RADE EXPANSION ACT OF 1962

1516-1

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 13, 14, 15, AND 16, 1962

PART 4

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TRADE EXPANSION ACT OF 1962

MONDAY, AUGUST 13, 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 (chairman), Kerr, Smathers, Douglas, 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 Chair understands that Mr. Peter M. Miranda, of the Industrial Wire Cloth Institute, simply desires to submit a statement; so, he will be recognized.

Mr. Miranda.

STATEMENT OF PETER M. MIRANDA, SECRETARY, INDUSTRIAL WIRE CLOTH INSTITUTE

Mr. MIRANDA. Mr. Chairman and members of the committee, my name is Peter M. Miranda. I am secretary of the Industrial Wire Cloth Institute. The institute maintains its offices at 630 Third Avenue in New York City.

A statement has been prepared and submitted on behalf of the institute in opposition to H.R. 11970, and it is sincerely felt that a review of this statement will justify the institute's position. I sincerely request that you review the statement, and thank you.

The CHAIRMAN. Thank you very much, sir; your statement will be inserted in the record and be read by the members of the committee.

(The prepared statement referred to follows:)

STATEMENT, SUPPLEMENTING ORAL PRESENTATION OF PETER M. MIRANDA, ON BEHALF OF THE MEMBERSHIP OF THE INDUSTRIAL WIRE CLOTH INSTITUTE

This statement, on behalf of the Industrial Wire Cloth Institute and its members, is being submitted in opposition to H.R. 11970 as it has emerged from the House of Representatives. The institute represents 20 domestic weavers of all grades of industrial wire cloth, from some 11 different States. A list of membership and location of the principal manufacturing (weaving) facilities for each is attached as appendix A. These members weave upward to 85 percent of all domestic production of industrial wire cloth.

Industrial wire cloth is designated as to nomenclature in classification of imports, schedule A, commodity numbers 6100–140, 6100–150, and 6100–160; paragraph 318 of the Tariff Act of 1930.

The institute has been in existence for approximately 30 years and diligently has collected statistics on domestic sales for its members in a very detailed manner. The institute was formed soon after the enactment of the Tariff Act of 1930 and, therefore, the statistical data gathered from the members on shipments of industrial wire cloth can be compared closely to the FT-110 reports from the Bureau of Census for commodity numbers 6100-140, 6100-150, and 6100-160.

For example, under the Tariff Act of 1930, the rate of duty for woven wire cloth was a mesh finer than 90 wires to the lineal inch (schedule A, commodity number 6100-160) was established at 50 percent ad valorem. The importation o fthis classification of products was minimal up to and including 1947. In 1948, at Geneva, under the authority of the General Agreements on Tariffs and Trade (GATT), our negotiators granted a concession in this classification from 50 percent ad valorem to 30 percent ad valorem. In 1948, after this concession, the deluge of imports started. The share of the total U.S. market supplied by domestic weavers decreased from 100 percent in 1947 to 97 percent in 1948; 95 percent in 1949; 86 percent in 1950; and 79 percent in 1951.

In 1952, at the Torquay Conference, our negotiators again saw fit to grant further concessions, from 30 percent ad valorem to 25 percent ad valorem, although it should have been quite obvious that the then existing rate of 30 the continuance of this segment of our industry. Since 1952 the domestic weavers share of the total U.S. market has decreased significantly and shockingly, as follows:

	Percent		Percent
1952	75	1957	49
1953	63	1958	38
1954	74	1959	33
1955	65	1960	27
1956	50	1961	28

and, for the first 6 months of 1962, imports have increased their share of the total U.S. market to 80 percent, leaving only 20 percent for domestic weavers. (Please refer to exhibit B attached for bar chart analysis of the above.)

An investigation by this committee will reveal that the micronic meshes utilized in the construction and operation of our missile program are available from domestic sources but are purchased almost exclusively from foreign sources. It is inconceivable that legislation would permit the elimination of an industry which could be so vitally connected with the missile program.

A trend similar to that shown on exhibit B for 90 mesh or finer (commodity No. 6100-160) can be shown in reference to commodity No. 6100-150 for industrial wire cloth woven in meshes 31 to 90 per lineal inch, which rate of duty was established by the Tariff Act of 1930 at 40 percent ad valorem and has been negotiated downward, through Geneva and Torquay, to a $0.02125 per square foot duty with a minimum of 10 percent ad valorem. This segment of the industry is not only vulnerable to imports but is "there for the taking" by foreign weavers. (Please refer to exhibit C attached for bar chart analysis of the above.)

The only classification of industrial wire cloth that has not been significantly affected is schedule A, commodity No. 6100-140. This, though, it not necessarily the fact because the classiffication encompasses a multitude of products from industrial wire cloth to insect wire screening to hardware cloth to poultry netting, etc. In some sense it could be called a basket classification because of the nature of the products involved.

This industry vehemently objects to the current bill H.R. 11970 which is before this committee for consideration. It is quite obvious to this industry that under this bill we could be classified as "an expendable industry" and could be counted within the number of the 800 firms to go out of business during the next 5 years.

Even though section 7 of the legislation in effect today (the Trade Agreements Extension Act of 1951, as amended) has not afforded our industry the necessary safeguards for effective escape clause action, it at least presents the mechanism and forum for recourse. Our problem in this industry has been, historically, the inability to satisfy the definition of a segment of an industry affected. On the surface the injury caused by imports of 90 mesh or finer should be more than sufficient to justify escape clause relief, but because of the inability to segregate that segment of our industry, we have not been able to obtain this relief.

This industry, with its entire operating facilities of manpower and capital equipment, is geared to perform one manufacturing function and only one—the weaving of wire cloth. Title III of H.R. 11970 would almost certainly cause immediate extinction of this industry if applied. No amount of "adjustment assistance" can possibly alter this fact. The equipment utilized in the manufacture of industrial wire cloth cannot be converted to any other possible use. This would put a tremendous burden upon the American taxpayer to subsidize the "buying out of existence" of some 20 companies by the Federal Government. If the present trend continues, in spite of further damage under H.R. 11970, many more companies will find themselves in a position of complete inability to compete and will be forced to further expand their manufacturing facilities in a more economically profitable climate on foreign shores. It would therefore be extremely probable that the "educated estimate" of the 90,000 workers to be sacrificed would be a vast understatement.

This industry does not need and further could not possibly avail itself of the "adjustment assistance" of title III. Without the strengthening and implementation of escape clause and peril point procedures we will unquestionably find ourselves in a very basic economic climate of inability to compete. After thorough consideration and evaluation by members of this industry, it is our sincere belief that the final adjudication of relief should be vested in the hands of the legislative branch of Government. Procedures should be evolved which will give the various members of an industry, or the industry as a whole, the opportunity to present the vital facts of existence to a body which will have the authority to honestly evaluate and implement such findings. This cannot be the hope when the sole authority rests exclusively with the executive branch.

Even though, as stated previously, under current legislation, regardless of the limitations and failings of section 7, domestic industry at least has the mechanism and forum for recourse. And further limitation will be intolerable. Even today a favorable Tariff Commission recommendation is in no way binding or obligatory upon the President, as this committee well knows. What more hope could an industry expect with a further alternative—adjustment assistance?

It is respectfully and sincerely urged that this committee consider strengthening and implementing the present escape clause and peril point procedures within the framework of the bill before it, in order to encompass small industries such as ours and to provide safeguards against ruinous inroads by unfair and government subsidized foreign monopolization of the U.S. market. Title III—adjustment assistance—must be completely eliminated from consideration and the alternative cannot be presented solely to the executive branch.

APPENDIX A

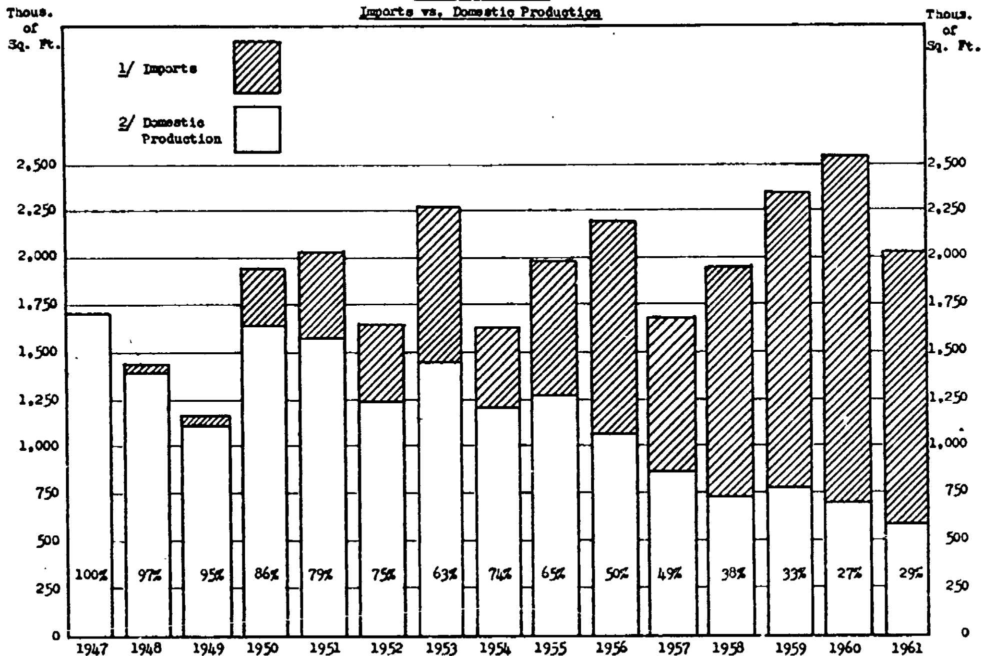
INDUSTRIAL WIRE CLOTH INSTITUTE

The Cambridge Wire Cloth Co., Cambridge, Md.
The Cleveland Wire Cloth & Manufacturing Co., 3573 East 78th Street, Cleveland, Ohio.
The Colorado Fuel & Iron Corp., Pacific Coast Division, 1080 19th Avenue, Oakland, Calif.
Hewitt-Robins, Inc., Henderson Road and Queens Drive, King-of-Prussia, Pa.
Ludlow-Saylor Wire Cloth Co., 634 South Newstead Avenue, St. Louis, Mo.
Multi-Metal Wire Cloth Co., 1350 Garrison Avenue, New York, N.Y.
Newark Wire Cloth Co., 351 Verona Avenue, Newark, N.J.
Star Wire Screen & Iron Works, Inc., 2515 San Fernando Road, Los Angeles, Calif.
Wickwire Bros., Inc., Cortland, N.Y.
G. F. Wright Steel & Wire Co., 243 Stafford Street, Worcester, Mass.
Chase Brass & Copper Co., Inc., Turnpike, Pa.
The Cole-Roscoe Manufacturing Co., South Norwalk, Conn.
The Gilbert & Bennett Manufacturing Co., Georgetown, Conn.
Hoyt Wire Cloth Co., Post Office Box 1577, Lancaster, Pa.
Michigan Wire Cloth Co., 2100 Howard Street, Detroit, Mich.
National-Standard Co., Corbin, Ky.
The John P. Smith Co., Post Office Box 551, Branford, Conn.
The W. S. Tyler Co., 3615 Superior Avenue, Cleveland, Ohio.
Wickwire Spencer Steel Division, Colorado Fuel & Iron Corp., Post Office Box 232, Palmer, Mass.

APPENDIX B

INDUSTRIAL WIRE CLOTH INSTITUTE

FINER THAN 90 MESH



1/ Imports figures obtained from FT-110, Department of Commerce.

