. We live in an ocean of air and our airline industry serves to make this productive for the people and the economy of the United States.

We appreciate this opportunity to advise you of our position and we request that it be made a part of the printed record.

Cordially,

S. G. TIPTON.

AEROSPACE INDUSTRIES ASSOCIATION OF AMERICA, INC.,
June 7, 1962.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: Our association has maintained a progressive attitude toward tariff reductions, and, over the years, its members have assiduously supported the U.S. Government policy of enhancing foreign trade through orderly methods of reciprocal tariff reductions. Moreover our member companies account for more than 90 percent of the U.S. production of aeronautical and space equipment.

At present the aerospace industry is substantially contributing to the correction of our imbalance of international payments, and we stress the importance of our industry's objectives in this respect.

The board of governors of the Aerospace Industries Association formally adopted the following statement of position with respect to the Trade Expansion Act of 1962, H.R. 11970, which we respectfully transmit for your consideration.

"The U.S. aerospace industry annually, during the past 2 years, has exported products in excess of $1 billion to markets throughout the world.

"If the aerospace industry is to maintain a position of leadership in the export of products abroad, it is essential that our Government have greater flexibility in tariff negotiations.

"The economic growth of the United States is dependent in part upon the ability of its industries to compete in rapidly evolving world markets.

"Proposed legislation, known as the Trade Expansion Act of 1962, requires the strongest possible public and industry support in order to assure its passage in acceptable form.

"We believe in the principles of this act, and take the position that legislation in support of these principles is vital to the national interest.

"In the negotiations of trade agreements, we urge that the United States take into account inequities that stem from foreign government ownership and/or control."

We should be able to trade competitively with other nations having economies comparable to our own. It must be recognized that many industries abroad are owned by their governments and can offer their products in world markets on terms more favorable than terms and prices governing organizations operating under the free enterprise system. We believe that this legislation should provide that the U.S. tariff negotiations should very definitely take into account the competitive export disadvantages of products produced under the free enterprise system.

We feel that the major objective of appropriate tariff legislation should be to assure our Nation both the balance of payments equilibrium and the economic growth we need to sustain our prosperity and military security.

Sincerely yours,

GEORGE HANNAUM, *Acting President.*

OVERSEAS AUTOMOTIVE CLUB, INC.,

Chairman, Senate Committee on Finance,
Washington, D.C.

New York, N.Y., April 19, 1962.

Hon. HARRY F. BYRD,

DEAR MR. BYRD: The Overseas Automotive Club is a non-profit-making organization now in its 40th year. It is an association of members engaged in the oversea automotive trade of the United States. Members of the OAC comprise export executives of U.S. automotive vehicle, component, accessory, supplies and service equipment manufacturers, individual export managers, group export managers, bankers, freight forwarders, advertising agencies, confirming houses, and publishers. These OAC members are responsible for the exports of approximately 1,500 leading American manufacturers.

THE PROPOSED TRADE EXPANSION ACT OF 1962

The Overseas Automotive Club endorses the stated purposes of the proposed Trade Expansion Act of 1962 (H.R. 9900). It believes that the reduction of trade barriers, achieved through truly reciprocal trade agreements with other free world countries and accompanied by necessary safeguards for American industry and labor, is essential to the economic progress and security of the United States. It recognizes also that the goals of the proposed Trade Expansion Act of 1962 are of fundamental importance in overall U.S. foreign policy and in the broader effort to foster and preserve the unity and strength of the free world.

The Overseas Automotive Club recommends that the U.S. Government continue vigorously to seek the elimination of discriminations against American automotive products abroad and the reduction of arbitrary and other burdensome restrictions which impede development of an open and nondiscriminatory international trading system.

Respectfully,

J. STEWART GILLIES, *Secretary.*

AMERICAN HOIST & DERRICK CO.,
St. Paul Minn., February 13, 1962.

Hon. VANCE HARTKE,
U.S. Senate, Washington, D.C.

DEAR SENATOR HARTKE: You may remember the writer as I appeared before the Senate Finance Committee in August of last year and I had a pleasant exchange of views with you in connection with the proposed expansion of social security. You apparently were the better debater because the bill I opposed went through the Senate 99–0. I never did find out what happened to the other Senator.

Now I have a form letter that you sent to one of our plants in Indiana asking for some information on the Reciprocal Trade Agreements Act. As you probably know, we hire about 700 of your good people in Indiana and so we have quite a stake in your State. We have consistently expanded our operations there. I am

not going to exactly answer your questionnaire but I do have some ideas on this subject that I think you might be well advised to consider.

In the first place by way of qualification, I am sending you a copy of our 1961 annual report. I want you to notice on pages 15 and 16 of this report that we do have sizable facilities in your State. This qualifies me as one of your parishioners. We manufacture in Indiana drop forged hardware for use with wire rope and chain, asphalt plants for the mixing of road materials, and cranes. Photographs on pages 4 and 5 of the enclosed report will give you a clue as to the things we do in your State. Other items are small things like tackles, hooks, turnbuckles, and wire rope fastenings. We do seek markets abroad as you can tell from the general theme of this report, and we call to your attention that we energetically cooperate with and subscribe to the National Export Expansion Committee of the U.S. Department of Commerce. I have been personally active in the regional export expansion committee out of Minneapolis and I believe this is a very critical matter.

As a matter of fact, I was in Washington 2 weeks ago, the day that Dean Rusk returned from Uruguay and was with a group that was briefed by him, by Mr. Ball and Mr. McGhee. We also listened to Secretary Hodges, Dr. Bierman and Mr. Gudeman, so that I have a current knowledge of how you people in government feel on export expansion.

As far as we personally are concerned, we are concentrating on the European Common Market area. We are sending machinery over to Holland and Italy and Sweden in advance of its sale to have it available when needed as immediate delivery is the only basis on which we can sell. We are necessarily high in price. Although the performance of our machines is superior to those made in the European Common Market, we can only sell them effectively if immediate delivery can be made. We are also giving credit terms that are competitive with the Germans and the English so we can compete in these areas.

We are concerned now that our Swiss corporation may be subject to eccentric taxation on the part of the Government of the United States and we think this would be very wrong as our Swiss company is the selling tool to allow us a mechanism by which we can retain title, give credit accommodation and properly service the machinery that we have working in the European Common Market area.

I would, first of all, have you take a long look at this business of taxing money accumulated in foreign based subsidiaries. This money is being used to increase exports from the United States and taxing such corporations is not in the interest of the export expansion program. I feel so strongly on this point that I would welcome a chance to come to Washington to discuss with you or your contemporaries this broad subject.

On the other side of the coin following your questionnaire: we consider that foreign competition does endanger our business success even with present tariff barriers. Companies like the United States Steel, Koppers, the C. & O. Railway, the U.S. Engineers and the Bureau of Reclamation have turned their backs on us to purchase from foreign sources. We think, however, that we could handle this kind of competition. We build a better product and we are building it quite efficiently. We will take our chances in a free trade atmosphere. We realize that the President wants to cut tariffs and we would have no protest of his desire we do a poor job of trading, specifically with the members of the so-called Inner Six and the Outer Seven. If he is a good horse trader, we can be good enough horse traders to survive against foreign competition in the United States.

We believe our business might decrease slightly in the United States if we had no tariff protection but if tariffs, for example, were increased in the United States we don't think we would get a great deal more domestic business and we know that it would ruin our foreign business. We think our total business would be better off if the administration's program is adopted.

There are always some sidelights to be shown on these subjects but, in general, this is the answer to your question.

We also have great interest in Central and South America, and a slight interest in the African market. These are specific situations but, in general, we feel that we could live with the Kennedy program.

The only problems that we are getting into on present trade agreements are problems where foreign aid dollars are being spent other than in the United States. I believe the administration is trying to put an end to this as we now

have German firms wishing to cooperate with us in order to qualify for business where American aid dollars are concerned.

We do not import raw materials to any extent for manufacturing our product.

It is pretty hard for us to answer your question about Indiana. I don't know how to answer that. I can say that so far, Indiana is the best State in which we operate and a greater percentage of our total business will be done in Indiana as the years go by as long as the present attitude of the taxing authorities in Indiana remains as favorable as it is today.

We don't like to see the legislative powers of the Government subordinated to that of the executive branch. We think fellows like yourself in committee and in concert with the House can move rapidly. We don't believe that the Executive needs broad powers. We believe the Executive should be more concerned with giving the legislative branch a set of rules under which they could perhaps be a little more flexible and move a little faster. I would guess that you and the Senate know more about those answers than we do. We think somebody needs the power to move rapidly—whether it is the Senate committee or the President himself.

I would, on this subject of foreign commerce, reiterate what I said before your Finance Committee and which I have said in the sacred halls of Mr. Mills' committee of the House, the American manufacturer, particularly of capital goods, must be allowed to compete. Tariff barriers in the countries where we ship must be lowered. We must, however, realize that foreign commerce cannot be conducted successfully if our costs of operation in the United States, from wages and taxation, are high with respect to our counterparts located abroad.

We charge you as a Member of the Senate and of the Finance Committee to handle this business from a tax standpoint in such a manner that you do not encourage the flight of capital. We do not wish to take several million dollars out of our business, take it out of the United States and build a factory in England or Europe for the manufacture of our product to ship into foreign marketing areas. We wish to do our export business from the United States, to make it here and sell it overseas. I think your number one consideration in maintaining a proper trade balance across the board is to arrange a tax situation so that the United States producer who ships to an overseas market from the United States gets a special break over the U.S. manufacturer who satisfies requirements outside the United States from plants located outside the United States. You are trying to maintain a proper flow of gold; you are trying to maintain full employment. Your legislation must recognize these needs by favoring the fellow who manufactures his product in this country and effectively sells it outside of this country.

In our small business last year 1961, we exported well over $10 million worth of equipment. We brought the dollars into the United States; we hired U.S. labor; did our subcontracting and the purchasing of our components here. We, in a way, are the forgotten element in manufacturing. Companies like ours who are really contributing to this economy and contributing to it while we aggressively market overseas deserve your prime consideration, whether based in Indiana or based in Minnesota. Unfortunately, I find no one else on the Foreign Commerce Committee from a State in which we operate. I will be glad to send copies of this too lengthy epistle to fellows like Humphrey and McCarthy if you think this advisable.

We are trying to help the people of your State as well as the whole United States and with this acute interest solicit your reply to this letter and your instructions to what we should do for the proper presentation of our case.

Sincerely yours,

JOHN CARROLL.

CHAMPION AIRCRAFT CORP.,
Osceola, Wis., April 24, 1962.

Hon. ALEXANDER S. WILEY,
Senator for Wisconsin,
Washington, D.C.

MY DEAR SENATOR: During the course of the past 12 months, a series of domestic economic events have occurred which in turn have had an adverse effect on all manufacturers of small aircraft. As a result, management at Champion Aircraft has taken such steps as it can to attempt to adjust itself to market variations both foreign and domestic in the areas over which the company has any control.

However, in the sphere of international trade, there is a program set in motion by the National Export Expansion Council that involves our product. Aircraft has been included in the portion of the Trade Expansion Act which permits tariff reduction by as much as 50 percent over a 5-year period. Prior to the possibility of tariff reduction by our Government, Champion Aircraft had increased its export sales quota for 1962 by more than 15 percent over 1961.

Naturally, a tariff reduction by foreign countries would be most helpful in achieving our objective as well as that of the Trade Expansion Council. On the other hand, there are considerations within the scope of the Expansion Act that could be harmful to our U.S. domestic sales. To be specific, the introduction of foreign aircraft into the American market at rates reciprocal to the foreign reduction would be seriously detrimental. Our conclusion in this instance is based upon the comparison of foreign labor rates and ours. In addition, this problem is compounded by the fact that foreign manufacturers of aircraft are subsidized by their governments particularly France and Italy.

Further study of foreign markets indicates a vast difference between our average standard of living and that of foreign countries. To successfully sell our product at a level commensurate with foreign buying ability we have not only been confronted by tariff rates, but also by the crying need for a finance plan allowing up to at least 36 months for reimbursement.

It is of utmost importance to us to keep abreast of both these issues. Therefore, may we please enlist assistance from your office for the purpose of conveying our needs in the matter of foreign trade at the proper level? In this particular instance we are both working toward the achievement of the same goal, but we cannot be successful unless our problems receive the proper attention.

Very respectfully yours,

R. C. BROWN, *President.*

NATIONAL FOREIGN TRADE COUNCIL, INC.,
New York, N.Y., July 23, 1962.

Hon. HARRY FLOOD BYRD,
Chairman Committee on Finance,
U.S. Senate, Washington, D.C.

MY DEAR MR. CHAIRMAN: In connection with the hearings which your committee is holding on the Trade Expansion bill (H.R. 11970), I am submitting herewith for your consideration the position of the National Foreign Trade Council.

The National Foreign Trade Council endorses the stated purposes of the proposes of the proposed Trade Expansion Act of 1962. It believes that the reduction of trade barriers, achieved through truly reciprocal trade agreements with other free world countries and accompanied by necessary safeguards for American industry and labor, is essential to the economic progress and security of the United States. It recognizes also that the goals of the proposed Trade Expansion Act of 1962 are of fundamental importance in overall U.S. foreign policy and in the broader effort to foster and preserve the unity and strength of the free world.

The Council recommends that the U.S. Government continue vigorously to seek the elimination of discriminations against American trade abroad and the reduction of arbitrary and other burdensome restrictions which impede development of an open and nondiscriminatory international trading system.

The Council further believes that the United States should press for effective application of the most-favored-nation principle and should oppose special preferential trading relationships. Insofar as programs for regional economic intergation are concerned, they should be consistent with, and not substitutes for, sustained multilateral efforts to enlarge and develop the free world economy.

The council urges that the legislative authority of the President to conduct trade agreement negotiations with other countries be extended in a form, and for a sufficient period, to enable the United States to negotiate reductions in tariff and other barriers which place American exporters at a disadvantage in foreign markets as compared with traders of other countries. The grant of increased bargaining authority is essential if American exporters are to remain competitive in the European Common Market and other common markets and trading areas.

The National Foreign Trade Council on many occasions has emphasized the importance of a large and expanding volume of international trade to the se-

curity and economic well-being of the United States and the free world. It believes that international trade cannot be stimulated to the desired ends if at the same time other measures are adopted which would hamper or restrict the expansion of such trade, or the freedom of international investment. In a practical sense, expanding trade and expanding international investment are interdependent and continually complement one another. Of prime importace, therefore, is the need for tax and other measures which consistently promote both international trade and the international investment of private enterprise capital.

It is requested that this letter be made a part of the official record.

Sincerely yours,

JOHN AKIN, *President.*

THE UNITED STATES FLAG COMMITTEE,
Jackson Heights, Long Island, N.Y., July 18, 1962.

Hon. HARRY BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR BYRD: We wish to register our very strong opposition to the passing of the Trade Expansion Act of 1962, on several counts. We consider it one of the most dangerous bills now in committee from the standpoint of our national sovereignty. We believe that it has within it, other aims than merely trade expansion. We believe that this, like the other legislative bills on foreign policy, is written and promoted by a small planning group in our country supported by huge sums of money, and designed for the one purpose—world federation. This group is now called the invisible government—and since our Nation now is on the verge of losing its independence through these internationally slanted bills, and the foreign policies drawn up by this Planning Committee of the Council on Foreign Relations, the time has come for us to speak plainly. "He who hesitates is lost," so we do not hesitate.

There is plenty of evidence that this Council on Foreign Relations has planned all this deliberately over a period of years, and now their final goals are about to be accomplished, if this trade bill is passed. Does your committee realize that this is the outcome of passing the Atlantic Union Committee's resolution, Senate Joint 170? That resolution was passed because Members of Congress listened to the very people who have stated for years that we must give up our sovereignty. World federalists and other members of one-world groups were instrumental in putting this across.

The Atlantic Union Committee's goal was government of all the world, beginning with the NATO countries. Common market is really the economic or third point of their plan, the fourth being political alliance, which will follow. That means the destruction of the constitutional form of government that every member of Congress is under oath to defend. If our form of government is overthrown, what difference does it make who does it? Will it be any less so if accomplished by unfaithful citizens with the help of Congress, than by the Communist Party? Do you realize that if this regional world government is accomplished, it will be placed within the framework of the United Nations, and our national independence is destroyed? How then, does your committee have any right to recommend such a bill? You are all under oath as is the President. Do you wish to vote for Euramerica—to replace the United States? Is that not the real design?

The second strong objection to this trade bill is the section which calls for granting unprecedented powers to the President. We believe this to be as unconstitutional as the rest of the bill. The Constitution was drawn up by our forefathers in such a way as to insure protection against any Socialist dictatorship rule. If Congress votes to transfer the powers delegated to the legislative branch to the executive branch of the Government, are they not voting to change the Constitution to that extent? And the only way, according to the Constitution, to bring about changes, is by constitutional amendment.

Also, has not the President already disqualified himself for added powers by publicly declaring himself for world federation—by shockingly talking interdependence on our very national Independence Day? We believe that should disqualify him from even being a President. Is that keeping his oath of office to protect and defend our constitutional form of government? All of this is actually the sum total of the admonitions of Washington against entering into foreign entanglements. We choose to uphold the great man who gave us freedom.

And who are the ones largely promoting this? The Council on Foreign Relations, whose members have been placed in all the important positions in the Government to bring about this world federation plan: President Kennedy, by his own statement a member of this council; Dean Rusk, Christian Herter, Will Clayton, Walt Rostow, George Ball—to mention a few—all members of this CFR. And it has been revealed that George Ball and his law firm have been agents of a foreign government—that of Communist Cuba—at the rate of about $287,000. Why should Congress listen to him?

In the printed hearings of the House committee on this bill, please note that the entire list of officials and trustees of the American Council of the International Chamber of Commerce were included for the Common Market, nearly 100 percent members of the Council on Foreign Relations—a fact which was not given.

We ask you again to consider these points carefully before voting on this bill. The majority of the American people know nothing about all this but if they did we feel sure they would not favor a Euramerica to replace our great American Republic and independence. You have a grave responsibility to "preserve us a nation" in this crisis when our national sovereignty hangs in the balance by a very thin thread.

We enclose a few sheets of documented material to substantiate our arguments.[1] Under separate cover we are sending a packet of material for the inspection of your committee which we believe has direct bearing on this all-important bill. Actually, this matter of appearing at hearings seems quite unfair. These agents of the large international groups, supported with foundation money, can afford to be present while loyal members of smaller groups a distance away from Washington cannot be present to speak for their rights and their conutry. Our only way is to write—which is not so effective.

Sincerely yours,

HELEN P. LASELL.

UNITED STEELWORKERS OF AMERICA,
Washington, D.C., July 23, 1962.

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

MY DEAR SENATOR: In the interest of saving the committee's time so late in the session, the United Steelworkers of America proposes to forgo a personal appearance in favor of the Trade Expansion Act of 1962. Instead, I should like to submit for inclusion in the record a statement made to the House Ways and Means Committee in our behalf by our International Affairs Director Meyer Bernstein on April 5, 1962.

That testimony consisted of an analysis of employment costs and foreign trade. It is based upon a series of studies made by the International Metalworkers Federation in cooperation with the United Steelworkers of America. Its main documentation is a volume entitled, "The Largest Steel Companies in the Free World," which contains a comprehensive financial and corporate comparison of the 118 major steel producers outside of the Soviet orbit, and accounting for almost 90 percent of the total steel produced in the free world.

Its major conclusions can be summarized as follows:

(1) The U.S. steel industry is head and shoulders over the rest of the world in productivity and in hourly earnings and hourly employment costs. Combined, these result in total employment or labor costs which are only marginally lower in other countries than they are in the United States.

Labor costs as a percentage of sales—National average for 1906

	Percent		Percent
United States	39.6	Sweden	21.3
Canada	33.8	Norway	20.3
Belgium	31.2	Austria	19.5
Union of South Africa	26.5	Luxembourg	19.5
Great Britain	23.2	Mexico	16.4
Italy	22.6	Japan	12.7
West Germany	21.6	Holland	12.0
France	21.3		

[1] Enclosures made a part of committee files.

Several of the largest American steel companies have labor costs either lower than or barely above those of our chief foreign competitors:

Armco Steel Corp	30.4
Youngstown Sheet & Tube Co	32.7
National Steel Corp	33.5
Inland Steel Co	30.2
McLouth Steel Corp	16.1
Detroit Steel Corp	32.2

(2) The profit ratio of the American steel companies with respect both to net worth and sales was generally higher than that of foreign companies, during good years, and about average when the American steel industry was in a recession.

(3) Cost of materials was substantially higher abroad than in the United States. For example, material costs for the largest steel company in Japan, Yawata, for 1960 amounted to 63 percent of sales compared with 29 percent for United States Steel.

(4) A major consideration in pricing policy in foreign lands is the maintenance of full employment, an objective which has not entered American pricing determinations.

On balance, then, steel from the United States is—or, at the discretion of our producers, can be—competitive with that of foreign countries. There is a small employment cost advantage abroad which is more than counterbalanced by a materials cost disadvantage. Greater pricing flexibility practiced abroad is motivated largely by social and legal considerations which are absent here.

I enclose a copy of this study, together with the April 5 testimony.

I have a special interest in the success of the bill because it contains a provision I first suggested as a member of the Randall Commission almost a decade ago.

I argued then that since a vigorous foreign trade policy is indispensable to the welfare of the overwhelming majority of the American people, the country as a whole should help alleviate the harm which could accrue to a small proportion of our industry and workers through competition from abroad. Increased international trade would bring gains to most, but could also mean loss to a few. The few who lose their markets or jobs ought not to be required to bear the burden alone. I therefore suggested a kind of readjustment allowance and an aid-to-industry program. I am most pleased that these features are incorporated in the bill.

I hope your committee will give favorable consideration to the Trade Expansion Act of 1962.

Very truly yours,

DAVID J. MCDONALD, *President.*

EMPLOYMENT COSTS AND FOREIGN TRADE STATEMENT BY MEYER BERNSTEIN, INTERNATIONAL AFFAIRS DIRECTOR, UNITED STEELWORKERS OF AMERICA

My name is Meyer Bernstein. I am international affairs director of the United Steelworkers of America. I am glad to have this opportunity to appear before this committee because our organization has always supported trade liberalization within the free world, and we now wholeheartedly support H.R. 9900.

In February of 1950 I went to Germany on loan from my union to the State Department to serve as labor liaison office in the Ruhr. I remained in Germany until September of 1952. In June of 1953 I returned to Europe, this time in behalf of the United Steelworkers of America to serve as our representative to the European Coal and Steel Community and the unions associated with that organization. I remained in Luxembourg until December of 1955 when I was transferred to Geneva to serve for a year as assistant to the president of the International Metalworkers' Federation, a trade secretariat to which my union is affiliated.