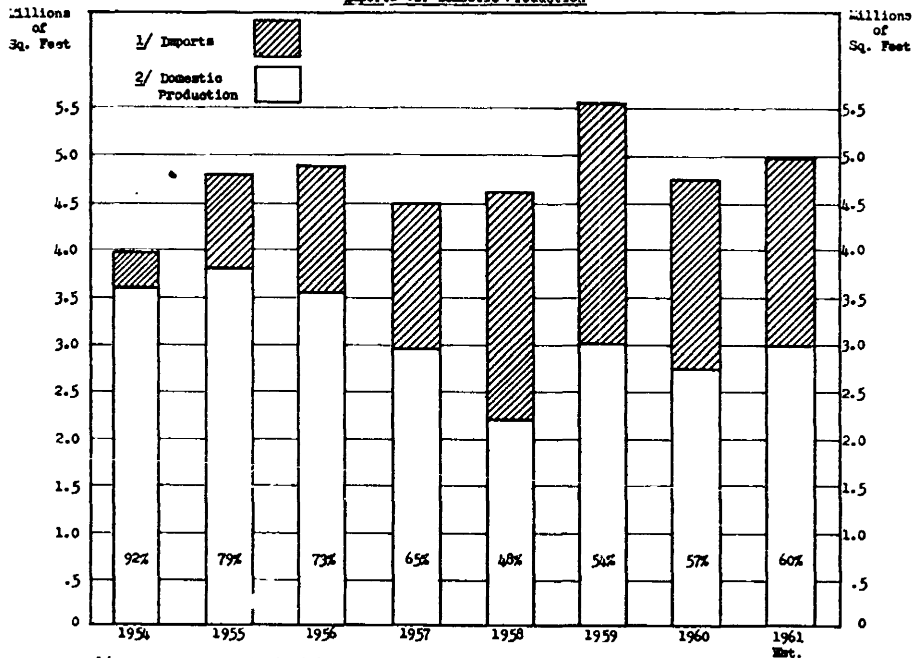
2/ Bases on Institute members reports.

APPENDIX C

INDUSTRIAL WIRE CLOTH INSTITUTE

31 to 90 Mesh

Imports vs. Domestic Production



1/ Imports figures obtained from FT-110, Department of Commerce.
2/ Based on Institute members reports.

The CHAIRMAN. The next witness is Eldred Hill, the commissioner of Virginia Employment Commission. I want to say I have known Mr. Hill for a long time. He is one of the ablest State officials I have come in contact with and I welcome him as a fellow Virginian to this committee.

STATEMENT OF J. ELDRED HILL, JR., COMMISSIONER, VIRGINIA EMPLOYMENT COMMISSION

Mr. HILL. Thank you, Mr. Chairman, I have prepared a statement which I have submitted to the clerk for inclusion in the record, and I will hit the high spots of this presentation.

At the outset I would like to make it clear that I do not appear here in favor of nor in opposition to the general objectives nor the tariff provisions of H.R. 11970. The provisions to which I address myself briefly are those which provide for the trade readjustment allowances.

As I understand the provisions of this bill, allowances or benefits are to be made available to certain individuals who become unemployed because the Federal Government has taken deliberate action in adopting trade policies which adversely affect such individuals.

These benefits will be in an amount considerably in excess of those available to persons eligible for unemployment benefits under State unemployment insurance laws.

These benefits will also continue considerably beyond the length of time for which the benefits are payable under the State systems.

This, it seems to me, creates a new Federal unemployment compensation program that is more liberal than any existing State program and is designed to favor a very small segment of the Nation's unemployed.

As an administrator of a State unemployment insurance program, I have some difficulty in recognizing the need for this preferential treatment among persons unemployed through no fault of their own.

The State systems of unemployment insurance are designed to compensate covered workers who become unemployed through no fault of their own. This is true whether the cause of the unemployment is attributable to the employer's economic instability, the changing demand for the services or products involved, automation, domestic or foreign competition, an act of the Federal Government, an act of God, or indeed any other cause not involving fault on the part of the worker himself.

Involuntary unemployment can stem from many causes but in terms of the individual distress that is to be alleviated the cause does not make one displaced worker any less unemployed than another.

Those who advocate these special benefits apparently see some special virtue in unemployment that results from Federal action in the establishment of trade policy. I do not. I fail to see the need for the establishment of this program of preferential treatment for one small class of unemployed workers.

Since this bill envisions the payment of these benefits by the State agencies that now handle unemployment insurance I foresee a great deal of difficulty in explaining to unemployed workers the wisdom or the justification for these higher and longer benefits for those that have

been displaced by trade policy than are available to other workers with identical earnings and work history but whose unemployment arose out of automation in a defense plant or some other Federal action which was presumably taken in the national interest.

I fear, too, that the enactment of these special benefits will be interpreted as a congressional indictment of the adequacy of State unemployment insurance systems.

Unemployment that is traceable to the adoption of a given trade policy is no better or no worse than unemployment that arises from other causes, and if a Federal system is necessary to alleviate the distress of this particular species of unemployment, then it will soon be urged with equally convincing logic that it is necessary for other types of unemployment.

Once we embark on this course of Federal supplementation of State benefits, using the flimsy excuse that there is something unique about the cause of unemployment, we will find no end to causes of unemployment that are equally as meritorious.

This road has as its terminus a permanent Federal system of unemployment insurance.

State benefit levels are now being applied under Federal law to unemployment directly caused by the Federal Government. Under this Federal law State level benefits are paid to laid-off Federal employees, and to ex-servicemen. I urge this committee not to deviate from this sound established principle.

There is another very real problem confronting Virginia, and I suspect a number of States, if the trade readjustment allowances are enacted as they are presently provided in H.R. 11970.

The Virginia Unemployment Compensation Act contains a provision which renders an individual ineligible to receive State benefits if he has received, is receiving or is seeking unemployment benefits under an unemployment compensation law of another State or of the United States.

Now, section 331 of the Trade Expansion Act authorizes the Secretary of Labor to enter into agreements with the States for the payment of the trade readjustment allowances. But subsection (c) of section 331 explicitly requires that these agreements must provide that unemployment insurance otherwise payable to these adversely affected workers will not be denied or reduced for any week by reason of any right to the trade adjustment allowance.

Now, this section, in my opinion, is contrary to the Virginia statute and will preclude Virginia from signing any agreement for handling the payment of trade readjustment allowances or doing anything that the bill envisioned Virginia doing.

I am advised that Virginia's statute preventing supplementation or duplication of unemployment benefits is not unique and it may be common to a large number of States.

If this is the case, the trade readjustment allowances provided in H.R. 11970, if they are enacted could not be paid until the laws of such States are amended.

This may further aggravate the preferential treatment among the unemployed since in some States even those whose unemployment is traceable to a trade policy may be precluded from sharing in these favored benefits.

I respectfully urge this committee not to pass 11970 in its present form. I urge the committee to eliminate from the bill those provisions which relate to trade readjustment allowances.

Mr. Chairman, this concludes my prepared statement. There are two principal areas of concern to me: One is that the trade readjustment allowance provisions descriminate among the unemployed. It sets up a special preferred group, and those who are advocating and who have sat in this seat and urged this committee to make this disparity in unemployment benefits between individuals will be the first to return here soon and argue that this inequity should be eliminated and the people who are at the lower scale should then be brought up to the higher level.

The second thing that bothers me is that this law as it is presently drafted will mean there are some States that will not be able to participate in it unless the State law is amended.

Certainly I cannot speak for the General Assembly of Virginia, but I can say to you they do not meet again in regular session until 1964, so until that time they would not have the opportunity to consider whether they wanted to change the State law so as to allow our State to participate in this program, unless a special session is called.

So, basically, my arguments are, first, that the trade readjustment allowances on their face lead toward a federalized program and they are philosophically unsound, that they are discriminatory as among the unemployed, and without any justifiable reason and that, second, they will create a problem in many States in terms of signing agreements to administer them because these provisions, as they are written are in violation of State laws.

The CHAIRMAN. Mr. Hill, thank you for a very clear, able statement. How many other States have laws similar to Virginia, would you think?

Mr. HILL. Mr. Chairman, as I read them there are some 40 or 42 States that have similar laws to Virginia's, although I would not say every one of those States would interpret them the same as Virginia.

Some of them may feel that this law does not prohibit them from entering into these agreements. I wouldn't presume to speak and say that there are 42 States that could not sign the agreement.

The CHAIRMAN. But there are quite a number of States—it is clear in the law they cannot accept this assistance?

Mr. HILL. There are quite a number of States that it is very clear to me that they could not do this, Mr. Chairman.

But I do not know what position they will take. I know there has been a great deal of political influence exerted on the States in an effort to get them to bypass these laws. I have a feeling that those who are advocating this program feel that if the allowances are enacted the States will wink at their State laws or will interpret them in a manner so as to be able to get their hands on some of this Federal money.

The CHAIRMAN. As I understand your testimony, you regard this as a wrong step toward federalizing the unemployment insurance program.

Mr. HILL. I certainly do, sir.

The CHAIRMAN. You know the chairman of the committee has been opposed in the past and in the future to any federalizing of the pro-

gram the cost of which is borne entirely by the employers in the respective States.

That is correct, isn't it?

Mr. HILL. Yes, sir.

The CHAIRMAN. What standards are set forth in this bill to determine whether or not a certain industry has been injured by imports?

Mr. HILL. Well, as I understand it, the standards are left up to the Trade Commission, I believe, to determine whether or not an industry has been substantially injured, and I am not conversant with all of the provisions relating to what they are to consider but I understand they are not rigidly written into the law.

The CHAIRMAN. Are there any standards written into the law?

Mr. HILL. Not that I know of, Mr. Chairman.

The CHAIRMAN. It is left to the Federal Trade Commission, did you say?

Mr. HILL. So far as I am advised, I am not familiar with this particular——

The CHAIRMAN. To set up standards as to whether or not an industry is injured and then a certification would be made to the State unemployment agency?

Mr. HILL. Yes.

The CHAIRMAN. Of course, that would be accepted. You are as able a man as I know in this field. Can you imagine what standards could be set up?

Here is an industry that may have foreign trade or it may not have. The injury may come from domestic competition instead of from competition caused by imports.

Mr. HILL. That is correct.

The CHAIRMAN. How could a standard be set up to determine that?

Mr. HILL. I think it would be extremely difficult to arrive at any standard which would definitely prove workable in terms of knowing that an individual has been displaced surely by foreign competition as compared, say, with location of the industry here.

Any number of factors, as I said in my statement, could be responsible for unemployment.

The CHAIRMAN. The factors could be inefficient operation or some company not keeping up with the times, so to speak, or the result of domestic competition. Could you envision that the damage could be determined on a percentage basis of 10 percent, 20 percent, 30 percent, or 50 percent?

Mr. HILL. I presume this is the way they will do it, I don't know how much percentage they would arrive at or how they would arrive at it.

The CHAIRMAN. Then take a concrete example. How much would be added toward the State unemployment compensation?

Mr. HILL. It would depend on the State.

In our State, there could be added the difference between our maximum amount, say $34, all the way up to $61, depending on the individual. It could practically be doubled.

The CHAIRMAN. How long would that continue?

Mr. HILL. And it continues for 52 weeks as compared with our State duration which continues for 24. And in some instances, under

the trade adjustment allowances it can continue on up to as high as 78 weeks.

The CHAIRMAN. There is some provision for retraining those workers who are thrown out of employment.

Mr. HILL. Yes, there are some retraining provisions which in my opinion duplicate those which have already been passed by the Congress in the form of the Manpower Development and Training Act.

The CHAIRMAN. What is the maximum that could come out of the Federal Treasury, as you see it?

Mr. HILL. Well, the maximum——

The CHAIRMAN. Per man.

Mr. HILL. The individual can receive, as I understand the bill, 65 percent of the Nation's average manufacturing wage, which is at the present time about $61 a week.

The CHAIRMAN. Then you would have two different standards. You would have one—would they get twice as much or three times as much or what?

Mr. HILL. He could get twice or three times as much or even five times as much, perhaps, as certain individuals in our State, because we have benefits ranging downward to a much lower figure than the $34. This is simply our maximum figure. Our minimum runs down to $12.

The CHAIRMAN. That would be pretty hard to justify, wouldn't it? In Virginia and other States where unemployment may occur from some other cause, such as domestic competition in this country, it would certainly create a good deal of dissatisfaction among those who get a much lower rate of compensation if the unemployment is occasioned by a domestic situation.

Mr. HILL. Certainly so.

The CHAIRMAN. That would be an incentive, I imagine for the movement all through the country to go up to the Federal standards and just abandon the State standards?

Mr. HILL. Exactly. I think once we create this disparity between individuals and it is an inequitable disparity, there will immediately be pressure to raise those who were left behind up to this level of this very small group that we now propose to favor under this bill.

The CHAIRMAN. Well, it may not be such a small group.

Mr. HILL. When I say small group, I am depending on the Secretary of Labor's figure of 90,000 for 5 years.

The CHAIRMAN. That is a figure of 18,000 a year, isn't that correct?

Mr. HILL. Yes, sir.

The CHAIRMAN. For 3 or 4 years, whatever it may be?

Mr. HILL. That is true. But I am comparing it with the number of unemployed we have nationwide and this is a very small proportion. Frankly, I am not sure that these figures are valid, I simply am using them because those are the ones that have been submitted by the Department of Labor.