You will note that after the completion of my Government duty, I returned to Europe for an additional period of 3½ years in an official capacity for my own union. Our purpose was threefold: First, to encourage and assist wage policies and programs which would help raise living standards of metalworkers in Europe. Secondly, to study foreign industry conditions, particularly within the European Coal & Steel Community, and to ascertain the effect upon our own steel industry in the United States. And, thirdly, to help strengthen the democratic labor union movements abroad and their ties with the United States.

PROBLEM OF INTERNATIONAL LABOR COST COMPARISONS

It is out of this experience and the continuing exchange of information from the sources I developed in Europe during that period and in Asia and Latin America subsequently that I wish to discuss the question of international labor costs comparisons as a factor in foreign competition.

There is probably no aspect of H.R. 9900 which is so little understood and concerning which there is so much eloquent confusion. I can speak with some confidence on the matter, for my indoctrination began with the same set of false notions and half truths. At the outset I too made the standardized hourly comparisons and drew hasty provisional conclusions. But as I dug more deeply into the whole body of facts, I realized how erroneous surface indications were. Let me share with you my findings.

I was chiefly interested in two prime questions: First, how did the average foreign worker fare in comparison with his American counterpart; i.e., what were his earnings and benefits with respect to ours?

Because of the wide disparity in workweeks and employment stability, hourly comparisons taken alone were misleading. Information on the relative purchasing powers of the respective national currencies on the basis of both our market baskets and theirs, plus data on significant social legislation, would also be necessary to provide worthwhile international standard of living comparisons.

STEEL WAGES AND FOREIGN COMPETITION

The second question was of equal concern to my organization. What were employment costs to the employer and what effect did they have on his competitive position?

In a sense, this question also dealt with earnings and benefits, but from an entirely different standpoint. Obviously, hourly earnings, that is, the wage rate plus shift and weekend premiums, overtime, and the like, or even hourly employment costs, that is the foregoing plus the cost of all other fringe benefits such as vacations, hospitalization, pensions, and so forth calculated an an hourly basis, tell little in themselves, not only because of differences in productivity (i.e., number of hours of work necessary to produce the same unit of product) but also because of differences in workweeks, differences in hours paid for but not worked, etc.

International differences in wages or employment costs then have an effect on relative competition positions only when taken together with the relative number of hours worked or paid for per unit of product. A low hourly wage or employment cost producer has no labor cost advantage over a high wage or employment cost producer if his productivity is proportionally lower. That is the low-wage producer gains in hourly costs; but he loses this advantage in having to pay for more hours. The two elements must be taken in conjunction. Furthermore, other cost factors must also be compared. And finally the comparison must be made on a company by company basis, for it is the individual producer that is the competitor, not the country.

It was with these thoughts in mind that I inaugurated in 1956 a comparative and comprehensive study of the hundred largest steel companies of the free world. These companies accounted for 85 percent of the total steel produced outside of the Soviet orbit. I prepared this study for a conference of the Iron and Steel Department of the International Metalworkers' Federation. For the first time we now had detailed information on every major steel company in the free world. from which could be made comparisons of all the financial items which entered into the relative competitive position of each company. The basic information was the kind which we in the United States normally prepare for our negotiations with employers.

The IMF has since that time held another conference of its iron and steel department, in 1959, and has one scheduled for May of this year. This same study has been enlarged and brought up to date for each meeting by the economist of the IMF headquarters at Geneva, Mr. Carl Casserini, with assistance from myself.

I should like to summarize the main conclusions of these studies:

(1) The United States is head and shoulders over the rest of the world in productivity and in hourly earnings and hourly employment costs. Combined, these result in total employment or labor costs which are only marginally lower in other countries than they are in the United States.

(2) The profit ratio of the American companies with respect to both net worth and sales was generally higher than that of foreigners. (This is particularly true in the case of a nonrecession year.)

(3) Cost of materials was substantially higher abroad than in the United States. (This applies to all of the main raw materials: coal, iron ore, power, and transportation.)

(4) A major consideration in pricing policy in foreign lands is the maintenance of full employment; an objective which has not entered American pricing determinations.

STATISTICAL SHORTCOMINGS

The best measurement for point (1) above would, of course, have been labor costs per unit, which would be expressed in terms of hours per unit of product times average employment costs per hour. We know the total hours worked in the steel industries of most countries, including our own, but these total hours data are in themselves inadequate without information on the product mix and the types of steel produced in the different countries, which vary considerably. We produce more high-quality steel proportionately than other countries; cold rolled sheets are major American export items. Man-hours going into these valuable products therefore cannot reasonably be equated with man-hours going into concrete reinforcement bars, a large import item. Furthermore, man-hours going into alloy steels cannot be put on a par with man-hours going into Thomas steel, a cheap method not used in the United States, or other inexpensive steels. For a meaningful comparison we must therefore also have a breakdown product by product and process by process. Unfortunately, such information is not reliably available any place, not even in the United States. Furthermore, as will be explained later, the European steel industry pays for vastly more hours not worked, and therefore not included in the statistics cited below, than we do.

There are other shortcomings, again tending to upgrade the appearances of foreign productivity and downgrade ours. Our definition of the steel industry is more comprehensive than Europe's. Our steel plants begin the manufacturing stage at an earlier process than is common abroad. Coke works are almost always in the steel plant here, and thus included in steel industry total hours; whereas in Europe such works are generally located at the coal mines, and the hours worked are accounted for in that industry. Then, too, we include more finishing operations in steel than do the Europeans. Nevertheless, a comparison of average hours per ton of product would give a general indication of the advantage we enjoy.

In 1960, the six members of the European Coal and Steel Community produced 50,770,000 metric tons of steel products, requiring 1,007,900,000 man-hours of labor or 20.2 per metric ton. During the same year we produced 64,545,503 metric tons of steel products, requiring 862,665,000 man-hours, or 13.4 per metric ton. And curiously enough, the biggest exporter to the United States, Belgium, had the highest man-hours per ton, 23. Belgian employment costs are among the highest in the world, even higher than those of many companies in the United States.

Another useful measurement, which is enhanced in value because it is available with respect to most individual steel companies of the free world, is labor costs as a percentage of sales. For this we find the following national averages for 1960:

	Percent		*Percent*
United States of America	39.6	Sweden	21.3
Canada	33.8	Norway	20.3
Belgium	31.2	Austria	19.5
South Africa	26.5	Luxembourg	19.5
Great Britain	23.2	Mexico	16.4
Italy	22.6	Japan	12.7
West Germany	21.6	Holland	12.0
France	21.3		

Even this measurement, however, leaves much to be desired. The employment costs, of course, include all employees in all operations for all levels, right up to the president or chairman of the board. Other shortcomings of this measurement are as follows:

(*a*) The American companies are generally more integrated; that is, they have more operations and therefore more employees included in the consolidated statement, thus adding to labor costs here.

(b) American industry includes all fringes. In Europe, many fringes are not included because of peculiarities in their financing. Housing for example, is in large measure paid for out of taxes or tax benefits, which are not reflected in labor costs there.

(c) During the periods covered in our latest report, the American mills were operating at recession levels while the Europeans and Japanese were going at optimum rates.

All these factors had the effect of raising the American percentage while reducing the foreign, but even so, the differences in labor costs among American companies were almost as much as the differences between the American national average and the foreign national averages. Furthermore, a number of American companies—some fully integrated—had lower labor costs than their European competitors. Differences in labor costs, then, were not nearly as significant as claimed.

On balance, then, steel from the United States is—or, at the discretion of our producers, can be—competitive with that of foreign countries. There is a small employment cost advantage abroad which is more than counterbalanced by a materials cost disadvantage. Greater pricing flexibility practiced abroad is motivated largely by social and legal considerations which are absent here.

EMPHASIS ON FRINGE BENEFITS ABROAD

The disparity in hourly earnings averages is indeed substantial. The average European's hourly income is normally one-third to one-fourth that of an American worker. The Europeans, however, work more hours per week. But a more important difference is to be found in the multitude and extent of fringe benefits provided for abroad by law or collective bargaining agreement. Social security in other industrialized countries is more widespread than here, and contain programs unknown in the United States.

FAMILY AND HOUSING ALLOWANCES

France and Italy, for example, are leaders in the field of family allowances. There the state imposes a tax of approximately 15 percent of the total wage bill of each employer and then reallocates this money among married employees on the basis of the size of their families. It is perfectly possible to have two workers, one a married man with a large family and the other single, employed side by side, both with the same seniority, doing exactly the same job at the same rate, and receiving the same wages directly from the employer. In the case of the single worker his wages would constitute his total income, whereas the married man working beside him would receive a supplemental check from the family allowance fund administered by the Government. This check could be just as large as his direct wages from the company. Furthermore, if the latter worker were laid off or ill, his family allowance would continue. In other words, a nonworking family man could have a bigger income than a single man remaining on the same job.

Housing allowances under law, and housing construction under company policy—for which tax credits are given—are also common abroad. Furthermore, supranational agencies like the Coal and Steel Community have vast housing programs. Social security abroad also includes medical care and hospitalization, again with more comprehensive coverage than in the United States.

It may be said that the European percentages are higher because the base is lower and that the absolute figures for the United States are really higher. In general, that is true. But also true is the fact that the European benefits to the worker are much greater than our own. Let me explain.

MEDICAL CARE

Under our steelworkers' contracts, the steel companies must provide the full cost of a medical program which they estimate costs more than 15 cents an hour. This program, though expensive, is still inadequate. And any steelworker taken seriously ill must put out of his own pocket a large share of the hospital costs. Hospitalization under our contract is limited to 120 days with a $300 maximum surgical schedule. A man with a major illness would therefore get little comfort from such a program.

In Europe, where the companies undertake full medical care irrespective of cost, the benefits for the worker are infinitely greater. Consider, for ex-

ample, the case of the Fiat steel and auto plant in Italy. There, the company under a private equivalent of the social security requirement makes available to its employees comprehensive medical care. Fiat has its own hospitals and clinics and its own staff of 600 doctors to look after the 188,000 employees and dependents included in their program. Coverage is complete for everything from first aid for a cut finger to cancer.

I have myself visited the Fiat medical facilities, and at my request was given a case study involving what we describe as a catastrophic illness. I wanted this information to mak a comparison of benefits at Fiat as compared to those in the United States, since in the United States the cost of catastrophic illness is one of our chief problems. The case study given to me was the complete record of a worker who was originally employed by Fiat in 1949. From that time up to the fall of 1961 he was ill a total of more than 1,400 of 4,380 days in the elapsed period.

He spent a total of 570 days in the hospital on 14 separate visits. He spent 277 days during 10 convalescent periods in a convalescent hospital maintained by the company. He spent 120 days at a clinic for hydrotherapy during a total of eight treatment periods. He spent 194 days in additional convalescence away from home. He spent 15 days in a company rest home in the mountains and he spent 312 days at home. In other words, he was under medical care or convalescent for 4 solid years out of the 12 he has been on the company's payroll, and all of this treatment and care was made available to him free by the company.

Under the labor agreement, full salary is paid up to the first 4 months of illness and after that half salary for the remaining months.

Fiat illustrates too a number of other benefits which a company can make available to workers on a really lavish scale without prohibitive costs. For example, Fiat has vacation facilities in the mountains and at the seashore for the children of employees. Equivalent accommodations in the United States are so expensive as to be practically prohibitive for workers. Fiat also maintains an old folks home and five children's nurseries in the city of Turin. In addition, Fiat has an extensive housing program, a sports program and other recreational benefits.

SOCIAL WAGE SYSTEM IN JAPAN

The same type of extensive welfare program is to be found in Japan, where it is the practice of the large steel companies to provide hospitals and health centers for the care of the workers and their dependents; to provide houses and apartments for employees; to establish cooperative department and food stores, offering commodities at large discounts; to provide commuting allowances for workers from their homes to the plants and back; to provide rest homes, vacation resorts, and other recreational facilities. All of these services and benefits are offered either free or at nominal charge.

For example, a typical Japanese steelworker lives in a company apartment of moderate size with all conveniences, including bathroom, veranda, etc. It is well furnished, with refrigerator, washer, TV. His basic rent is approximately $6 per month and in addition he pays some 66 cents a month for water, a little less than $3 for gas, and a maximum of $2 a month for electricity.

The wage system in effect in Japan could be called a social wage—that is, additional earnings are provided to workers based on service with the company, family status, dependents, etc. A young unmarried man entering the Japanese steel industry is paid a relatively low starting rate, with this amount being increased yearly based on the factors mentioned above plus yearly negotiated increases until at the time of retirement at age 55 the worker may earn in excess of $200 a month. Upon retirement, a worker at Yawata Steel Co., the largest in Japan, for example, receives a lump sum payment equivalent to 83 times his monthly pay at the time of retirement.

But most important, the Japanese steelworker having permanent status, unlike his U.S. counterpart, is not subject to layoff, short workweeks, or reduced hours, but is guaranteed full employment 52 weeks a year, giving the worker a sense of real economic security.

In most European countries paid vacations are longer and paid holidays more numerous than in the United States. In France the minimum legal vacation period is 3 weeks. In Belgium it is 12 days, with double pay for the last 9, i.e., the Belgian worker gets 12 days' vacation each year, but is paid for 21 days. In

Luxembourg, Germany, Belgium, and Italy paid holidays range from 10 to 17 days per year. Almost all European countries provide for what is called compassionate leave—that is, time off for marriages, births, or deaths.

EMPLOYMENT SECURITY AND CODETERMINATION

Much more significant, however, than these benefits is employment security as practiced in Europe under law, custom, and collective bargaining agreement. Layoffs are unusual in countries where the welfare state has been established. Germany, France, Italy, and other countries have laws limiting the power of an employer to lay off workers even in the case of reduced operations.

Take Germany, for instance. Before an employer may lay off more than 49 persons during the course of a month, he must file a petition with the state labor office explaining the need for such a reduction in forces and at the same time he must file a statement by the "works council," a sort of European equivalent of our local union, setting forth the position of labor with respect to this proposed move.

It is true that the purpose of this law is simply to delay layoffs and that eventually the employer could bring about the desired layoffs. In practice, however, this occurs only rarely. One of the reasons for this is that other laws in Germany—and to a limited extent elsewhere—give labor a very large role in establishing management-employment policy. Most outstanding in this field is the principle of codetermination in effect in Germany under which in all large enterprises labor has at least one-third representation on the company board of directors and in the steel and coal industries plus certain other government-owned or controlled enterprises labor has a share of power as large as that of the owners or managers.

In every steel and coal company half of the membership of the boards of directors are named by labor. In a number of steel companies a labor man is in fact chairman of the board of directors. In return for this, however, management has a slight majority in membership. In other companies, an employer representative would be chairman of the board, but then labor would have the majority.

The management board—that is, the officers—consists normally of only three to five persons of coequal rank and in each case the top officer in charge of labor relations (the Arbeitsdirektor) is a union man named by the union. He has management authority greater than that of a vice president in charge of labor relations in a U.S. company for he also takes part in decisions passed on by the whole board in other matters as well.

For example, the president of the Metalworkers' Union of Germany is vice chairman of the board of directors of the Krupp-owned Rheinhausen Steel Co., and a former union district director is Arbeitsdirektor. In such a setup we can well understand why the companies practice moderation in layoff.

In preparation for a study I made, I wanted to obtain an actual case of a layoff with its petition to the state labor office. I had a difficult time. Most of Arbeitsdirektoren told me that they didn't even ask for permission to lay off. During the recessions, and they have had them in Germany just as in the United States but on a much smaller scale, they simply transferred workers around, using them in construction or for other internal improvements.

In February of this year, the Salzgitter Co. announced that as a result of its modernization program and other changes a number of workers had become superfluous. But it said nobody would be laid off. In order to take up this slack, the company would depend on attrition alone, that is, workers who retire or quit or die would not be replaced.

AMERICAN STEEL COMPANIES UNDER FOREIGN LABOR CONDITIONS

Let me close by referring once more to the concept of a real wage or employment cost comparison and what we as a labor union are doing about it.

All of the major American steel corporations have opened iron ore operations abroad. These same companies continue to operate their iron ore mines in the United States. This provides us with a wonderful opportunity to use actual examples of labor costs for the same operations for the same company in the United States and abroad. The results are most interesting when we consider the levity with which these same companies make use of the international hourly wage or employment cost comparison.

The United States Steel Corp. and the Bethlehem Steel Corp. both have subsidiaries in Venezuela, both are under collective bargaining agreement with the mine workers' union there. Both these companies have similar mines in the United States, which are under collective bargaining agreement with my union. In the U.S. mines, the minimum wage is $2.285 an hour compared with the minimum of 77.6 cents an hour in Venezuela. The maximum in the United States is $3.825 an hour compared with $1.847 in Venezuela. So far, there would seem to be some truth in the hourly wage comparison, but now look at the hours paid for. The American workers work a 5-day week and, assuming the best of all possible conditions, he would therefore be on the job 49 weeks, on vacation an average of 2 weeks and on holiday a total of 7 days. He therefore would be paid for 262 days per year, that is, 51 weeks at 5 days each plus 7 holidays.

The Venezuelan miner working for the same company has recently been put on an alternate 5 and 6 day workweek—that is, one week, he works 5 days and the other week he works 6 days. But in both cases the pay is the same—that is, he is paid for 6 days. In addition, Venezuelan law and the American companies' collective bargaining agreements provide for full pay for Sundays not worked 52 weeks a year. In other words, these American steel companies pay their miners in Venezuela for 365 days a year at full rates although the miner works a total of only 249 days, that is, 26 weeks at 5 days and 26 weeks at 6 days less 30 days vacation and 7 days holiday for everyone.

Nor is this all. Again under law and collective bargaining agreement, the American steel companies pay a profit-sharing bonus of 60 full days' pay per year.

Summing up, then, an American miner gets a higher wage per hour but only for 262 days per year. The Venezuelan worker gets a lower wage per hour but for 425 days per year.

Actually, because of additional time off with pay for compassionate leave and for other causes, the Venezuelan miner works no more days in the course of a year than his American counterpart employed by the same company but he gets paid for over 60 percent more days in the course of the year.

Furthermore, it is only the American miner with the highest seniority who gets full time employment in the American mines. For the last 3 years we have been in a recession, and the mines have been operating only part time with most of the miners on short workweeks. In Venezuela, on the other hand, the employers are not permitted to reduce the workweek or to lay off workers in spite of the fact that production, as at home, dropped considerably. To be exact, iron ore produced in Venezuela was reduced by 25.27 percent in 1961 as compared with 1960. The United States Steel Corp. down there attempted to readjust its working force to meet this lower demand, but Venezuela had laws governing such things. Furthermore, the collective bargaining agreement had a clause guaranteeing work stability. The result was that the Secretary of Labor forbade the company to make the changes. In spite, therefore, of production reduced by a quarter, United States Steel in Venezuela was required to maintain the same workforce, all continuing to receive 7 full days pay each week for 52 weeks.

This is without doubt an unusual case, but it does illustrate that care must be used in making hourly wage cost comparisons.

A LABOR POINT FOUR PROGRAM

Nevertheless, we as a union are aware that earnings of workers abroad generally are not as high as they could be. This affects the competitive status of their employers only to a limited degree because of the lower productivity abroad. But productivity is increasing all over the world, and it is our purpose to help our sister labor organizations in other countries not only maintain their pace but to catch up with us.

Let me give you one simple example, namely, Japan. In times past, the Japanese steelworkers' union was limited in its effectiveness, (1) because it was highly political in its objectives and (2) because it did not make full use of its economic strength. One of the reasons it did not bargain with full vigor was that it had been persuaded that it was impossible to strike a steel mill for extended periods of time without doing so much damage to continuous equipment that it would take 6 months or more to resume full operations after settlement of a strike.

This was their belief. But when they observed right after our strike of 116 days in 1959 that we were able to resume a high rate of operations within a mat-

ter of 2 weeks and that no appreciable damage to our equipment had been suffered, the Japanese steelworkers' union realized that they had been laboring under a misapprehension. Accordingly, they addressed a request to our union through the International Metalworkers' Federation. They wanted us to send them two experts who could explain how to shut down a steel mill in a strike without damaging the equipment and permit a resumption of work immediately after settlement.

We were more than happy to comply, and we sent two of the best experts in the field. These two Americans made a tour of the Japanese steel plants with the Japanese steelworkers' union and they explained how we did such things at home. This was a kind of private point 4 program.

This was in 1960. The results were obviously most worthwhile for the union can now bargain from a much stronger position. Previously the companies only had to fear a token strike of a few hours. Now they could be faced with a real shutdown. Following up on this advantage just a few months ago, the Japanese steelworkers union addressed another request to us. Their new collective bargaining was just getting underway and they had been informed that the companies would propose an American-type job evaluation program, so again the Japanese asked for our help. They wanted a job evaluation expert who would teach them how to protect their interests. Furthermore, they wanted another American who could advise them on negotiating strategy. We were happy to comply with both requests, and two associates of mine left for Japan on the day that we began our own negotiations in Pittsburgh. The Japanese union was happy to make full use not only of the talents but also of the publicity value of these two men.

We have received a warm letter of thanks from the president of the Japanese union extolling the value of this visit.

A FAIR INTERNATIONAL LABOR STANDARDS PROGRAM

I could cite many other examples of the kind of cooperation my union has offered to other labor organizations abroad. In our program of international upward harmonization of wages, hours and working conditions, it is our purpose to eliminate differences in labor costs as a factor in international competition. The International Metalworkers' Federation has been much concerned with this subject also, and we have over the course of the past few years drawn up a program which we think will deal adequately with the unusual case of unfair competition based on labor. The essential element is that we could use a proposition of the General Agreement on Trade and Tariffs which is known as the Havana Charter. This provides that member states will undertake an obligation to achieve and maintain full and productive employment and to eliminate unfair labor conditions which substantially disrupt international trade.

The heart of the International Metalworkers Federation proposal is to the effect that we would propose machinery be created to provide for a complaint procedure on allegations that a given country is not complying with fair international labor standards.

It is proposed that a basis of complaint be established if both hourly and unit labor costs in exporting firms are unjustifiably below those in the same industry in the complaining country.

If such a charge should be made, there would be a confrontation between the domestic producer claiming he is hurt by low-wage foreign competition and the exporting producer. Both would be required to furnish data necessary to sustain or disprove the allegation. We would hope thereby to take labor cost comparisons out of the hands of the propagandists and put them into the sphere of serious and factual study, which is where the subject belongs.

AUTOMOTIVE EXPORTERS CLUB,
July 26, 1962.