But this is a beginning of a favored system for a favored few as compared with the remaining unemployed.

The CHAIRMAN. It seems to me that any long-range estimate of the unemployment occasioned by the changes in the tariff and the imports is simply impossible to make, and 18,000 out of how many are employed, 60 million, I myself would not favor very much, I would not

depend on that figure of 18,000, because if there is any damage at all it will be far more than that, its bound to be, and the framers and advocates of this bill apparently have thought there would be injury or there would not have been this provision put in the bill.

Mr. HILL. That is right.

The CHAIRMAN. Senator Talmadge?

Senator TALMADGE. I have no questions. Our director is here and I expect to ask him questions along the same line.

The CHAIRMAN. Senator Carlson?

Senator CARLSON. Mr. Hill, first I want to commend you for a very fine statement.

If the Congress should adopt this trade adjustment allowance section in the pending legislation, would we not in reality set up two classes of citizens among the unemployed in our Nation?

Mr. HILL. Yes, sir. This is the point I had hoped to make.

Senator CARLSON. I think you did it very well and it is one which really concerns me. I don't see any community where you have both types of unemployment and payments being received on a basis of 65 percent of the wage, for instance, of the national average, compared with the wages that—compared with the payments you would receive in unemployment compensation in the State. We have 26 weeks in Kansas with a maximum of $44. Under this proposal I can easily see an individual who was relieved of his employment because of trade adjustments might get at least $65 and I can see the problems that would arise between families; there would be some real difficulties. I just can't conceive that our Nation is going to do this but I am not sure.

Mr. Chairman, I have a letter here from George Trombold, who is chairman of the Social Legislation Council of the Kansas State Chamber of Commerce and he discusses this and the views of the Kansas Chamber and I ask unanimous consent that this be made a part of the record.

The CHAIRMAN. Without objection.

(The letter referred to follows:)

KANSAS STATE CHAMBER OF COMMERCE,
Topeka, Kans., August 6, 1962.

Hon. FRANK CARLSON,
U.S. Senate, Washington, D.C.

DEAR SENATOR CARLSON: As businessmen and employers in the State of Kansas, we are very much concerned about the trade adjustment allowances for employees which are proposed as a part of the trade expansion bill, H.R. 11970, now before the Senate Finance Committee. You will recall our discussion of this subject when I was in Washington on July 6.

These allowances would, in effect, provide a Federal unemployment compensation program which would give workers displaced by the operation of the tariff act 65 percent of their average weekly earnings up to a maximum of 65 percent of the national average industrial wage. These benefits would be paid for a period of 52 weeks with an additional 13 weeks to workers over 60 years of age. Since the current national average industrial wage is in the vicinity of $95 per week, this would mean a tax free amount of approximately $62 per week from this source.

As you know, under the Social Security Act of 1935 all States established unemployment compensation divisions to provide weekly benefits to workers unemployed during a reasonable transition period. The benefit amounts and durations have been geared to the particular needs in the individual States, and the employers in those States have financed the program through taxes upon their payrolls. In most States the benefit period is 26 weeks and the benefit

amount ranges up to 50 percent of the current average wage in covered industry. It is easy to see that the operation of the trade adjustment provisions of H.R. 11970 would discriminate in favor of those unemployed for a particular reason even though their individual needs are not different from the needs of workers unemployed from any other cause. The institution of high Federal benefits for a selected group of unemployed people will, we believe, serve to increase the pressure for the Federal Government to take over the entire unemployment compensation system with great added cost to the taxpayer.

In Kansas our weekly benefit amount is set by statute at 50 percent of the average weekly wage in covered industry in the preceding year and is currently $44 per week for 26 weeks. This is the benefit level and duration recommended by the Department of Health, Education, and Welfare, yet the amounts proposed in this bill for a favored group would be approximately 50 percent more per week for twice the period of time. We do not believe the Federal Government should set up two classes of citizens among the unemployed, all of which will be, as usual, at the expense of the taxpayer.

We think the State unemployment compensation systems should be allowed to function uniformly with respect to all of the unemployed. We urge you to oppose the trade adjustment allowance provisions of this bill.

Sincerely yours,

GEORGE TROMBOLD,
Chairman, Social Legislation Council.

Senator CURTIS. Mr. Chairman.

The CHAIRMAN. Senator Curtis.

Senator CURTIS. Mr. Hill, is unemployment compensation subject to the Federal income tax?

Mr. HILL. No, sir.

Senator CURTIS. Is it subject to the State income tax in Virginia?

Mr. HILL. Not in our State; no, sir.

Senator CURTIS. How much worse off would an individual be drawing 65 percent of his wages free of State and Federal tax, without expense of getting to and from his work, without expense for his noon meal, and without his expense for work clothes?

Mr. HILL. He would have practically 100 percent of his take-home pay during this period of time. Not only that, but the pay is not subject to attachment or levy by creditors.

Senator CURTIS. Are you familiar with the Federal law relating to unemployment compensation as it was written in the area redevelopment bill?

Mr. HILL. I have a limited knowledge of it, Senator.

Senator CURTIS. How does that work?

Mr. HILL. Under the Area Readjustment Act the allowances do not exceed the rate of State benefits. They follow a pattern of State benefits.

Senator CURTIS. Who pays it?

Mr. HILL. The State pays these benefits.

Senator CURTIS. Does the Federal Government reimburse them?

Mr. HILL. Yes.

Senator CURTIS. So ultimately it comes out of the Federal Treasury?

Mr. HILL. Yes.

Senator CURTIS. What kind of program do they have in respect to the manpower retraining?

Mr. HILL. The same type of program. It follows and it is patterned after State benefits. It is paid by the States but eventually comes from the Federal Treasury.

Senator CURTIS. You have made a good appearance here and I want to thank you.

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

(The prepared statement of Mr. Hill follows:)

STATEMENT ON H.R. 11970 BY J. ELDRED HILL, JR., COMMISSIONER, VIRGINIA EMPLOYMENT COMMISSION

Mr. Chairman and gentlemen of the committee, I am J. Eldred Hill, Jr., commissioner of the Virginia Employment Commission. I appreciate the opportunity to be heard by this committee. My remarks will be brief and limited to that portion of H.R. 11970 which provides for trade readjustment allowances.

At the outset I should make it clear I am not appearing in favor of, nor in opposition to, the general objectives nor tariff provisions of the Trade Expansion Act.

As I understand the provisions of this bill, allowances or benefits are to be made available to certain individuals who become unemployed because of the Federal Government's deliberate action in adopting trade policies which have adversely affected such individuals. These benefits will be in an amount considerably in excess of those available to persons eligible for unemployment benefits under the State unemployment insurance systems. These benefits will also continue considerably beyond the duration for which benefits are payable under the State systems.

This, it seems to me, merely creates a new Federal unemployment compensation program, more liberal than any existing State program and designed to favor a very small segment of the Nation's unemployed.

As an administrator of a State unemployment insurance program I have difficulty in recognizing any need for this preferential treatment among persons unemployed through no fault of their own. The State systems of unemployment insurance are designed to compensate covered workers who become unemployed through no fault of their own; and this is true whether the cause is attributable to the employer's economic instability, a changing demand for the services or products involved, automation, domestic or foreign competition, an act of the Federal Government, an act of God—or indeed any cause not involving fault on the part of the worker himself.

Involuntary unemployment can stem from many causes but in terms of the individual distress to be alleviated the cause does not make one displaced worker any less unemployed than another.

Those who advocate these special benefits apparently see some special virtue in unemployment resulting from Federal action in the establishment of national trade policy. I do not. I fail to see the need for the establishment of this program of preferential treatment for one small class of unemployed workers. Since the bill envisions the payment of these benefits by the State agencies now handling State unemployment insurance I foresee great difficulty in explaining to unemployed workers the wisdom or justification for higher and longer benefits for those displaced by trade policy than are available to other workers with identical earnings and work history but whose unemployment arose out of automation in a defense plant or some other Federal action presumably taken in the national interest.

I fear, too, that the enactment of these special benefits will be interpreted as a congressional indictment of the adequacy of State unemployment insurance systems. Unemployment traceable to adoption of a given trade policy is no better or no worse than unemployment traceable to other causes; and if a Federal system is necessary to alleviate the distress of this particular species of unemployment it will soon be urged with equal logic that it is necessary for other types. Once we embark on a course of supplementation of State benefits, using the flimsy excuse that there is something unique about the cause of the unemployment, we will find no end to causes of unemployment equally as meritorious. This road has as its terminus a permanent Federal system of unemployment insurance. State benefit levels are now being applied under Federal law to unemployment directly caused by the Federal Government. Under this law State-level benefits are paid to laid-off Federal civilian employees and ex-servicemen. I urge this committee not to deviate from this established principle.

There is another very real problem confronting Virginia, and I suspect a

number of other States, if the trade readjustment allowances are enacted as presently provided in H.R. 11970. The Virginia Unemployment Compensation Act contains a provision which renders an individual ineligible to receive State benefits for any week he is receiving, has received or is seeking unemployment benefits under an unemployment compensation law of another State or of the United States. Section 331 of the Trade Expansion Act authorizes the Secretary of Labor to enter into agreements with the States for the payment of the trade readjustment allowances. But subsection C of section 331 explicitly requires that these agreements must provide that unemployment insurance otherwise payable to these adversely affected workers will not be denied or reduced for any week by reason of any right to the trade readjustment allowance. This section, in my opinion, precludes Virginia from signing an agreement for handling the payment of trade readjustment allowances. I am advised that Virginia's statute preventing supplementation or duplication of unemployment benefits is not unique and may be common to a number of State laws. If this is the case, the trade readjustment allowances as provided in H.R. 11970 if enacted could not be paid until the laws of such States are amended. This may further aggravate the preferential treatment among the unemployed since in some States even those whose unemployment is traceable to trade policy may be precluded from sharing in these favored benefits.

I respectfully urge this committee to eliminate from H.R. 11970 the provision for trade readjustment allowances.

The CHAIRMAN. Our next witness is Mr. Donald F. White, director and counsel, American Retail Federation.

Please proceed, Mr. White.

STATEMENT OF DONALD F. WHITE, COUNSEL AND DIRECTOR OF THE AMERICAN RETAIL FEDERATION

Mr. WHITE. The American Retail Federation welcomes this opportunity to express to the Senate Finance Committee the views of the majority of its members on the Trade Expansion Act of 1962.

The American Retail Federation is a federation of 31 national retail associations and 43 statewide associations of retailers. Through its association membership the federation represents more than 800,000 retail establishments employing nearly 5 million persons who handle more than 70 percent of all retail sales in this country

The policy position of the federation, briefly, is as follows:

1. The primary goal of the Trade Expansion Act, expanded foreign trade through reciprocal tariff reductions and negotiations, is endorsed.
2. The provisions of the Trade Expansion Act which provide for adjustment allowances either for industry or for employees, is opposed.

It seems obvious that the development of the European Economic Community—and other common markets as well—requires new methods and new approaches in our tariff policies.

The largest common market today is the United States of America, with a population of 180 million people, a gross national product of more than $500 billion, and no barriers to trade among its 50 States. The world's other large common market is the European Economic Community. It now has about 170 million people and a gross national product of $180 billion. If, as seems probable, the United Kingdom joins EEC, the total population will be 223 million, and the gross national product, $242 billion. Exports from EEC plus the United Kingdom amount to about $30 billion; imports

amount to about $32 billion. Our exports amount to about $20 billion and our imports to about $15 billion.

The United States and the potential EEC with less than one-half of its population produce more than twice as much as the Communist bloc. This underlines the importance of trade expansion legislation and the need for new tools to use in trade negotiations. Dismantling of internal tariffs while establishing a common external tariff wall against outside nations is our real answer to the Communist bloc, and will be the means whereby the free world can meet the challenge of providing better living standards for the developing nations.

For these general reasons retailers have a real interest in expansion legislation. They also have other reasons directly connected with their everyday activities.

Many retailers sell imported articles which they either import themselves, or purchase directly from an importer. These retailers are naturally interested in expanded foreign trade, which will expand their available sources of goods, and widen the variety of merchandise which they can purchase.

Other retailers, although not selling imported items, sell many items which are made from imported materials, either in the raw state, or in a semimanufactured state. The foreign trade program should help to cut the cost of these materials and thus benefit their customers and them.