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

HONORABLE SIR: As president of the Automotive Exporters Club, an organization consisting of 40 members whose combined export volume is in excess of $25 million annually, I wish to place our organization on record as being in favor

of passage of the Trade Expansion Act of 1962, otherwise designated as H.R. 11970.

Our organization believes that passage is essential for a number of reasons, and the first and foremost is that the continued growth and prosperity of the United States demands that our executive arm of the Government should be placed in position to deal with the administrators of the European Common Market organization with respect to negotiating our tariff program.

The growth of our export volume is absolutely imperative to a sound economy in this country. Statistics indicate that only 4 percent of our GNP is exported to foreign countries, which is far below the percentage established by all developed nations. In order to increase this percentage it is necessary that we make it possible for foreign countries to purchase the products of our own manufacture and to this end the ability to negotiate our tariff schedules is implicit.

There is no doubt but that some of the changes in our tariff program will result in some domestic dislocation but this, in our opinion, will be minimal and far outweighed by the advantages to be obtained from this act. The provisions of the act to protect those industries affected by the tariff reductions appear to be adequate so as to reduce any damages that may occur.

For the reasons stated above, we trust that you and your committee will vote in favor of the passage of the act so that the future of American industry will be given every possible support in the international struggle and to promote the continued growth of American vigor.

Very truly yours,

S. P. SMITH, *President.*

STATEMENT SUBMITTED BY ROBERT E. JONES IN BEHALF OF THE UNITARIAN FELLOWSHIP FOR SOCIAL JUSTICE IN SUPPORT OF THE TRADE EXPANSION ACT, H.R. 11970

The Unitarian Fellowship for Social Justice wishes to go on record in support of the Trade Expansion Act of 1962, H.R. 11970.

Our organization, which expresses the social and international concerns of Unitarians and Universalists, was recorded in favor of the Trade Expansion Act in a statement submitted to the House Committee on Ways and Means, March 23, 1962.

Members of the Unitarian Universalist denomination have had a long and abiding concern for the promotion of peaceful relations between peoples and nations. It is self-evident that one of the important keystones of international peace and order is healthy, multilateral trade.

We believe the Trade Expansion Act will be of tremendous benefit to the American people and to the people of the free world. It will signal to the nations of the world that the United States is continuing to accept its responsibilities as leader and partner in the Western alliance.

The Trade Act will strengthen the U.S. economy and act as a stimulus to its growth. It will also strengthen our economic and political ties with Western Europe and Canada and enable the United States to keep pace with changes in world trade conditions caused by the Common Market. It is imperative that the United States and Common Market countries not be divided into warring economic blocs.

We support strongly the adjustment assistance provisions of this bill which will insure relief to workers, firms, and industries which may suffer dislocations as a result of tariff reductions. The adjustment features are essential if the Trade Act is to be successfully administered.

The act should aid the economic growth of the developing countries who stand to benefit from the strengthened economies of the Western nations. Also, the special authority to reduce or eliminate tariffs on tropical agricultural and forest commodities should prove helpful to the economies of the nations emerging from colonialism.

For these principal reasons we support the Trade Expansion Act and urge its passage.

STATEMENT OF THE NATIONAL ASSOCIATION OF MANUFACTURERS SUBMITTED BY R. T. COMPTON, VICE PRESIDENT GOVERNMENT RELATIONS DIVISION, WASHINGTON. D.C.

The National Association of Manufacturers welcomes this opportunity to express its views on the proposed Trade Expansion Act of 1962. At the start it should be explained that this association does not attempt to speak for its members on tariff matters.

The National Association of Manufacturers does, however, urge that its members speak up on tariff policy both as individuals and through trade associations representing specific industries. We know that your committee has consulted with business witnesses and we hope that you will carefully consider their recommendations.

Even though the National Association of Manufacturers does not speak on behalf of its members in regard to tariffs, it is our conviction that, even within this limitation, there are many significant things to be said in regard to H.R. 11970, which can be helpful to your committee in its deliberations.

We are pleased to note that a number of safeguards have been inserted in this bill. While Congress would delegate to the President some of its constitutional power to set tariff rates, the bill does provide that two Members of each House of Congress will be members of the U.S. delegation for trade negotiations. Further, this bill restrains the President from reducing or eliminating U.S. import restrictions in order to obtain changes in "unjustifiable" foreign import restrictions. In addition, the bill permits him to suspend, withdraw, or prevent the application of the benefits of trade agreements with countries which maintain nontariff trade restrictions or engage in other acts which "unjustifiably" restrict U.S. commerce. And furthermore, the bill provides that if the President fails to implement recommendations of the Tariff Commission to remedy an injurious industry situation, the Congress can by majority vote override the President.

We are also pleased that in this bill the Tariff Commission is required to hold public hearings where any interested parties may present their views with respect to any concessions to be made through trade agreements. These hearings, in addition to the functions of the Special Representative for Trade Negotiations and the Interagency Trade Organization, could prove of value in developing the necessary information required for intelligent action in the very complex field of mutual trade agreements.

We are pleased that our prior recommendation that the Secretary of Commerce be specifically recognized in the bill as an adviser in trade negotiations was incorporated in the bill. We trust that the President and the Special Representative for Trade Negotiations would give due weight to his recommendations.

We are disturbed, however, that the Secretary of Labor's determinations as to entitlement of individual employees for adjustment assistance are final and not subject to review, while the Secretary of Commerce "may sue and be sued" in providing technical and financial assistance to firms. Since each Secretary certifies independently the firms and employees entitled to assistance after an affirmative finding of injury by the Trade Commission, it is possible that employees would be certified even though their firm may not be certified or the opposite may equally be true. In fairness then, the actions of each Secretary should be open to court test.

The remainder of our comments will be devoted to a discussion of the relationship between the balance-of-payments problem and the proposed legislation, and an appraisal of the adjustment assistance provisions of the bill.

THE BALANCE OF PAYMENTS AND TRADE LIBERALIZATION

The President in his message to Congress proposing trade liberalization, expressed his concern over the pressing balance-of-payments problem and stated: "To maintain our defense, assistance, and other commitments abroad, while expanding the free flow of goods and capital, we must achieve a reasonable equilibrium in our international accounts by offsetting these dollar outlays with dollar sales."

The President's expression of concern is gratifying. International deficits of the magnitude we have had in recent years cannot be continued indefinitely without destroying the international value of the dollar, without creating a serious inflation domestically, and without creating economic chaos in those countries which employ the dollar as a reserve for their own currencies.

These serious prospects can be prevented if we correct the fundamental conditions which have caused the large international deficits of recent years.

Some proponents of the proposed legislation have suggested that it will make a significant contribution to solving our balance-of-payments problem. The proposal contemplates the negotiation of mutual reductions in tariff barriers by the United States and other countries. There is no logical reason to suppose that we would gain more in the way of access to foreign markets than we would concede in access to our own. The effect on our balance of payments is unpredictable, with no assurance that it is more likely to be plus than minus.

Trade liberalization, whatever other arguments there may be in its favor, would not, on balance, improve the competitive position of American producers. What it does, is give greater scope to the operation of international competitive forces. Where our products have a competitive advantage they would penetrate more markets; where our products are at a competitive disadvantage they would lose more markets. The enactment of this type of legislation means we would have to be more concerned than ever with the ability of American producers to compete with producers abroad. The real answer to the balance-of-payments problem, therefore, will continue to be that of improving the competitive position of American producers. This can only be achieved through economic discipline at home.

A program for improving the competitive position of American producers is practically identical with a general program for improving the health of the American economy, raising the level of employment and increasing the rate of economic growth. It would include:

1. Fostering an "economic climate" which encourages business growth and efficiency. This would include the elimination of actions by Government which harass and discourage legitimate business operations.
2. Restraining the power of labor unions to arbitrarily impose continually higher unit costs on American production.
3. Promoting the growth in productivity of the American economy. The practical way of doing this is through permitting a higher rate of private saving and investment by reformation of tax rates, which would help the small businessman as well as the large company.
4. Controlling Government expenditures and thus relieving the inflationary pressures which raise the costs of American goods.

Although this may seem extraneous to the bill before you, it is our firm conviction that a solution of the balance-of-payments problem cannot be achieved without first taking positive steps to correct the domestic economic ills outlined above.

ADJUSTMENT ASSISTANCE

The National Association of Manufacturers is firmly opposed to the adjustment assistance features of this bill, as set forth in title III. We are opposed both to the general principle of Government providing such assistance, and to the detailed provisions of the bill. We strongly urge that your committee not approve any legislation with this type of provision.

Our general reasons for opposing any Government program which would offer Government assistance to those adversely affected by trade agreements are as follows:

(1) Adjustment assistance seems to imply that there is something wrong with the operation of the free market. The marketplace tells us which goods and services society values most highly and who can produce them most efficiently. The marketplace loses these functions when participants in it are artificially stimulated or supported. It is the nature of adjustment assistance to transcend the marketplace and competition and to direct our resources into inefficient operations.

(2) Business enterprises and their employees are continuously affected, for better or worse, by all sorts of events beyond their control. This would include changes in technology, changes in consumer taste, the unforeseen emergence of rivil products, alterations in the pattern of Government expenditures for defense, movement of customers to distant locations,

as well as the impact of tariff changes. We would certainly oppose a comprehensive program for assisting firms and employees to meet all these possible contingencies. That being so, we must also oppose singling out any one of these possibilities as the basis of a special program of Federal assistance.

(3) It is impossible in practice to trace out all the effects of any given tariff change. The impact is passed from the firms directly affected to their customers and suppliers and to the merchants who supply their employees. It will ramify through the economy and ultimately affect people and enterprises who have no way of knowing the original cause of their plight.

Correspondingly it is impossible to determine in practice all the causes of any difficulty a particular firm may experience. There is usually a combination of causes, some of which are recognized and some of which are not, of which the effect of tariff change would be only one.

Judgments as to which firms or persons would be entitled to special assistance would inevitably be arbitrary. Some who should be included would be left out because the evidence to prove their case is unavailable. Others who should not be eligible might nevertheless be qualified since the real causes of the decline of the firm in question are not identified.

(4) All experience warns that programs of this type inevitably expand and proliferate. Although originally conceived as a means of facilitating transitional adjustments they become a permanent onus on the taxpayers' backs. In attempting to solve one problem they create others, involving further Government expenditures and further governmental intervention in our economic life. Soon no one, not even those it is intended to benefit, is happy with the program, but no one is willing to initiate its elimination. Our experience with the farm program should warn us against undertaking new ventures in Government assistance to particular groups.

We would like to turn now to an examination of the assistance proposals contained in the bill.

ELIGIBILITY

A firm is required to petition the Tariff Commission for a determination as to its eligibility for assistance. An industry determination by the Tariff Commission is also required. The Commission shall determine:

"* * * whether, as a result of concessions granted under trade agreements, an article like or directly competitive with an article produced by the firm is being imported into the United States in such increased quantities, as to cause, or threaten to cause, serious injury to such firm. In making its determination under this paragraph, the Tariff Commission shall take into account all economic factors which it considers relevant, including idling of productive facilities of the firm, inability of the firm to operate at a profit, and unemployment or underemployment in the firm." [1]

Even with the wisdom of Solomon, this would be an impossible task. The standard "like or directly competitive" can be made as broad or narrow as the Tariff Commission decides. In business, actions continually threaten to cause injury but, in large measure, management decisions are based on preventing the injury from occurring. All economic factors which the Tariff Commission considers relevant allow a wide latitude of judgment on the part of the Commission. These factors invite discrimination and arbitrary action on the part of the Commission in carrying out their functions under this bill. Redrafting the language of the bill cannot correct these basic flaws without injecting other similar vague and arbitrary definitions that would lead to unequal treatment of those subject to the bill.

The fact that the adjustment assistance provisions of this bill apply retroactively to firms and persons who may have been injured by past tariff changes is, we believe, especially objectionable. There is no possibility of determining the extent of liability the Government assumes in this area, though the litigation involved may be lengthy and costly. This provision might benefit firms which had suffered from past tariff actions which nevertheless managed to survive, while denying any benefit to firms which had been forced to go out of existence by those same governmental actions. Thos who best qualify (i.e., are damaged most), are excluded.

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[1] Title III, sec. 301.

AID TO FIRMS

Such aid might in some cases subsidize lack of initiative and inefficiency. The firm which anticipates injury as a result of trade agreements, discontinues those operations which may be affected, and profitably employs those resources in other lines of activity would not be eligible for aid. Another firm, similarly situated, which did not attempt to prevent, or succeed in preventing, the injurious effect would be eligible for Government help.

The requirement that a firm's proposal, after certification of eligibility, for its economic adjustment should be approved by the Secretary of Commerce seems reasonable, since a giver of gifts is assumed to have an inherent right to impose conditions on those who are to receive them. However, such a requirement involves greater Government intervention in the private economy, though without it, the taxpayers' money may be wasted through loose administration. This simply illustrates the principle that Government aid inevitably entails a measure of Government control, and explains why we oppose the adjustment assistance features of the bill.

Technical assistance may be provided by Government agencies or through private institutions "on such terms and conditions" as the Secretary of Commerce deems appropriate and the firm shall be required to share the cost thereof. In other words, a firm may receive technical aid of a kind it does not want nor find useful and then be required to pay for it.

Financial assistance in the form of guarantees of loans, agreements for deferred participations in loans, or loans, will be provided under the conditions set forth by the Secretary of Commerce. Those loans can only be made if there is reasonable assurance of repayment by the borrower. Since under those conditions firms normally have no trouble borrowing through usual channels, this program contemplates subsidizing such firms through the use of cheaper credit than the market would accord them.

Tax relief granting 5-year loss-carryback and 5-year loss-carryover is an undesirable feature of a trade expansion act. In providing for the carryback and carry-forward of losses there is no logical reason to make a distinction between those losses resulting from domestic competition and those resulting from foreign competition.

ASSISTANCE TO WORKERS

The provisions for assistance to workers are limited to employees of firms directly affected by increased imports. If adopted, they will create a new, privileged class of unemployed to be paid premium benefits substantially in excess of those presently payable under State unemployment insurance programs.

Normal State laws provide an unemployment compensation beneficiary with weekly benefits amounting to half his prior weekly wages up to a maximum varying from State to State. The great majority of employees are in States where the range is from $3[illegible] to $45 a week. The maximum duration is normally about 26 weeks.

By contrast the Trade Expansion Act provides benefits amounting to 65 percent of weekly wages, subject to a maximum of $61 a week (based on the present average national wage), and these benefits would be paid for 52 weeks plus either an extra 13 weeks to those over 60 years of age or an extra 26 weeks to those taking retraining.

The State would pay benefits in accordance with the weekly amounts and duration provided by the State law, and these benefits would be supplemented (up to the above limits) out of Federal funds paid through the State agency.

There is no reason to believe that an employee who loses his job because of foreign competition is in any greater need than an employee who loses his job because of domestic competition. Yet the enactment of H.R. 11970 in its present form would lead to such glaring discriminations as these:

An employee of a manufacturing plant that is shut down because of tariff reduction could receive State unemployment benefits—for example—at $40 a week. In addition he could receive a Federal supplement of $21 a week—or a total of $61—and could draw these benefits for a full year or for a year and a half if he takes training.

A next-door neighbor who had had the same prior earnings but who becomes unemployed because of any reason not directly connected with tariff reduction could receive only the State unemployment benefit—the $40 a week—for a maximum of 26 weeks.

This same discrimination would occur if the neighbor's prior employment had been with a retail or service establishment dependent upon the activity of the manufacturing plant for its business.

Unfair situations like this must inevitably be the result when the amount and duration of benefits are conditioned on the cause of unemployment. They demonstrate the desirability of relying on existing State programs to meet the problem of employment shifts resulting from foreign competition.

The discriminatory aspects of the proposed program are further highlighted by a recent holding of the Solicitor of Labor that workers entitled to assistance benefits can also draw supplemental unemployment benefits under private SUB plans. Thus, in some cases, unemployed workers could draw benefits higher than their normal weekly salary. For example, a worker with weekly wages of $97 would qualify for $61 in benefits under this bill; and possibly $53 per week in SUB for a total of $114 a week.

Although these assistance benefits are designed primarily to aid displaced workers, they may have a secondary effect of questionable merit. We refer to the possibility of an overly liberal attitude on the part of the tariff negotiator through the realization that those who lose their jobs as a result of his action will be succored at the public expense. It would be most unfortunate if this realization numbed the feeling of responsibility and restraint that must guide the negotiator in the exercise of his extraordinary powers.

The training and relocation allowance provisions in H.R. 11970 would appear to be superfluous in view of programs already established by the Congress. For example, only a few months ago Congress enacted a $435 million manpower development and training program to help the long-term unemployed. One of the reasons for passage of the Manpower Development and Training Act of 1962, as stated in Section 101, was the obsolescence of skills resulting from foreign competition. Thus, any additional reference to the subject, as it relates specifically to workers adversely affected by foreign competition, we believe redundant. In any event, since Congress adopted the aforementioned program on an experimental basis, it would seem imprudent at this early date to depart substantially from its provisions.

Rather than the establishment of still another retraining program, what is badly needed is a careful restudy of existing facilities so that the problem of retraining displaced workers could be attacked in a unified way, taking advantage of existing State and Federal Government instrumentalities, notably the State employment security offices. Furthermore, private programs should be encouraged and better use made of existing public and private vocational and technical educational facilities.

Incidentally, it is well to note the section on "Disqualification by Refusal of Training" in the bill (section 327). This provides that a worker, otherwise entitled to trade readjustment allowances, shall not receive them as long as he refuses to participate in a training program regarded by the Government as suitable for him. This gives the Government a definite voice in career decisions better made by the individual himself. Perhaps such a provision would be necessary to prevent abuse of the allowances granted in the act. Here, then, we have the dilemma of an individual's freedom of choice being circumscribed by a Government that is trying to help him.

We would close our comments on this particular portion of the bill with a reminder that the House of Representatives, because of the parliamentary procedures followed, did not have the opportunity to vote on the specific issue of assistance to workers. This aspect of the program has yet to be really tested and your concern and careful consideration is therefore of even greater importance.

SUMMARY

Whether or not a bill is enacted by Congress authorizing tariff changes through mutual trade agreements, the National Association of Manufacturers is convinced that:

1. Trade liberalization, while it would increase foreign trade, would do little to cure the balance-of-payments problem or to improve the competitive position of the American economy. The remedy for these problems lies in curbing the power of labor unions to raise costs, removing the barriers to investment by tax-rate reform, improving the general business climate, and controlling inflation.

2. It is futile, arbitrary, discriminatory, unnecessary, and expensive to attempt to assist firms and individuals who may be required to adjust to additional

competition as a result of trade liberalization. It will tend to compound, rather than solve, problems associated with shifting trade positions.

STATEMENT IN SUPPORT OF THE TRADE EXPANSION ACT OF 1962, H.R. 11970, SUBMITTED BY MRS. CHARLES HYMES, PRESIDENT, NATIONAL COUNCIL OF JEWISH WOMEN, INC., NEW YORK, N.Y.

The National Council of Jewish Women, an organization established in 1893, with a current membership of 123,000 in 329 communities throughout the United States, has had a long-standing position in support of a liberal trade policy as an indispensable aspect of social and economic progress. A national resolution to that effect was adopted by our organization in 1938, and has been reaffirmed at every biennial convention since then, urging: "the United States to continue to develop trade agreements on a reciprocal basis and to undertake international agreements for the reduction of tariffs and other barriers to the free flow of trade."

Today, with the advent of the European Economic Community, the emergence of new trade needs of the underdeveloped nations and the increasing tensions of the cold war, the Trade Expansion Act of 1962 is urgently needed in order to revitalize our trade program and give the President adequate authority to meet changing demands in our national interest and the interest of the free world.

The various aspects of H.R. 11970 have been thoroughly reviewed by the members of the National Council of Jewish Women during our programs of study and action. From these studies has come the firm conviction that freer trade, as envisioned in this act, would lead to the greater economic good of all concerned. Our national economic growth is, of course, dependent on key materials imported from other nations as well as on foreign outlets for the products of American agriculture and industry. The American consumer will benefit from a reduction of import tariffs which will lower purchasing costs and from increased foreign competition resulting in a wider range of choice and better quality of goods. Increased international trade is an important stimulus to employment. Imports help create and maintain jobs in industries dependent on foreign materials, and conversely increased exports offer new employment opportunities for American workers.

As our economy has developed through the years, by changing demands, technological progress and domestic competition, some industries have been hurt. But the long-term benefits to the economy have always outweighed the short-term difficulties. With this in mind, we strongly support the section of H.R. 11970 relating to trade adjustments. We deem these adjustment proposals to be more practical and more realistic than the escape clause. Under the escape clause the only available remedy for the protection of an industry is an increase in tariffs. This method of adjustment produces retaliatory action which is not conducive to the reduction of trade barriers. Only recently, on recommendation of the Tariff Commission, and pursuant to the escape-clause provision, the President increased tariffs on carpets and sheet glass. The European Economic Community retaliated immediately by doubling tariffs on several American products. It is conceivable that similar instances might occur in the future resulting in an increase in trade barriers rather than an elimination of them.

From a broader view, we believe the Trade Expansion Act to be an urgently needed tool to complement our foreign aid program. Through the most favored nation clause and the special provision of section 213, concerning tropical agriculture and forestry commodities, we will be encouraging the economic progress of the less developed countries by affording them opportunities to sell their products abroad in a favorable market. We would thus be stressing self-help and economic growth, with a view to reducing eventually reliance on direct assistance.

Finally, we would like to stress the importance of considering this bill in its proper context as a major aspect of America's foreign policy. We feel that the existence of two rival trade systems would seriously undermine America's position of world leadership. We consider the enactment of H.R. 11970, allowing for unencumbered trade negotiations with the European Economic Community, an unprecedented opportunity to strengthen the bonds of the free world both economically and politically, and create a union vital to the national security of the United States and the well-being of the entire free world.

STATEMENT BY SOL M. LINOWITZ IN SUPPORT OF THE TRADE EXPANSION ACT OF 1962

Mr. Chairman and members of the Senate Finance Committee, my name is Sol M. Linowitz. I am chairman of the board of directors of Xerox Corp. of Rochester, N.Y. I am also a member of the Rochester law firm of Harris, Beach, Keating, Wilcox, Dale, & Linowitz.

As you know beyond all others, this bill has been widely discussed, not only here in the Congress and throughout the country, but literally throughout the world. Having recently returned from a business trip to the Orient and Europe, I believe awareness of this proposed legislation is as great beyond our borders as within them. Nor is this true only of H.R. 11970. We could say the same about most of the major issues which confront this country and this Congress. And even better known than our issues abroad are our products.