Finally, there are many retailers whose customers are employed in factories which manufacture goods for export, or which might be exported under the more liberal tariff conditions to be realized under agreement reached through new negotiations. These retailers have a very real stake in foreign trade and its expansion under the proposed act.

Retailers are opposed to the adjustment assistance provisions of the bill, both as to assistance for industry and for unemployed workers.

In the first place the aim and intent of the bill, as far as the tariff provisions are concerned, is to come closer to a free market for the free world. The adjustment provisions, on the contrary, actually negate the principles of the free market by providing artificial support, either to industry or to workers.

Secondly, there are many factors which influence business sales and business employment, and which are beyond the control of business. Changes in style, technological advances, new competitors, changes in Government contracts and defense spending, among other reasons, have real impact on the business community and its employees.

There is no reason why one possibly influential factor, tariff changes, should be singled out as a factor which requires Government intervention and assistance, when others are ignored. Obviously the Government cannot compensate for all such economic factors. Why, therefore, should it offer compensatory aid for the effects of one factor?

Thirdly, the impact of a tariff change does not stop at the first company—and its employees—directly affected. The suppliers of the first company—and their employees—will also be affected. So will the merchants who sell merchandise to all of these employees. But the bill, in effect, creates a special class entitled to assistance, whereas others, equally affected would be denied assistance.

Fourthly, in many cases it will be difficult, if not impossible, to determine whether a tariff change is really the factor which put a company in a distress position. There may be many cases where a company is falling behind competitively and the tariff change simply speeded up a result which was bound to occur. To assist such a company would simply be to subsidize the inefficient.

Fifthly, such an assistance program, although designed to be limited in scope and to be used in specific cases, will certainly become broader and broader in its application. Employers and employees, only secondarily affected, will demand similar assistance. Moreover, industries and employees whose troubles are not at all connected with tariff changes will press for similar assistance.

For instance, an unemployed worker, laid off because of economic conditions entirely apart from any tariff change, would be unable to understand why he was entitled only to the unemployment benefit under his State law, while his neighbor, whose unemployment has been ascribed to a tariff change, received substantially larger benefits and for a longer period.

Sixthly, the existence of the assistance program would tend to make our negotiators with foreign countries less careful in the matter of agreeing to changes in tariff rates. Concessions, which otherwise would not be made, could be granted with the excuse that the assistance program would take care of any unfortunate effects on production or unemployment.

Finally, there are ample programs already in effect which should be able to mitigate the impact of tariff changes scrupulously negotiated. The Federal-State unemployment insurance program, the development and retraining program, small business programs, and others should take care of possible casualties from increased foreign competition. There is no need to embark upon a new program which, in the long run, might easily create greater problems than those it was originally designed to remedy. The history of the farm programs is an excellent case in point.

The adjustment assistance provisions of the bill should not be enacted.

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

The next witness is Mr. Paul A. Raushenbush, director of unemployment compensation of Wisconsin.

STATEMENT OF PAUL A. RAUSHENBUSH, DIRECTOR, UNEMPLOYMENT COMPENSATION DEPARTMENT, INDUSTRIAL COMMISSION OF WISCONSIN

Mr. RAUSHENBUSH. Mr. Chairman and members of the committee, my name is Paul A. Raushenbush of Madison, Wis.

I am director of the Unemployment Compensation Department of the Industrial Commission of Wisconsin, which is the State agency responsible for interpreting and administering Wisconsin's unemploymet compensation law.

I have filed a prepared statement in an adequate number of copies and would ask that this be included in the committee's record and I would like to summarize some of the points made in that statement for your consideration.

My testimony here is limited to the trade readjustment allowance features of the pending bill, and more specifically I would like to talk to the weekly rates of trade readjustment allowances and the relation of those weekly rates to the State unemployment compensation laws and the impact that this proposal in its present form would have if not amended.

I would like to be sure that the committee fully understands how different these weekly rates of trade readjustment allowances are from the rates of State unemployment compensation payments.

Basically the proposal of this bill as it stands now before you is that the existing State jobless benefit levels under State laws be circumvented and overridden by the device of paying an extra Federal supplement each week on top of the State benefit the worker would otherwise draw.

Every State would, by the pending bill, be required to violate its own weekly benefit levels by paying the extra Federal supplement on top of its own State-financed benefit.

Now, that Federal supplement device and requirement would have a serious federalizing impact on the State laws. It would mean specifically as to my State, Wisconsin, that we could not under our present State law agree to operate the proposed trade readjustment allowance program in Wisconsin.

We couldn't operate any part of it. Before developing those points further, let me turn to this question of how different the levels are.

First, there is a minor difference in formula. I will skip that.

But, second, most States aim to pay a basic jobless benefit per week equaling about 50 percent of the worker's own weekly wage. The proposed new overriding Federal requirement for workers adversely affected but no more unemployed than others, is 65 percent of the worker's past wages instead of 50 percent.

Now, you will notice that is a 30-percent increase—30 percent more on the average nationwide. I suppose it amounts to $10 more on practically every check on the average, although it would be much higher than that in some cases.

For every adversely affected worker who would get that special extra Federal bonus there would be over a hundred workers equally unemployed in the same week, who would get only the normal State benefit amount.

How can you justify that difference to those people, especially if they are ex-servicemen or Federal civilian workers laid off by a more direct and conclusive Federal action than will apply to most of the trade act layoffs, which as the chairman pointed out often present a very mixed cause picture, with inefficiency partly a cause of those layoffs, too?

Well, all right, you have got 65 percent then of the workers' individual wage.

Then the next point is that the bill proposes to apply a new uniform nationwide weekly maximum to all States, thereby overriding the varying weekly maximums which have been duly debated and legislated by the several States. This kind of question has been up in every State legislative session for many, many years.

Truly that is a major change and a long step toward federalization. It would ignore varying State wage levels, and legislative policies, by

using as a national standard a weekly maximum equaling 65 percent of manufacturing wages nationwide, not State by State. That 65 percent would currently yield a top of $61 a week.

Let me tell you how this would work out in Wisconsin. We have a very odd situation that five different workers whom we would pay $47, $48, $49, $50, or $51, which is our top, they would get Federal supplements to bring them all even, up to $61, thereby destroying any differentials.

In some other State with a $40 maximum, a high wage worker might get a Federal supplement of $21 per week for a year or more.

So, I am going to refer from here on to this 65 percent, 65-percent level, 65 percent of the individual's average wage, 65 percent of nationwide average manufacturing wage as the maximum.

The higher weekly maximum level here proposed would also be a sharp and radical break from the recognition given by the Congress to State unemployment compensation levels throughout the past 8 years.

In the early years the Congress—for veterans and solely for veterans—did disregard State levels, but for 8 years now in seven separate enactments set forth in my prepared statement the Congress has recognized State levels. In no case did it go above the weekly maximum of the given State law, whatever that might be.

That is more fully spelled out, Mr. Chairman, in my prepared statement so I will skip it for now and move along.

It may also be worth noting——

The CHAIRMAN. Will you permit a question there?

Mr. RAUSHENBUSH. Yes, sir.

The CHAIRMAN. The Secretary of Commerce told me that these higher rates were not authorized to veterans of the Korean war. Is that correct?

Mr. RAUSHENBUSH. The veterans of the Korean war were by Federal legislation given 26 weeks of benefits at $26 flat. Now, that did in some few cases exceed the State payments. In other cases it did not, in which case the State payment may have been in excess of the $26.

The CHAIRMAN. That law has expired now.

Mr. RAUSHENBUSH. Oh, yes, it expired long ago, sir, and it is significant, to my mind, that when it came to the next go around, even for veterans, ex-servicemen, the Congress said, "We will let them be paid at the State level, both as to weekly rate and as to duration. We will let all the conditions of the State law apply to these ex-servicemen."

The same thing applies to your Federal civilian employees when laid off by the Federal Government, a very direct impact surely, more so perhaps than trade adjustment will make.

Does that answer your question, sir?

The CHAIRMAN. Proceed.

Mr. RAUSHENBUSH. Let me move on, then, to say that it is also worth noting, apart from these seven separate enactments over the past 8 years of recognizing State maximums, that it is very odd that in a bill which, according to some of the proponents at least, is not supposed to affect State unemployment compensation laws or have any impact on federalizing them, this bill goes farther than the Federal

standards bill, the King bill, in one vital respect. The King bill, which starts out deliberately to do some federalizing of the State laws, says, "You must pay the worker 50 percent of his own average weekly wage."

What does this trade adjustments bill say? It says 65 percent. That outtrumps the King bill which was designed to federalize or at least to provide so-called Federal standards.

Well, that gives you a little background about how different the weekly benefit provisions are and how serious an impact they would have on the State laws.

Clearly even though the result may be not intended, the federalization angle would still occur.

In recent years State unemployment compensation laws have paid benefits to more than 5 million beneficiaries each year and to the more than 7 million beneficiaries in some years. If I may use circus terms, that is a pretty big elephant.

Compared to that volume the number of workers estimated by the Labor Department to be adversely affected by the Trade Act is only about 18,000 individuals a year. Sure there may be question about whether that is a good figure. Nobody knows, but that is the estimate.

Well, that is a fairly small tail to be wagging such a large elephant. We have a very major program in this unemployment compensation field, but if you enact these provisions with their higher weekly rates, then you can be sure that the advantages of Federal supplementation would be well advertised to all workers, not merely to the few adversely affected workers.

Everybody would want to get in on that kind of a high level of benefits, and we have no assurance as of now that that is a sound long-run level for the great majority of laid-off workers.

As has been pointed out by one of your questions this begins to approach take-home pay.

Let me make a further point about Federal supplementation which is what is involved in this bill. This is really even worse in one way than a direct Federal requirement that all States raise their benefit levels.

Forced Federal supplementation not only overrides State benefit policies; it uses State-financed benefits to achieve most of its "65–65" target level.

Well, that is a particularly strange way of playing cricket, isn't it?

The clear intent now, to turn to another point of this bill, is that its proposed trade readjustment allowances be paid to jobless workers through the State agency, which administers the State's own unemployment compensation law.

In fact, that is the only practical way to get the job done properly in view of the program's close tie-in with the States laws.

Mr. Hill, of Virginia, has told you his State cannot sign such an agreement. I want to give you my emphatic assurance that Wisconsin cannot sign such an agreement, either, and my prepared statement has detailed this matter so sufficiently that perhaps I had better skip any further detail about it.

But I assure you that even if we get legal advice to the contrary from very high quarters, the Industrial Commission of Wisconsin still applies Wisconsin's law and they do not feel, with the plain and sweep-

ing language we have in our statute, that they could lawfully ignore it and if they did they would probably be in a lawsuit.

At any rate, we never paid a Federal supplement. We recognized this issue many years ago and we have legislated on that three different times so I don't think we are apt to change lightly.

Now, let me, in conclusion, suggest how you might go at curing at least some of the worst ills of the Trade Readjustment Allowance feature of the pending bill and I am only going to talk to two alternatives. I realize there are others.

The first alternative is to use State weekly rates for all the weekly payments involved whether they be unemployment compensation payments or training allowance payments. Use the State weekly rates throughout.

That would be in line with the policy of the Congress in its enactments of the last 8 years—to recognize the State laws rather than to undermine or override them.

A second alternative: If this is really so different from unemployment compensation, as some of its proponents allege; if this is directly caused by Federal action; then, it seems to me, the only appropriate answer would be 100-percent Federal financing of all the payments to be made under this part of the bill—100-percent Federal financing of every weekly payment. This would take out of the picture the Federal supplementation, with its federalization angle because of its impact on State unemployment compensation laws. It would take out of the picture the discrimination, because here are direct Federal payments. It would take the conflict out, the inability of some States, at least, including my own, to sign an agreement and to administer any part of the program.

In brief then, to summarize that final alternative, use 100-percent Federal financing for this uniquely Federal responsibility and for all of this uniquely Federal program.

Thank you very much and I appreciate the chance to answer any questions I might have raised.

(The prepared statement referred to follows:)

STATEMENT OF PAUL A. RAUSHENBUSH, DIRECTOR, UNEMPLOYMENT COMPENSATION DEPARTMENT, INDUSTRIAL COMMISSION OF WISCONSIN, AS TO TRADE READJUSTMENT ALLOWANCES UNDER H.R. 11970

My name is Paul A. Raushenbush, of Madison, Wis. I am director of the Unemployment Compensation Department of the Industrial Commission of Wisconsin, which is the State agency responsible for interpreting and administering Wisconsin's unemployment compensation law.