This commonplace illustrates a fact which seems to me fundamental to consideration of this legislation. Recent advances in communications and transportation have shrunk this world to proportions which 30 years ago most of us would have regarded as highly improbable. It may be comforting in this regard to recall Abe Martin's observation: "Things ain't no worse than they used to be; we just got better facilities."

The free world in particular has, for purposes of communications and commerce, truly become "one world." The forces of history and technology will, in time, shape this one world into one market. The growth and development of the European Common Market is an illustration of regional cooperation which will surely be followed either by other trading regions or will be expanded to such proportions that it and the United States will become the two major trading blocks in the free world.

In theory, we can meet the future in one of two ways. One is to remain as we are now, disadvantaged in our dealings with this already massive trading area. The other is to undertake a planned, analytical reshaping of the rules which govern our trading relationships with that bloc, with the twin objectives of furthering our own national self-interest and simultaneously furthering the strength and growth of democratic institutions in our economic contest with those nations which are not free.

While these two courses are open to us in theory, we are necessarily impelled toward the second. Maintenance of the procedural status quo would inevitably result in a steady diminution of our trade with the growing Common Market, damaging both this country and the strength and unity of the free nations. On the other hand, reduction and possible complete removal of tariffs would enable the United States to obtain the benefits which the Common Market has demonstrated without being required to join it. And further, through the principle of reciprocity which underlies this bill, these benefits would be extended to our other trading partners, for our mutual benefit.

Accepting the basic philosophy of the bill, we confront those suggestions which would dilute its substance while preserving its form. Is it to be a viable, integrated instrument of our foreign economic policy or one of limited effect and incomplete in structure? The most frequently proposed dilution of the bill has been grounded on the argument that it would make the President czar of our foreign trade, and the proposed cure is to subject each trade agreement to congressional review and disapproval.

The clear implication of this proposal is anticipated Presidential irresponsibility. This is, I submit, justified by neither the terms of the act nor the facts of history. Under existing law the President now has, and has had for some years, the authority to reduce tariffs on his own motion, although on an undesirable item-by-item basis, a deficiency which this bill would cure. I know of no evidence that Presidents of either party have abused their tariff-reducing authority. Is there any reason to assume that the authority to be granted under the Trade Expansion Act, identical in principle though greater in scope, would be abused? I see no reason to impute lesser motives to present or future Presidents than those which have guided Presidents of the past.

Moreover the act itself contains several safeguards against possible misapplication. For example, trade agreements negotiated by the President are limited in term to 3 years and are subject to termination at that point or thereafter upon 6 months' notice. Accordingly, if in practice a particular agreement does not achieve its desired objectives, it may be permitted to expire. Three years is certainly not too long a period to determine the efficacy of a trade agreement.

In addition, the President is required to consult the Tariff Commission in negotiating agreements and reducing tariffs. Affected industries or parties will be afforded an opportunity to present their views. Resulting hardship cases may be eligible for adjustment assistance and tariff relief as provided under the act.

Since the fear of Presidential abuse is without basis, the suggested remedy becomes unnecessary.

Actually, I submit it is more than that: It is harmful to the objectives of the bill. For it would inject into our future tariff negotiations a serious element of uncertainty and prevent our representatives from negotiating with the authority which they should possess.

Unfortunately, dilution of the objectives of the bill can come from sources other than direct amendment. I have in mind those provisions of the proposed tax revision bill which would tax American shareholders of foreign corporations on much current income of those corporations, regardless of whether such income is distributed to the American shareholder. Such a move will neither increase nor encourage foreign trade by American citizens. In fact, it would place American industries operating abroad at a serious competitive disadvantage. The British, for example, do not tax the income of so-called oversea trading companies at all until it is brought home. The French and others have, I believe, similar, although less formal, arrangements.

The operation of American subsidiaries in forign countries has traditionally resulted in an inflow of income from invested capital to the United States. Although this favorable flow of income normally occurs after a period of years, we should realize that we are—we must be—in foreign trade to stay. Initial unfavorable balances on isolated projects in their early years do not justify a policy which would discourage further investment in foreign markets.

While I deeply believe that H.R. 11970 will significantly benefit American business enterprises, I am just as firmly convinced that it will be of great benefit to the individual consumer. A primary justification of our historical emphasis on free competition has been the benefits which such competition confers upon the consuming public. The benefits are as real, and stimulation of competition is as important when the avenue of fair competition open to us is with European producers as when it is with those of this country. Simply stated, trade barriers which limit a customer's freedom of choice penalize him.

The reduction or removal of trade barriers does, of course, involve more than the simple reduction of tariffs. It has been said in criticism of the Trade Expansion Act that granting the President the authority to reduce tariffs on a reciprocal basis is not enough. There are other impediments to free trade such as quota restrictions and domestic and foreign monetary and labor policies. While it is true that the mere removal of tariffs will not remove these other barriers, it is necessary to grant the President the authority which the Trade Expansion Act would give him as an essential element for use in the resolution of other artificial restrictions to free trade. Authority to reduce tariffs can be used to obtain elimination of quotas and other restrictions in addition to reciprocal tariff reductions, and the administration has stated that this will be its objective.

If we are to face the future realistically, we must come to terms with our partners in the Western World along lines which will most effectively implement our overall foreign economic as well as political policy. And the first step in that direction is and must be elimination of artificial trade barriers. Theodore Roosevelt put the challenge before us very well: "The United States of America has not the option as to whether it will or will not play a great part in the world. It must play a great part. All that it can decide is whether it will play that part well or badly."

ARMSTRONG CORK CO.,
Lancaster, Pa., August 8, 1962.

Hon. HARRY FLOOD BYRD,
U.S. Senate, Washington, D.C.

DEAR SENATOR BYRD: While the trade expansion bill, as passed by the House, is an improvement over the measure as originally written, some of the most objectionable provisions are still in the bill. We are disturbed over the delegation of vast powers to the President, and believe that stricter guidelines should be laid down along the order of the amendments Senator Bush and others are proposing.

Our greatest concern is directed to the readjustment provisions in chapters 2 and 3 of title III. With respect to adjustment assistance to firms, it seems to us that there is already available adequate assistance from the Small Business Administration in the form of loans for plant construction, conversion, expansion, and even acquisition of land. Loans may be had to obtain equipment, machinery, raw materials, and working capital. There is also a great deal of technical assistance available from the Department of Commerce and various State agencies. In short, there is no need for another Government assistance program.

The adjustment assistance to workers in chapter 3 is particularly objectionable and is fraught with danger. Here the worker made totally or partially unemployed as the result of imports would receive a "trade adjustment allowance" of a much higher level and of longer duration than the unemployment compensation benefits provided under State law. Why should these adversely affected workers be given substantial preferential treatment over workers made unemployed by factors other than imports? This proposal is discriminatory, will cause resentment from other workers, would be an unjustified burden on the Treasury and would constitute a broad step toward the federalization of our unemployment compensation system, traditionally and properly vested in the States. We think it is completely indefensible.

We urge that the readjustment provisions of the bill be eliminated by the Senate Finance Committee. Surely there is no place for expediency in legislation of this magnitude and importance to the country.

My personal regards and best wishes to you, Senator. We appreciate the invaluable service you are rendering to America.

Yours sincerely,

M. J WARNOCK, *President.*

AMERICAN BAR ASSOCIATION,
STANDING COMMITTEE ON CUSTOMS LAW,
New York, N.Y., August 7, 1962.

Hon. H. F. BYRD,
Chairman, Committee on Finance, U.S. Senate, Washington, D.C.

DEAR SENATOR BYRD: The house of delegates of the American Bas Association yesterday approved the following proposed amendments to the bill, H.R. 11970, in the form as recommended by this committee.

The specific suggested amendments are:

1. Section 213, page 8, following line 15, insert a new section 214 to read as follows:

"SEC. 214. In the course of any investigation preceding findings required by this chapter, the Tariff Commission shall, after reasonable public notice, hold public hearings and shall afford interested parties opportunity to be present, to produce evidence and to be heard at such hearings."

2. Section 221, page 9, lines 10 and 11, change to read as follows:

"In the course of preparing such advice, the Tariff Commission shall, after reasonable public notice, including the list of articles under investigation, hold public hearings, and shall afford interested parties opportunity to be present, to produce evidence, and to be heard at such hearings."

3. Section 223, page 10, line 5, insert after the words "hearings" the following: "at which all interested parties shall be given opportunity to be present, to produce evidence and to be heard."

4. Section 232, page 13, line 21, following the word "motion insert a new sentence to read as follows:

"In the course of any investigation under this section, the Director shall, after reasonable public notice, hold public hearings and shall afford interested parties opportunity to be present, to produce evidence and to be heard."

The recommendations here presented do not relate to or affect in any way the proposed basic grant of delegated powers by the Congress to the President. Said recommendations relate solely to the establishment and maintenance of proper procedures and judicial review in administering said delegated powers.

It is believed that the proposed legislation, H.R. 11970, would be considerably improved and the intention of the Congress to extend to interested parties full notice, hearing, and opportunity to be heard in administrative proceedings there-

under, would be clarified if the foregoing suggested specific amendments be approved and incorporated in said measure.

Thanking you for your attention,

I am, sincerely,

J. BRADLEY COLBURN, *Chairman.*

ASSOCIATION OF PACIFIC FISHERIES,
Seattle, Wash., August 8, 1962.

Re H.R. 11970, Trade Expansion Act of 1962.

Hon. HARRY F. BYRD,
U.S. Senate, Washington, D.C.

DEAR SENATOR BYRD: We are enclosing herewith statement on behalf of the Association of Pacific Fisheries, dated March 22, 1962, and supplemental statement dated April 12, 1962, in opposition to H.R. 9900, known as the Trade Expansion Act, as then drawn. It is our understanding that this act, now H.R. 11970, is the subject of consideration of the Senate Committee on Finance.

The position of the Association of Pacific Fisheries is unchanged since the preparation of the aforesaid statement and supplemental statement.

It would be appreciated if you would make the statement and supplement statement in opposition to the act, a part of the record of your committee.

Sincerely yours,

HERALD A. O'NEILL, *Executive Secretary.*

SUPPLEMENTAL STATEMENT ON BEHALF OF ASSOCIATION OF PACIFIC FISHERIES IN OPPOSITION TO H.R. 9900 (MILLS), THE SO-CALLED TRADE EXPANSION ACT, AS NOW DRAWN

In response to the very pertinent questions raised at the hearing before the Ways and Means Committee of Congress on April 6, 1962, by the Honorable Thomas B. Curtis, of Missouri, the Association of Pacific Fisheries supplements its statement then presented as follows:

DIFFERENCE BETWEEN JAPANESE AND U.S. SALMON FISHING REGULATIONS

Salmon spawn in fresh water rivers and lakes, go to sea for one to several years, differing with the five species, then return to the particular rivers or lakes where they were spawned to turn to spawn and die. The races in one river system may be badly depleted and require severely protective regulations. Those in another system may be flourishing and require less or different regulations to insure sufficient escapement to the spawning grounds.

When salmon are out in the high seas those from the different river systems commingle and in commercial fishing it is impossible to distinguish them. But when the salmon come into shore to select their particular streams they segregate so that the different races may to a large extent be regulated separately according to their needs.

Accordingly both the Federal and State authorities prohibit net fishing for salmon outside of our territorial waters. Both Canada and Russia are in accord with this policy, at least as to the salmon spawned in their own streams. The Japanese, on the other hand, having very few salmon spawning streams, take the bulk of their catch out on the high seas.