My testimony is concerned with the weekly rates proposed for "trade readjustment allowances" to those workers "adversely affected" by the pending bill.

Those proposed weekly payment rates are very different, and much higher, than the weekly rates of unemployment compensation paid under State laws.

It is here proposed that the existing State jobless benefit levels, under State laws, be circumvented and overridden by the device of paying an extra Federal supplement, each week, on top of the State benefit the worker would otherwise draw. And every State would, by the pending bill, be required to violate its own weekly benefit levels by paying the required extra Federal supplement, on top of its own State-financed benefit.

That Federal "supplement" device and requirement:

(*a*) Would have a serious "federalizing" impact on State unemployment compensation systems; and

(*b*) Would mean that Wisconsin could not, under its present State law, agree to operate the proposed trade readjustment allowance program in Wisconsin.

Before developing those two points, let's be clear as to how different the proposed weekly levels are, as compared to the weekly levels of State jobless benefits, and as compared to congressional actions of the past 8 years.

First, as in unemployment compensation, each worker's weekly allowance is to be based on his own average weekly wage. That's good. But his wage, for trade allowance purposes, is to be figured by a Federal formula, instead of using the formula normally used by his own State unemployment compensation law. So that's one "different" Federal standard, already. True, it wouldn't bother most States. But there's more, and worse, to come.

Second, most States aim to pay a basic weekly jobless benefit equaling about 50 percent of the worker's own weekly wage. The proposed new overriding Federal requirement, for workers "adversely affected"—but no more unemployed than others—is 65 percent of the workers' past wages, instead of 50 percent. This 65 percent is 130 percent of 50 percent. So that's quite a bonus, compared to normal State jobless benefit payments. It would add a Federal bonus or supplement averaging about 30 percent, roughly $10 or so, on the average, to practically every basic weekly benefit check paid to the federally favored workers under a State law.

For every "adversely affected" worker who'd get that extra-special Federal bonus there'd be over 100 workers, equally unemployed in the same week, who would get only the normal State benefit amount. How justify the difference to them? Especially if they're ex-servicemen, or Federal civilian workers, laid off by a more direct and conclusive Federal action than will apply to most "trade act" layoffs?

You can picture the resulting anomalies and complaints, because of real inequity. After all, to the 100 other unemployed workers there wouldn't seem to be any superior virtue in a "federally caused" layoff. So a substantial impact on State Unemployment compensation laws would be practically assured by the 30 percent extra Federal unemployment bonus, proposed by the pending bill.

Third, the bill proposes to apply a new uniform nationwide weekly maximum to all States, thereby overriding the varying weekly maximums which have been duly debated and legislated by the several States. Truly, that's a major change, and a long step toward federalizing the State laws. It would largely ignore varying State wage levels and legislative policies, by using as a national "standard" a weekly maximum equaling 65 percent of manufacturing wages, nationwide, not State by State. That 65 percent would yield a top payment of $61 a week, currently.

How would that new weekly top work out in Wisconsin, if it could operate there? Our State's weekly maximum benefit is generally considered fairly liberal. It's now $51 a week, based on the average wage levels of our State. Take five higher paid trade-affected workers, whose State benefits—based on their own wages—would be $47, $48, $49, $50, and $51. They'd get Federal supplements of $14, $13, $12, $11 and $10—to bring them all up to the proposed uniform national top of $61.

In some other State, with a $40 maximum, a high-wage worker might get a Federal supplement of $21 per week, for a year or more.

Should we be enthusiastic about such a proposed result, overriding the decisions made by our State legislatures? Similar examples, and questions, would doubtless arise in nearly every State, if the overriding "65 percent–65 percent" level here proposed becomes a Federal requrement (65 percent of the individual's wages, up to a maximum of 65 percent of U.S. factory wages).

The higher weekly maximum level here proposed would be a sharp and radical break from the recognition given by the Congress to State unemployment compensation levels throughout the past 8 years. Let me demonstrate the past congressional policy and recognition, by citing a series of relevant Federal enactments in this general field of unemployment compensation or allowances or training payments.

In 1954, Congress provided unemployment compensation for Federal (civilian) employees. It specified that each State's weekly benefit rates and maximums, and durations, should apply, under that Federal law. Similarly, in 1958 Congress provided unemployment compensation for ex-servicemen, again pursuant to the benefit provisions of each State's unemployment compensation law. Also in 1958, Congress offered a Federal loan to each State which chose to pay added weeks of jobless benefits—at State rates—under the Temporary Unemployment Compensation Act of 1958. Then, during the recession of 1961, Congress enacted a nationwide system of federally financed extended benefits, to be

paid at the same weekly rate which applied to the jobless worker's normal benefits under his State law.

As to training weeks and payments, the Area Redevelopment Act of 1961 uses the average benefit check paid in the given State. (That's a long way from topping the State's maximum weekly figure.) The Manpower Development and Training Act of 1962 took a similar approach, but may pay a higher amount for some training weeks; namely, the normal State weekly benefit the worker would otherwise have received, but for his training. Again, that's within the State's weekly maximum. Only the proposed trade readjustment allowances would, for a training week, top a State's basic weekly maximum.

Further, when the Congress recently—a few months ago—amended the District of Columbia unemployment compensation law, it did not closely approach the "65 percent–65 percent" here proposed for trade readjustment allowances.

It may also be worth noting that the proposed weekly rates and levels of the pending "trade" bill substantially top the proposed requirements of the major pending "federalization"—or "Federal standards"—bill; namely, H.R. 7460, usually known as the King bill. That fact may be a bit startling, and ironical, but it's true.

The King bill would require each State to pay to each covered worker, when unemployed, a weekly benefit equaling 50 percent—not 65 percent—of his own weekly wage. It would also require each State to raise its top limit, or weekly maximum, to a stated percentage of the State's own average weekly wage, of workers covered by the State's own law. That would be very different, especially in some States, from imposing a uniform national dollar figure of $61 on every State, regardless of its own wage levels.

That background should clarify the nature of the pending proposals, and their radical departure from existing State laws and recent Federal enactments in this field.

It should be obvious that the proposed Federal "supplementation" of State weekly benefit amounts would have a serious "federalizing" impact on State unemployment compensation systems.

That result may not be intended at all; but it would surely occur, nevertheless. Indeed, the federalization impact would be way out of proportion to the number of "adversely affected" workers receiving the proposed weekly supplements.

In recent years the State unemployed compensation laws have paid benefits to more than 5 million beneficiaries each year, and to more than 7 million beneficiaries in some years. In circus terms, that's a pretty large elephant. Compared to that volume, the number of workers estimated by the Labor Department to be "adversely affected" by the trade act is only about 18,000 individuals per year. That's a fairly small tail to be wagging such a large elephant.

But you can be sure that the "advantages" of Federal supplementation would be well advertised, to all workers. Once a level of 65 percent of wages, up to a maximum of 65 percent of nationwide manufacturing wages, is set by the Congress, even for a few workers, that new Federal "standard" will be used as an argument for future Federal requirements to apply to all claimants under all State laws. The cost could be high, but the precedent is likely to be very persuasive.

Federal supplementation is really even worse, in one way, than a direct Federal requirement that all States raise their benefit levels. Forced Federal supplementation not only overrides State benefit policies. It uses State-financed benefits to achieve most of its 65 percent–65 percent target level.

In any event, those now responsible for deciding on the pending trade readjustment allowance features of H.R. 11970 should recognize that they would surely have a major impact on all the State unemployment compensation laws, regardless of any good intentions to the contrary.

The clear intent of H.R. 11970 is that its proposed trade readjustment allowances be paid to jobless workers through the State agency which administers the State's own unemployment compensation law. In fact, that's the only practical way to get the job done properly, in view of the program's close tie-in with the several State laws.

So the Congress should be concerned if a few States cannot, under their present laws, sign the intended agreements—required by the pending bill—to operate the proposed trade readjustment allowance program. Wisconsin is one of those States. Why?

Section 331(c) of H.R. 11970 requires that each State agreement "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."

Wisconsin cannot sign such an agreement. Our statute expressly forbids, on principle, any such double payment (under 2 laws) for the same week. Most State laws include some general prohibition along those lines. But many States seem to have been persuaded that they can, nevertheless, pay their normal State benefit and also the proposed Federal supplement, because the supplement isn't called "unemployment compensation." Perhaps the substance should be more controlling than the name. In any event, that isn't Wisconsin's case.

Some years ago Wisconsin realized that paying a weekly Federal supplement, under a Federal law, on top of the State's own weekly benefit, would override State policies and mean substantial federalization. So Wisconsin enacted the following statutory provision:

"108.04(12)(b). Similarly, any individual who receives, through the commission, any other type of unemployment benefit or allowance for a given week shall be ineligible for benefits paid or payable for that same week under this chapter."

That provision is plain enough, and sweeping enough, so that our industrial commission could not lawfully ignore it, even if urged or advised to do so. And any possible State amendment of that language is iffy and rather remote. Wisconsin has never paid a Federal supplement, at any time, and cannot, under present law, sign the agreement required under section 331(c) of the pending measure, and therefore cannot operate any part of the proposed Federal program in Wisconsin. That's right: no part.

How might H.R. 11970 be amended, to remove the present conflict with Wisconsin's law and several others, and to minimize the program's (apparently unintended) "federalization" impact on the State unemployment compensation systems? Several alternatives are available for those purposes.

(1) Use the State weekly rates. Let each State pay an adversely affected worker's State-financed jobless benefits at his weekly State rate, and pay all his federally financed weeks of Federal allowances at that same State weekly rate. That would eliminate the federalization issue, and any conflict under a few State laws, and discrimination against other jobless workers. It would be simpler, and in line with the congressional actions of the past 8 years.

(2) Complete Federal financing. If Congress should find it essential, for any reason, to stick with the "65 percent–65 percent" deal, then all the 52 (65, or 78) weekly benefits or allowances to be paid under this pending Federal law and Federal program should be 100 percent federally financed, with no State-financed benefits in the picture. That would remove the "supplementation" and conflict angles. It would cost more Federal money, but it would carry out the idea of the Ways and Means Commitee (Rept. No. 1818) that : "The terms of worker assistance are not meant to be precedents for the unemployment insurance program."

It is being argued that the proposed payments are not really unemployment compensation at all. If that is true, then 100 percent Federal financing of these unique and different payments, related to Federal action on trade expansion, would be appropriate.

If the Federal responsibility under H.R. 11970 is so great and so unique that it requires the proposed 65 percent–65 percent level of allowances, then let the Federal Government finance that responsibility and those allowances in full, instead of requiring partial State financing, and thereby inflicting irreparable damage on the State unemployment compensation systems.

In brief, use 100-percent Federal financing for this uniquely Federal responsibility and for all of this uniquely Federal program.

Your decision on these matters will affect the future course of unemployment compensation in this country, in all States, for years to come.

The CHAIRMAN. Any questions?

Senator CARLSON. Mr. Raushenbush, I have one. Assuming this committee should determine that this program be financed by Federal funds should be the State agency administer it or federally administered?

Mr. RAUSHENBUSH. The State agency is the only agency equipped to administer it. I know from past years how well you know this

program so you realize that we are the only agency that could do it effectively.

You would have a tremendous waste and duplication if you didn't give it to the State agencies. Therefore, it is important to make it possible for all the State agencies to operate this without being involved in lawsuits and litigation and the like.

I think anyone who knows the business would tell you that surely, for efficiency and economy, the State agencies must administer both the unemployment compensation payments and the training allowance payments.

Senator CARLSON. Thank you very much.

The CHAIRMAN. Senator Curtis?

Senator CURTIS. Mr. Raushenbush, your testimony treats the proposed trade adjustment allowance as unemployment compensation. You realize there is some dispute as to whether or not this is unemployment compensation.

The Secretary of Labor took the position before the House Committee on Ways and Means that the trade readjustment allowance program is not to be considered as unemployment compensation.

Presumably he will take the same position when he appears later before this committee.

The report of the Ways and Means Committee also attempts to distinguish the proposed allowance program from unemployment compensation payment. I understand in point of service you are the oldest unemployment compensation administrator in the country, that you assisted in framing the first unemployment compensation law which was in the State of Wisconsin.

I also understand that you have been director since its inception in 1934. I know, too, from my own personal knowledge that you are widely known and highly regarded for your knowledge and expertness. Therefore, I would particularly like your comments and your position as to the validity of the distinction between trade adjustment allowance programs and the unemployment compensation that the advocates of the present measure are seeking to draw.

Mr. RAUSHENBUSH. Well, Senator, I think it is pretty clear in my mind, based on some 30 years, more than that now, in this program, that this is an unemployment compensation program. I would concede that perhaps the training allowances are a little bit different, but the bulk of the payments to be made under the trade readjustment allowance program, will, I believe, be paid as unemployment compensation.

Why do I think that? Well, this is an earned right based on past work and wages. The rates are partly measured by the past wages, the individual's average wage. He takes a percentage of that just as unemployment compensation does. The payment is a cash payment for a week of unemployment.

The individual is required to meet various qualifying—or avoid various disqualifying—conditions of the State law. The program is to be administered in close connection with the unemployment compensation program of the State law.

In fact, this proposal says the State is to pay some of the benefits and then we put a Federal supplement on top of that.

How can you distinguish that for the same week?

I don't think the distinction can validly be made. I am aware of the fact that the Ways and Means reported one sentence which said, "This is not unemployment insurance," and another which said, "We do not intend by this program in any way to settle the long run future of federalization or the like, of unemployment insurance."

I think the intentions may have been good, but the practical effect would be very different. I think it might be very disastrous. I am also aware of the fact that the able and distinguished chairman of the Ways and Means Committee on the floor of the House said very plainly that this wasn't unemployment compensation.

And this impresses me, but I have been in this program a long time, and I can't see it any other way than as an unemployment compensation program.

I might point out that I have rather high authority on my side. By looking at the Congressional Record, June 28, at page 11221, there is reproduced in full a television program, "CBS Reports Breaking the Trade Barrier," and President Kennedy spoke as follows:

"We provide retraining. We provide unemployment compensation if anyone is adversely affected."

I think the President knew what he was talking about.

Senator CURTIS. It is unemployment compensation, isn't it?

Mr. RAUSHENBUSH. Well, I so regard it. I don't see how it can be reasonably distinguished.

Senator CURTIS. The ordinary dictionary definition of compensation would include a payment of this kind?

Mr. RAUSHENBUSH. That is right.

Senator CURTIS. And they have to be unemployed to get it?

Mr. RAUSHENBUSH. Correct. It has all the earmarks, sir.

Senator CURTIS. Now, Mr. Raushenbush, I am interested in your suggestions as to changes that might be made in financing the proposed trade readjustment allowance program that would accomplish, as I understood it, the result of removing the legal obstacles of States entering into agreements and also remove what I understand you to consider the real and present danger on State unemployment compensation programs of higher levels of trade readjustment payments.

Mr. RAUSHENBUSH. Well, Senator, I suggested at the end of my testimony the possibility that instead of trying to make the States finance a part of each unemployment compensation payment in this program, and then have a Federal supplement on top of that, this is really what does the federalization job and causes the conflict and the inability of some States to administer the program.

If, instead of that, the Congress carried out the logic of some of the arguments that have been made for this trade readjustment allowance program; namely, that this is a complete Federal responsibility, entirely different from any other kind of unemployment we have anywhere in the country, this is a brand new and different and more Federal and a greater Federal responsibility, a clearer Federal responsibility, all those arguments would support 100-percent Federal financing of the payments involved instead of trying to get the States to pay part of it, and the Federal Government to supplement it.

So, I suggested that in order to practically minimize the federalization angle, to remove the conflict angle, that it be put on a straight Federal 100-percent financing basis for all the payments under this section of the bill.

I think this would make a major difference. It would, in my judgment, not affect then the long-run future of unemployment compensation, which ought to be decided on its own merits, not as an incidental to a great big bill.

Senator CURTIS Mr. Raushenbush, you say that Wisconsin cannot sign the proposed administrative agreement to operate the trade readjustment allowances in Wisconsin. You say there is a legal conflict. What is the history of your provisions and have you had an attorney general's opinion on this matter?

Mr. RAUSHENBUSH. As to the history. We enacted our first provision in connection with the veterans' readjustment allowances for World War II back in 1945. That handled only that one program but we realized this problem was going to be looming up. So, on the joint recommendation of our Labor-Management Advisory Committee of which I serve as a presiding chairman without vote, on joint recommendation by labor and management, we put into our law a provision in 1947 which said that— and I am paraphrasing it as it is in my prepared testimony, but it is the key provision—we said that we are not going to pay under two different laws any type of unemployment benefit or allowance. We have very broad sweeping language.

Then, some years later, in 1955, that is a 10-year span of history, in 1955, our Joint Labor-Management Advisory Committee recommended to our legislature, and our legislature passed, a further provision which says if a Federal agency attempts directly to pay unemployment compensation to one of our people for the same week for which we are paying him, we will take our money back. We don't propose to permit double payment. We don't think it is sound in policy, and it isn't good intergovernmental relations, either.

Now, as to your other question, have we had an attorney general's opinion. No, sir, we have not; not a formal opinion. I am aware, however, of the fact that under pressure or request, shall we say, from the U.S. Labor Department our attorney general did send a wire to Chairman Mills of the Ways and Means Committee back in late June, which said:

> Well, in effect, we have got a problem here and on a curbstone basis there may not be a conflict if this really isn't unemployment compensation, but we can't be sure at this point.

Well, this was no formal attorney general's opinion. Even if it had been it would not be binding on the industrial commission of Wisconsin.

Senator CURTIS. It wouldn't be binding on anyone who has a right to sue either, would it?

Mr. RAUSHENBUSH. The attorney general's opinion in our State would be purely advisory. The people responsible are our three commissioners of the industrial commission, and I have been over this with them time and again. They have a letter in the record of the Ways and Means Committee hearings saying we could not sign an agreement.

Senator CURTIS. Who can bring a suit with respect to any part of the operation of your State unemployment compensation?

Mr. RAUSHENBUSH. Well, Senator Curtis, I am not a lawyer and I hesitate to speak on this point. We have a lot of lawyers in our

shop, some of them have been with us for 25 years but I am not sure how anyone would go about getting into court on this.

If we were to start ignoring plain explicit provisions in our statute, I think somebody ought to be able to enjoin us and probably would try.

Senator CURTIS. But the point is, under your existing State system can anybody get into court?

Mr. RAUSHENBUSH. Well, they can get into court at various stages, yes. But I am not an expert on that.

Senator CURTIS. And they are not bound by the attorney general's opinion?

Mr. RAUSHENBUSH. Oh, no. We aren't bound by it.

Senator CURTIS. No.

Is there any language in this proposed Federal law that would prevent a State from lowering their benefits paid in the case of import-caused unemployment?

Mr. RAUSHENBUSH. Well, there is language that might be so interpreted by some of our Federal friends. There is a clause in the section 331(c) which is the clause that says to sign an agreement, you must agree that you will not deny or reduce your State benefits by reason of these trade readjustment allowances.

That is the hooker; that is why we can't sign an agreement, because we can't sign that clause. We can't pay benefits under both laws for the same week. That might be interpreted to prohibit the point that you were thinking about, of an actual reduction in the legislative level.

But I do not believe that any State legislature will start out to reduce for 99 of its people because of the 1 person who would be paid under this act.

Senator CURTIS. That is all, Mr. Chairman.

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

Mr. RAUSHENBUSH. I appreciate your patience and courtesy. Thank you very much.

The CHAIRMAN. The next witness will be presented by the Senator from Georgia.

Senator TALMADGE. Mr. Chairman, it is my pleasure to welcome to the committee the distinguished director of the Unemployment Security Agency of the Georgia Department of Labor.

He has held such a position since 1944. He happens to be a longtime personal friend of mine and one of Georgia's most valuable public servants, Mr. Williamson.

STATEMENT OF MARION WILLIAMSON, DIRECTOR, EMPLOYMENT SECURITY AGENCY, GEORGIA DEPARTMENT OF LABOR

Mr. WILLIAMSON. Thank you, Mr. Chairman, and thank you Senator Talmadge.

For the record, I would like to say that I have been the director of the State employment security agency since 1944 and it has been my job to interpret and administer the law down there. I am a past president of the Interstate Conference of Employment Security Agencies but I appear today as a representative of the State agency.

I would like to submit my whole statement for the record with a couple of other things in there.

The CHAIRMAN. Without objection.

Mr. WILLIAMSON. I would like to briefly hit a few points for the record, but I would like my whole statement to appear in the record, Mr. Chairman.

It is because of the deep and abiding interest in the preservation and development of an effective, constantly improving, and soundly financed unemployment compensation system, based on insurance principles and geared to local conditions, that I am here to offer suggestions which, I believe, would improve that portion of the act having to do with assistance to unemployed workers. I am also concerned with provisions of the bill that would result in rank discrimination against Georgia workers.

My testimony will not deal with the merits of trade expansion. I address myself to that portion of the bill which would establish a new, elaborate, and costly unemployment compensation system to provide high benefits for an extended period for selected groups of workers adversely affected by this bill.

I have been totally unable to find a justifiable reason for the creation of this new and complicated system at a time when employment, taxes, wages and savings are highest in the history of the Nation and unemployment rates are dropping.

In the past we have seen several organized efforts to stampede Congress into legislating greater unemployment benefits.

Back in 1948 when testifying before the Committee on Ways and Means and before this committee, when the suggestion was made that benefits for the ex-servicemen be paid under State law and like all other Federal employees I called attention to previous occasions on which various proposals would have seriously impaired the Federal-State system of unemployment compensation which had been considered and rejected.

In 1942 the war displacement bill would have added a Federal supplement of 20 percent.

In 1944, Senate bill 2051, an amendment to the war mobilization and reconversion bill would have supplemented State benefits up to 75 percent of wages.

In 1945 Senate bill 1274 proposed that we had to have Federal supplements to get the folks back from the war, in war industries.

In 1952, Senate bill 2504 proposed Federal funds supplement State benefits up to 65 percent of the gross wages.

You will recall that the proponents of each of these bills claimed that unemployment compensation system in the States were inadequate, and they couldn't cope with the dire unemployment that they predicted. The bill now under consideration is just an echo of these other bills.

We remember time after time when the calamity howlers pressured the Congress in so-called emergencies to legislate to meet prognosticated unemployment which was alleged would occur.

Cool heads and sound reason prevailed, and the proposals were rejected. The State-Federal system met the needs.

In 1945 when a Federal supplement bill just about like this was before this committee your able predecessor, Senator George, sent a telegram to each of the States asking if they could pay supplements, and without deduction or would it bar them at all under State law.

Mr. Chairman, the record will show that the Social Security Bureau technician, an expert on the subject, and the record will bear me out, that 47 out of 51 jurisdictions said that they were prohibited from paying workers claiming benefits drawing from two sources.

Your record will show some of them said it would be deducted and others said it could not be done at all. Only the States of Tennessee, Washington, and Wisconsin, I believe were the ones that said that they could pay and there was some argument about Texas, but Texas administrator appeared and he said he couldn't pay, either. So that made four, and I say 47 out of 51 jurisdictions as the record clearly shows.

I have analyzed the laws, the present law, the laws in existence today; 42 States, the District of Columbia, and Puerto Rico have laws prohibiting the signing of a contract as this bill is written now.

Of the ones that possibly could, Hawaii, Louisiana, Minnesota, New Mexico, and Washington, and maybe Idaho, but I am informed subsequently that the director says they can't do it, and Kentucky and Wyoming might.

If benefits proposed by this bill, Mr. Chairman, are not unemployment compensation as the House report contends, then the use of State trust funds to pay any part of these benefits would violate every State law, and the Federal law, too.

The CHAIRMAN. Did the Chair understand you to say that 44 States have laws that would prevent them from accepting this assistance?

Mr. WILLIAMSON. That is my interpretation of them. The words are clear and I don't think that any other interpretation is logical. For the convenience of the committee, Mr. Chairman, I attach the extracts of all of those laws to this statement here, and would like for them to be made a part of the record because they are explicit. We have had a learned judge down there in Georgia who says when a statute is unambiguous it needs no interpretation.

The CHAIRMAN. When is the next session of the General Assembly in Georgia?

Mr. WILLIAMSON. It will be next January.

The CHAIRMAN. Virginia doesn't meet again until January a year.

Mr. WILLIAMSON. We are able to have our legislature come in once a year, sometimes we wish they would meet every 4 years. [Laughter.]

The CHAIRMAN. You think the longer the time between sessions is frequently the better? [Laughter.]