Although one would not generally consider efficiency to be objectionable, fishing can become so intensive that essential changes in regulations cannot keep pace. The practice of the Japanese being to catch as much fish as possible as rapidly as possible with little or no consideration of conservation regulations, they have taken prompt advantage of the newly developed and exceedingly effective monofilament nylon nets which appear to be invisible to the fish. But American authorities being intent on making their regulations conform to the day-to-day evidence of conservation requirements have found that too intensive a fishery can get out of hand and overfishing occurs before regulations can catch up with it, since they forbid the use of such nylon nets.

AIR CONSERVATION REGULATIONS PURSUANT TO TREATIES

Canada and the United States have two joint Commissions created by treaties, one for halibut and one for the salmon of the Fraser River system. These Commissions do formulate regulations which when approved by the executives of the two nations become effective.

The Commission created by the fisheries treaty between Japan, Canada, and the United States, however, has conducted splendid research but has no regulating power, though the treaty does commit each nation to pursue conservation practices and by the treaty the Japanese do agree to certain specific restrictions as to fishing American halibut, salmon, and to some extent herring. However, the Japanese claim that the restrictions do not apply west of the so-called provisional line at 175° west longitude, and, unfortunately, the very valuable Bristol Bay, Alaska red salmon migrate west of this line during their feeding period. To the best of our knowledge, however, the Japanese have not fished salmon east of the provisional treaty line, and in this respect they have complied with the treaty.

NEGOTIATION OF TARIFFS

Unfortunately experience has shown that our U.S. negotiators either because of unfamiliarity with the fishing industry, indifference to its interests, commitment to abstract political dogmas, or inability as negotiators, fail almost uniformly to protect our American interests. The industry has more confidence in the practical knowledge of Congressmen, and is reluctant to any change that could result in an adjustment in the tariffs favorable to a country not practicing conservation of a common natural resource such as salmon, spending much of its life on the high seas and thus within the reach of being caught and processed by such a country for export to the United States in competition with salmon caught and processed by American fishermen and packers at a higher cost, mainly because of restraint in their fishing efforts by State and Government regulations for the very purpose of conservation of the salmon runs for the benefit of future generations.

STATEMENT ON BEHALF OF ASSOCIATION OF PACIFIC FISHERIES IN OPPOSITION TO H.R. 9900 (MILLS), THE SO-CALLED TRADE EXPANSION ACT, AS NOW DRAWN

1. The Association of Pacific Fisheries, organized in 1914, is a nonprofit trade association representing producers of 95 percent of the canned salmon pack of Alaska, Washington, and Oregon. There are approximately 25,000 direct employees. The wholesale value of the pack in 1961 was $120,238,769.

2. Fishing is one of the oldest and most respected industries. Great as is its monetary value, its importance to the welfare of the people of this country goes far beyond that. It involves the production of food of such an essential character that our people should not risk becoming dependent on importations from abroad. It develops real seamen, men of boldness and hardihood who do not wish to become dependent upon Government subsidies even if this were practical, which we doubt. The industry not only gives direct employment to thousands of fishermen and cannery workers, but to shipbuilding and other plants essential to a well-balance economy.

3. The fisheries of this country have become subject to increasingly severe competition from foreign nations so that while our own production has failed to increase, that of Japan and the Soviet have increased enormously and unless there is protection from the lower production costs of Japan which are aided by disregard of American standards of conservation regulation, and the Government-financed operations of the Soviet, which are indifferent to costs, various branches of fisheries are in trouble.

4. What is said is particularly applicable to the salmon industry of the Pacific coast States of Alaska, Washington, Oregon, and the northern part of California. This is especially serious for Alaska where the value of fish production, primarily salmon, has exceeded that of all other industries put together, and from an Alaskan income standpoint has only been exceeded by Government-financed defense expenditures in recent years.

5. The Pacific coast salmon industry directly confronts the two most aggressive fishery nations in the world, Japan and the Soviet, and is even in competition with Canadian production at lower costs. At the same time our fishermen are subject to rigid governmental regulations as to time, place, and methods of fishing. The types and sizes of fishing gear are restricted by such regulations and because high seas salmon fishing is believed to be inconsistent with effective conservation it is prohibited to our fishermen, yet Japanese do practically all their salmon fishing in the open ocean, much of it on American -spawned salmon, with nets thousands of feet long and with monofilament nylon web, the use of which is forbidden American fishermen.

6. In July 1951 the ad valorem duty on the importation of canned salmon was, as a result of negotiations, reduced from 25 percent to 15 percent. This was a severe blow to the industry and any further reduction in duty would encourage the Japanese that much harder to fish in the open ocean on American-born salmon and market their salmon pack in the United States, the result of which would be disastrous to our fishermen and industry. Even with the 15-percent duty Japanese canned salmon are being imported into this country.

7. By the proposed bill, regardless of what it is entitled, Congress would be abnegating its powers and duty to deal with the matter of tariff, and turning its proper functions over to negotiators, whoever they might be. Experience shows that seldom, if ever, regardless of protestations to the contrary, do either fisheries or other industries have adequate representation in such negotiations. Our industry has always looked to Congress itself as the people's representatives to give the people concerned the hearings that they are entitled to when their interests are to be affected.

8. The industry believes that there should be no delegation of the power of Congress to deal with tariffs, but certainly if this should be done adequate peril point and escape clauses should be included in whatever bill is passed. We are opposed to the bill in its present form which we consider bad for the fishing industry.

9. Attached hereto is a copy of resolution adopted at Seattle, Wash., March 5, 1962, by representatives of the American fishing industry; also a concurring letter dated March 21, 1962, by the secretary of the Alaska Fishermen's Union, the oldest fishing union on the Pacific coast.

10. We request that this statement, the resolution of March 5, 1962, and the letter of March 21, 1962, from the secretary of Alaska Fishermen's Union be made a part of the printed record.

RESOLUTION OF REPRESENTATIVES OF AMERICAN FISHING INDUSTRY RE H.R. 9900, TRADE EXPANSION ACT OF 1962

Be it resolved by representatives of the American fishing industry including spokesmen of fishermen, labor, and processors of the U.S. crab, halibut, groundfish, oysters, salmon, shrimp, and tuna industries meeting on the 5th day of March 1962, at the request of the Association of Pacific Fisheries:

That every group and organization interested in the future welfare of the American fishing industry give urgent and thorough consideration to the possible adverse effects and results upon the various segments of the U.S. fishing industry of H.R. 9900, known as the Trade Expansion Act of 1962, and similar or identical bills; and further

Let it be known that this consensus and action is based on the strong belief on behalf of many responsible members of the American fishing industry that this act, as written, can cause severe hardship and in some cases complete destruction to various segments of the U.S. fishing industry which is so important to the general public welfare both as a valuable source of protein food and means of employment.

MARCH 21, 1962.

Re H.R. 9900.

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

GENTLEMEN: The Alaska Fishermen's Union concurs with the statement of opposition submitted by the Association of Pacific Fisheries to your committee.

Our main concern is that under the terms of the reciprocal trade agreement, the proposals embodied in H.R. 9900 (Trade Expansion Act of 1962) will remove the minimum protection tariffs on fishery products which are now in existence and will place the American fishing industry in a position where it cannot compete with foreign fishery imports.

The United States has been reduced to fifth place in world production of fish. Japan, Communist China, Peru, and Russia are ahead of us. The following table, setting forth the catches of fish in millions of pounds by the five leading

fishing countries, clearly illustrates the quick recent growth of their production, at the expense of our own fishing industry:

1959		*1960*	
Japan	12,952	Japan	13,651
China (mainland)	11,067	China (mainland) (1959)	11,067
United States	6,384	Peru	7,785
U.S.S.R.	6,076	U.S.S.R.	6,724
Peru	4,409	United States	6,166

The employment of fishermen has declined from a total of 161,463 in 1950 to 128,985 in 1959, with corresponding decreases in employment for allied workers within the industry. The downward trend is continuing. While the consumption of fish in the United States has increased by about 40 percent during the last 10 years, our production remains at the same level it was 10 years ago.

The United States is unable to hold its own because of lack of adequate protection, either by tariffs or quotas. To reduce such scant protection as we now have would serve only one purpose—that of speeding up destruction for the fishing industry. As pointed out in the statement of the Association of Pacific Fisheries, any lowering of tariffs on fishery production would only be an incentive for Japan and Russia to increase their fishing efforts off the Pacific coast to a point where they would most seriously deplete and even destroy those fishery resources for all time.

Congress should be aware that, in discussing fisheries, we are not talking only about dollars and cents, but what is really important is that we are talking about conservation of a food resource which is a necessity to the well-being of the American people.

We join with the Association of Pacific Fisheries in opposing any lowering of tariffs on fishery products and ask that the problem of maintenance and conserving of the U.S. fishery resources not be considered on the basis of foreign policy but that it be considered on its own merits, so that this invaluable food may always be available and in good supply for the American people.

H.R. 9900 is probably one of the most important bills to come before the Congress in this session and it no doubt will have far-reaching effects on the future.

We hope that Congress, in its wisdom, will carefull consider all aspects of the problem before it, and, in particular, conservation of the fishery resource which is seriously involved in this legislation.

Sincerely yours,

ALASKA FISHERMEN'S UNION,
GEORGE JOHANSEN, *Secretary-Treasurer.*

U.S. TARIFF COMMISSION,
August 13, 1962.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee, U.S. Senate.

DEAR MR. CHAIRMAN: I have your letter of August 10, 1962, requesting an explanation for the "delay" in the Tariff Commission's completion of the investigation under section 22 of the Agricultural Adjustment Act, as amended, with respect to cotton products.

Your letter and mine to you of the same date crossed in transit. I am sure that by now you have received my letter, which reported as follows:

"* * * the cotton study is on the Commission's agenda for consideration at its next meeting, which is scheduled for August 15. Immediately after the Commission arrives at its decision, it will complete the report. Until the Commission's decision is reached, I hesitate to give you a precise date for completion of the report and its publication. Because of the length of the report, however, I would expect that at least 2 weeks' time would be required after the Commission reaches its decision."

For some time now the Commission has been inundated with inquiries charging undue delay in completing the investigation. We do not agree that there, in fact, has been any delay; on the contrary we believe that, considering the many

other pressing matters that the Commission has had to attend to in recent months, the cotton products investigation—one of the most complex that has ever come before the Commission—has progressed with commendable speed.

The Commission has recognized from the outset the urgency of the cotton products investigation. This recognition, however, did not absolve the Commission from performing other functions imposed upon it, such as the completion of projects within fixed time limits. In the course of the cotton products investigation, the Commission has had to give attention, among other things, to several escape-clause investigations (vanillin, hatters' fur, chinaware, and earthenware) which must be completed within statutory time limits; several reports to the President under Executive Order 10401 reviewing developments in the trade in various products covered by outstanding escape-clause actions (watch movements, dried figs, linen toweling, and clinical thermometers); several "general" investigations extensive in nature pursuant to Senate Resolution 206 with fixed time limits for reporting the results to the Congress; the request by the House Ways and Means Committee for reports on many bills, including H.R. 9900 (the administration trade bill); and your committee's request for reports on many bills, including H.R. 11970 (the proposed Trade Expansion Act of 1962).

Sincerely yours,

BEN DORFMAN, *Chairman.*

(See letter, p. 1348.)

(Whereupon, at 12:45 p.m., the committee adjourned to reconvene at 10 a.m., Monday, August 13, 1962.)

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