Mr. WILLIAMSON. Mr. Chairman, in the 12 months ending June 1 Georgia placed 146,000 workers on nonfarm jobs, and the State agencies placed 6 million, over 6,450,000 on nonfarm jobs, and many more on farm jobs.

Still we have some unemployment. Yes, Mr. Chairman, still there is unemployment, but there are many unemployed in the army of the unemployed who are volunteers. Some of these volunteers prefer drawing unemployment compensation to the acceptance of less glamorous work for which they are qualified such as service jobs, agricultural work, domestic jobs for which they are qualified.

Since they have been working on assembly line jobs and screwing on nut No. 792, many of these volunteers are our senior citizens whose social security checks would be reduced if they continue to hold onto their jobs.

Others belong to the welfare-supported families and do not want earnings to interfere with the flow of welfare checks. Some are husband and wife teams that alternate working and drawing unemployment compensation.

Many separation reports are filed by employers in my State for workers who tell, and say the workers tell them they are quitting to draw unemployment compensation.

Over 3,000 separation notices are filed each week in Georgia for workers who quit their jobs or who are discharged for misconduct.

It is because of the presence of these volunteers in the army of the unemployed, as those that I have mentioned above, some examples, that causes such criticism of the program. Voiced in Harper's article, "How to Play the Unemployment Insurance Game," in the Look article, "Welfare" and in the Reader's Digest article, "The Scandal of Unemployment Compensation," and the other article in Reader's Digest recently, "Chiselers Endanger Our Unemployment Insurance Program."

I humbly admit we are doing a good job. But we submit we ought to put the screws on those who don't want to work.

The fact that Georgia alone had 2,000 determinations of fraud cases last year, and annually for the last several years we have had 300 prosecuted and convicted in the courts shows that the many workers are willing to risk punishment for the sake of obtaining benefits to which they are not entitled.

This proposed bill would pay much higher benefits for not working, and you can imagine what temptation it would add, Mr. Chairman.

The Senate Finance Committee, in its report on the appropriation bill for fiscal year 1963, said:

The committee is concerned with the mounting cost of the employment security program, and in the interest of economy and efficiency it is essential that administration of unemployment compensation and the employment service be directed and coordinated, geared to local conditions at local levels.

Separation of these services would greatly increase the administrative costs and should under no conditions be thrust upon State officials.

Separation would result in less exposure of claimants to job openings, and through less effective application of the work test cause payments of benefits to claimants neither seeking work nor willing to work.

That is the current Labor-HEW appropriation report of the Committee on Appropriations of the Senate.

The enactment of the bill under consideration in its present form would further increase the mounting costs of the employment security program, concentrate more control in Washington, gear the program to bureaucratic determination for causes of unemployment relevant to local conditions.

In this connection, I would like to quote Senator Vandenburg when we were considering one of these cases. He said:

When we are asked to start this process of scrapping the standards of successfully time-tried State unemployment insurance substituting Washington as the centralized core of the new system and imposing Federal judgment upon the judgment of the State, I cannot escape the conclusion that we move diametrically away from prudence and wisdom and experience and simplicity, and we create more problems than we solve.

Senator TALMADGE. Mr. Williamson, may I ask you a question?

Mr. WILLIAMSON. Yes, sir.

Senator TALMADGE. How would the proposed payments in this bill compare with the payments to other unemployed Georgians who earn equal amounts in covered employment?

Mr. WILLIAMSON. Senator, we in Georgia could not participate as our Georgia law reads, but if we could, our maximum amount for workers, who are thrown regularly out of work like these folks would be, they would get $35 for 26 weeks and that applies to not only the regular workers in business and industries in, and factories in Georgia, $35 for 26 weeks applies to the Federal employees who are laid off in Georgia, and it applies to our dismissed veterans who are fighting the cold or hot war, whatever you call it, they apply the Georgia law to them.

So we cannot enter into the agreement. I emphatically say that, we cannot enter into the agreement, but if we could that would be the effect, and there would be $26 added to the Georgia amount if we could enter into it, but we are not going to enter into it if it is worked like this, and we did not enter into the TEC in 1958 and only 17 other States did, Senator, and some of them dropped out before it ended.

Senator TALMADGE. Seventeen out of how many States on that?

Mr. WILLIAMSON. Let's see, we have 50 States now, and the District of Columbia and Puerto Rico, so that is 52.

Senator TALMADGE. Let me ask you a question now, in your annex here on State laws on unemployment compensation, and I quote:

SEC. 5. Disqualification for benefits. An individual shall be disqualified for benefits if for any week with respect to which has received or is seeking unemployment compensation under an unemployment compensation law of another State or of the United States.

Do I understand you to state by virtue of that, in the event this bill is passed in its present form, that Georgia could not enter into a contract or participate in the program of the proposed law?

Mr. WILLIAMSON. If it is supplemental, no, we cannot, we cannot enter into it. However, we can enter into it, Senator, if it is paid with Federal funds. I do not know that we would enter into it if the difference in the weekly benefit amount ranged up to $61 take-home money though, because it would throw the people in Georgia into a kilter and we would be paying more for not working than working, and I think that would break the back of any unemployment compensation program.

There is another thing, Senator; we can't enter into this because our law forbids me to pay out anything out of the trust fund created by State law that is not unemployment compensation.

And whether this is unemployment compensation is a matter of opinion, but I think it is, and I think most people feel so. I have a couple of Supreme Court decisions that I attached to my statement here for the record, one in New Hampshire and one in Connecticut, which had to do with veterans benefits, which it can be distinguished very well.

The New Hampshire decision allowed them to combine them there. But in Connecticut, there was some system to the veteran to readjust him to civilian life and the Supreme Court of Connecticut said they couldn't pay benefits from two sources. That Connecticut case was certiorari to the Supreme Court of the United States and they dis-

missed it and let the decision stand; so those are two cases on this particular point that have been to court.

You may find that the Secretary of Labor, when he testifies, may say that Georgia can. The Secretary of Commerce called the Governor a few days ago, a month or so ago, and the Governor's office called me and asked me about it and they said the Secretary was putting the screws down so I told them my position and they said, "Well, we know you will do the right thing about it so it doesn't concern us," so I went out to Des Moines to receive the International Achievement Award from these agencies, and while I was out there one of the Secretaries called Atlanta to see if I was going to be in or out of town. Well, I was just going to happen to be out of town, so they sent two assistants down, one from the Commerce Department and one from the Labor Department, and they visited around capitol hill, worked around there and went to my office and they said I would have to make the decisions.

Then my attorney general, who is the same attorney general that back in 1942 or 1945, had answered Senator Walter George's telegram—he is still the attorney general—and his opinion is still there and they sit around the office so "doggone" long, he read a little thing which had been gotten up by the Labor Department saying, "Well, you paid the veterans, and this law was changed, so you wouldn't have to pay double railroad retirement unemployment compensation benefits" and that was the reason the prohibition was placed in Georgia law—they contended.

Well, Mr. Chairman, there was a similar law put in ours originally and I would like to put it in the record so when the Secretary comes up with something, this here stuff, I understand he has asked to testify last.

The CHAIRMAN. Without objection.

Mr. WILLIAMSON. I want the record to show that the original Georgia law had some provision in there against double payment and then they made it stronger at the 1937–38 session, and I want to put in there what the Federal Government draft bill, the one they sent down to all these States and said, "Swallow it," in 1936, and the railroad retirement benefits weren't even begun until July 1, 1939.

I would like to have our attorney general's opinion in there that was sent up here in 1945, too, in order to show the record. We still have the same attorney general.

The CHAIRMAN. Without objection.

Mr. WILLIAMSON. They didn't just pressure Georgia, Mr. Chairman, they got on the telephone and called them all. They didn't call me, though, but they called them all and they are going to come in here with something saying, "We polled the States, we polled the States and ain't but six of them say they can't do it."

They are not going to say a damn—excuse me—they are not going to say a word, about the ones that didn't answer at all nor about those who did not answer that question at all. There were seven of those.

Senator TALMADGE. Mr. Williamson, may I ask you another question?

Mr. WILLIAMSON. Yes, sir.

Senator TALMADGE. Has there been any time since the existence of Georgia's unemployment compensation law that Federal supplements have been paid in excess of State standards?

What I am referring to is whether or not there have been occasions when veterans have been paid greater payments?

Mr. WILLIAMSON. Yes, sir, I will deal with that, but let me finish just one point.

I say they are going to come in here and say there wasn't but six States that couldn't do it. They are not going to say anything about the number of States that did not answer.

There is some reason they didn't answer and there are seven of those. They are not going to say anything about the four that they said they might, but there is a great doubt. In addition, many States did not answer at any of the questions at all.

Senator DOUGLAS. How do you know they are not going to say that. They haven't testified yet.

Mr. WILLIAMSON. How do I know it? I wasn't born yesterday.

Senator DOUGLAS. I see. [Laughter.]

Mr. WILLIAMSON. So there are 22 such States, the Secretary of Labor is going to claim that 30 said they could pay.

Well, Senator, I want to get back to your question. They think that they are going to let those 30 wink at it. I was president of the Interstate Conference when the Korean conflict came along. I was, I believe at the Legion Convention in New York, and Bob Goodwin and a squad of his higher muckety-mucks over there met me in the lobby of the Pennsylvania Hotel and were almost gray-headed with worry. They raised this point. They raised this point we can't pay Federal-State benefits.

I had been in the National Guard nearly 20 years, I had been director of the Selective Service that sent the boys overseas, I joined them overseas and came back and paid them readjustment allowances, and I realized that the veterans had been given preference and had earned the preference ever since the Revolutionary War, and I said, "Bob, we will work it out," and we went back, we came back, to Washington and I met him here.

Old Bob said, "Marion, you can load your telegram, I can't." So we sat down there and finally I just decided to send a telegram to all the States that I had advised the Secretary of Labor that we would cooperate in this bill, and we would pay these veterans that had earned the preference, and urged him to appoint, to let me appoint a committee to work with him, to work out regulations for the administration of that program.

I did appoint a committee and did work with him and we did administer that one.

Senator TALMADGE. Was that 100 percent Federal money?

Mr. WILLIAMSON. No, sir, it was not. Our benefits were, I think $22 at the time or there was a little bit there, and I have learned a lot since then but I still think I was justified in treating the veterans a little differently.

Senator TALMADGE. Did all of those funds come from the unemployment compensation trust fund or did the Federal Government repay over and above the State's share?

Mr. WILLIAMSON. Yes, sir, they did.

Senator TALMADGE. A hundred percent over and above what the Georgia standards were?

Mr. WILLIAMSON. Yes, sir, they did.

Senator TALMADGE. So everything in excess of Georgia law, then was repaid by the Federal Government, and the State acted as agent for the Federal Government in the distribution thereof, is that correct?

Mr. WILLIAMSON. That is correct.

But the eligibility qualifications provisions of the Georgia law otherwise prevailed, and they were veterans. The Supreme Court of Connecticut had a case there that denied even them double benefits that were like these.

Senator TALMADGE. Was the same procedure followed with the veterans of the Korean conflict as in World War II? I think the rates were different. I believe it was $26 for 26 weeks?

Mr. WILLIAMSON. 26–26, yes, sir. That was the Korean I was talking about, a while ago, that was the Korean.

Senator TALMADGE. I believe prior to that it was $20 a week for 52 weeks?

Mr. WILLIAMSON. 52–20.

Senator TALMADGE. Yes, I seem to remember it, called the 52–20 clubs. The Korean war was 26 weeks at $26.

Mr. WILLIAMSON. Yes, sir.

Senator TALMADGE. Have those been the only two times that the Georgia standards have not been followed in unemployment compensation of any kind?

What about the Federal employees who are laid off for one reason or another, what standards are followed there?

Mr. WILLIAMSON. The Congress applied the law in the community where the man lived.

Senator TALMADGE. In other words, the State standards were followed?

Mr. WILLIAMSON. State standards were followed and State standards are now followed for these men who are coming home from either the hot or the cold war, whatever it may be, they are paid just like other Federal employees.

Senator TALMADGE. Did I understand you to say that Georgia does not participate in the temporary unemployment insurance extension, I believe it was 13 additional weeks?

Mr. WILLIAMSON. We cannot, and if I can read, 42 States, the District of Columbia and Puerto Rico couldn't legally do it because of a supplemental phrase in it.

Senator TALMADGE. What are the standards that are followed for unemployed seamen?

Mr. WILLIAMSON. We don't have many of those. I doubt if we have a dozen claims, but most of our folks down on the coast, Senator, are covered as dockworkers there, under our State law.

Senator TALMADGE. State standards are followed there?

Mr. WILLIAMSON. Yes, sir.

But if we did have some seamen, there are lots of States that do pay in order to let them qualify somewhere because they move from port to port, and don't have a home station too well. When a man doesn't work long enough in one place to qualify for benefits, we have

entered into arrangements. One reason we keep down Federal plans and coordinate so that this gives the worker the benefit of the doubt, and we have a combination but that is altogether different.

He draws under that law in the State where he is.

Senator TALMADGE. I believe unemployed railroad employees have their own unemployment act?

Mr. WILLIAMSON. Yes, sir.

But we check with them to prevent double payments, and we do find some fraud cases where they are trying to draw both at the same time.

Senator TALMADGE. Why do you say, Mr. Williamson, that the adoption of the schedule with adjustment allowances in this bill would encourage the trend toward federalization of the established system?

Mr. WILLIAMSON. The schedule in this bill?

Senator TALMADGE. Yes, the schedule in this bill. Why do you say it would encourage federalization of the unemployment compensation?

Mr. WILLIAMSON. Well, right now, Senator, in every State we have geared the unemployment compensation and job insurance to wages earned, and as long as you have a respected system it is—it has got to be balanced between wages and compensation.

You cannot pay more for not working than working, and if you come in there and pay some privileged few 65 percent, it will give those howlers who say that you are not paying enough, a little more steam. I am not so sure that some of the States have not paid too much already.

I will give you some examples in a little bit. You have got to keep it geared to wages. I can't pay a man more for not working than when working or he won't hit a lick at a snake.

Does that answer your question, Senator?

Senator TALMADGE. Yes, thank you, sir.

Senator DOUGLAS. Will the Senator yield?

The Senator from Georgia says he has finished his questioning. Would you be willing to answer a question or two from me?

Mr. WILLIAMSON. I will do it now or at the end of my statement.

Senator DOUGLAS. If you would be willing to do it now I would be very grateful.

Mr. WILLIAMSON. All right.

Senator DOUGLAS. I take it you do not object to conferring with officials of the Federal Government in matters of State and Federal relationships.

Mr. WILLIAMSON. Senator, that is a good point. I have tried, and we have an organization set up to deal with them.

The Interstate Conference of Employment Security Agencies, but there has been very little collaboration between the Secretary of Labor who has also been an advocate of collective bargaining but not when dealing with the Employment Security Agency Association. He wants to deal individually with the different States. I am willing, and let me say that I sat here on the executive committee in Washington just last month. I believe it was, and we told him we were discussing this bill, and that we were going to find out what State laws said, and they were too busy to come down and talk to us but we passed

a resolution we were going to vote on that at 3 o'clock and the Under Secretary of Labor came all in a sweat there 1 minute until 3, and said they would not consider any changes in the bill at all.

Senator DOUGLAS. Well, to answer my question, you don't object to meeting individually with the representatives of the Secretary of Labor, do you?

Mr. WILLIAMSON. No, sir; I have met with him lots of times.

Senator DOUGLAS. When there are distressed counties in Georgia because of natural calamities you don't object to meeting with officials of the Federal Government in order to get Federal grants to aid the distressed, do you?

Mr. WILLIAMSON. We turned down a good many grants of the Federal Government.

Senator DOUGLAS. Even when there were severe droughts? The State of Georgia has never asked for or recived money in connection with cyclones or drought?

Mr. WILLIAMSON. Oh, they may have in those instances, and may have gotten some.

Senator DOUGLAS. And they didn't object to meeting with the Federal Government when they were getting money from the Federal Government?

Mr. WILLIAMSON. No, don't mind meeting with anybody in the Federal Government today, tonight, or any other time, Senator.

Senator DOUGLAS. I see. Good.

Now, in the abstract you submitted, you say that the proposed new concept of giving special treatment to selected unemployed workers is unjustified and would be unfair to the vast majority of the unemployed.

As I understand the bill, it provides that any sums in excess of what the worker would receive under State unemployment compensation laws should be borne by the Federal Government, isn't that correct?

Mr. WILLIAMSON. That is my understanding.

Senator DOUGLAS. Yes.

Well now, don't you think that there is a case for the Federal Government making these added payments because of the fact that lowering the tariffs by the Federal Government may create unemployment, and therefore the Federal Government is directly responsible for the unemployment thus created? Whereas in the ordinary course of economic life, unemployment is created by factors which are nongovernmental in character arising out of the private structure of business, and, therefore, the Federal Government is not necessarily liable for the costs which are incurred.

In other words, do not the cicrumstances of unemployment created by lowering the tariffs justify direct Federal grants not justified in other cases.

Mr. WILLIAMSON. I have thought about that a good bit, Senator, and right now we have got a whole lot of soldiers coming home from the war or coming home, and Reserve units, and National Guard, and I believe the Federal Government is throwing them out of work right now.

I believe they are out of work just as much as those folks. I think every time you reduce the budget in some way so you have got to

lay off employees, the Federal Government is just as much responsible for that. And then there is another thing in here.

There is too much subjective tests of who is going to be affected and how. This is all subjective. I think you have got to get something objective, and I can understand your point but I don't think it is good.

Senator DOUGLAS. Thus far your objection is not to the principle of Federal compensation for injuries federally inflicted, but to the technique of administering the compensation.

Mr. WILLIAMSON. Well, of course, in a lot of families, with several drawing unemployment compensation at the same time, one could be drawing $61 and the other one $35 and both of them work just as hard.

Senator DOUGLAS. Yes, but in one case the unemployment may have been created by Federal action and the other case not created by Federal action.

Mr. WILLIAMSON. But in a lot of cases the present unemployment is created by Federal action. Every time they cancel a defense contract at Lockheed that throws some off. I think that is Federal action and I don't think you can differentiate it.

Senator DOUGLAS. That is all.

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

Mr. WILLIAMSON. Wait, Senator, I got interrupted in my statement and I have a few more statements.

I didn't ask for those interruptions.

Senator KERR. You mean you are now in an interrupted condition?

Mr. WILLIAMSON. Yes, sir.

The CHAIRMAN. Mr. Williamson, I think you have covered your point very fully and ably and we have other witnesses this morning and I don't want to interrupt you, but I would suggest if we could, we have Mr. Herter here, the former Secretary of State.

Mr. WILLIAMSON. There is one thing I would like to clear up. I think Paul Raushenbush—I read his talk a while ago, and he seriously opposes this $61 weekly benefit amount and I don't think he meant to intend that if you, the Federal Government, paid it all and kept the weekly benefit amount at $61 that it would be very palatable.

The CHAIRMAN. My experience has been when you make a good case then it is best not to continue. [Laughter.]

Mr. WILLIAMSON. I am on my way. [Laughter.]

(The statement and attachments referred to follow:)

SUMMARY STATEMENT BY MARION WILLIAMSON, DIRECTOR, EMPLOYMENT SECURITY AGENCY, GEORGIA DEPARTMENT OF LABOR, ON THE TRADE EXPANSION ACT OF 1962

The assistance to workers' portion of the Trade Expansion Act in its present form is opposed for the following reasons:

(1) To protect the integrity of State-Federal unemployment compensation system, the law of Georgia and laws of many other States prohibits payments being made to claimants for the same week from different sources. These States could not enter into an agreement requiring Federal payments in violation of this provision, and their workers would be barred from receiving such payments.

(2) The proposed new concept of giving special treatment to selected unemployed workers is unjustified and would be unfair to the vast majority of the unemployed.

(3) The act would establish a preferred class of unemployed workers.

(4) The administration of proposed program would be costly, complicated, and cumbersome.

(5) Acceptance of the provisions of the act would be a long step toward complete federalization of the unemployment compensation system.

My name is Marion Williamson. I am now and have been, since 1944, director of the Employment Security Agency, Georgia Department of Labor. I am a past president of the Interstate Conference of Employment Security Agencies, but I am here today as a representative of the State agency.

It is because of my deep and abiding interest in the preservation and development of an effective, constantly improving, and soundly financed unemployment compensation system, based on insurance principles and geared to local conditions, that I am here to offer suggestions which, I believe, would improve that portion of the act having to do with assistance to unemployed workers. I am also concerned with provisions of the bill that would result in rank discrimination against Georgia workers.

My testimony will not deal with the merits of trade expansion. I address myself to that portion of the bill which would establish a new, elaborate, and costly unemployment compensation system to provide high benefits for an extended period for selected groups of workers adversely affected by this bill.

I have been totally unable to find a justifiable reason for the creation of this new and complicated system at a time when employment is the highest in the history of the Nation and unemployment rates are dropping. In the past we have seen several organized efforts to stampede Congress into legislating greater unemployment benefits.

We all remember time after time when the calamity howlers pressured the Congress to pass emergency legislation to meet prognosticated unemployment, which was alleged would occur. Cool heads and reason prevailed, and the proposals were rejected. The State-Federal system met the needs.

Except for providing higher unemployment benefits than are available under the present system and higher training allowances than are provided under the Manpower Development and Training Act to workers selected for preferential treatment, it would duplicate services currently available to our unemployed workers. This system of preferential treatment for selected groups would be unfair to the vast majority of unemployed workers and grossly unfair to those displaced as a result of the act but not included in the preferred group.

The discriminatory character of this program of assistance is found in the way it will treat people unequally in the same community or geographical area. For example, the factory worker in a community may qualify for special help when imports put him out of work, but what happens to the hotel clerk or the filling station attendant in this one-industry community? This disparity in treatment is a serious condemnation of the proposed program and in addition poses a grave threat to the integrity of our Federal-State unemployment compensation program.

Not only would it be difficult for State agencies to satisfactorily explain the discriminatory system to workers equally affected but unequally compensated, but it would be almost impossible for those charged with that responsibility to determine when a layoff in a plant within an affected industry was due to tariff adjustments, inefficient management, unfavorable location, domestic competition, obsolescence of product, excessive demands of labor, or other reasons.

The proposal that the Federal Government establish a privileged class of unemployed workers is a truly startling one. The inequities in such a program would be so obvious, the demand for equal treatment of the unemployed so persistent, and the difficulties in simultaneously operating unemployment compensation programs at different levels so great, that the new and unrealistic standards set for the privileged groups would almost inevitably be applied to all. The incentive to work would be reduced, the insurance principle in unemployment compensation abandoned, and the established system would go down the drain as increasing numbers of workers sought ever higher Federal benefits.

Our experience with different subsidies for agricultural commodities has not been a happy one. The proposed subsidies for selected industries, for selected employers within those industries, and selected workers among those unemployed could only result in such confusion as will make the farm program look like a shining example of sound administration. The prescription of Federal remedies for ills caused by Federal action may well kill instead of cure the patient.

Many vague and intangible factors would enter into the determinations, sometimes belatedly made, as to whether or not the unemployment of a group or of certain members of a group was due to the Trade Expansion Act.

The Federal Government in recent years has made two major efforts to solve the job adjustment problems of long-term unemployed persons by adding a Federal extension to their State unemployment compensation rights. Failure of this device to solve the basic problem has been reflected by each of these attempts.

In theory, most of these unemployed were experiencing a temporary interruption in their employment and would expect to be employed again before expiration of the extended benefit period. The facts have proved otherwise. Through the Federal temporary unemployment compensation program initiated in 1958 and the Federal temporary extended unemployment compensation program begun in 1961, millions of dollars were paid from Federal funds to hundreds of thousands of workers. About three of every five workers who received such benefits were still faced with the same problem when the programs ended as when they began—no job. In fact, the ratio of those still unemployed after exhaustion of all their State and all their Federal benefits rights has been closer to three out of four in many States.

While national figures on exhaustees have not been published, a study of Georgia exhaustees confirms that this strong tendency toward exhaustion prevails whether the extended program claimant be male or female, old or young, skilled or unskilled, high wage or low wage, married or single, and with grade school or higher education.

Of course, fewer skilled, educated, and younger workers qualified for extended benefits. However, those who did qualify exhausted at about the same rate as other groups. Apparently the person who is still unemployed after 26 weeks is confronted with special circumstances as regards either unfavorable local labor market conditions or inidvidual employment problems.

This strong tendency to exhaust and the limited degree of variation between groups can be illustrated by examining the age distribution:

TEUC exhaustees

Age:	*Percent*
Under 25	75
25 to 34	77
35 to 44	81
45 to 54	78
55 to 64	83
65 and over	79

Analysis of records for TEUC claimants who exhausted all benefit rights during April and May of this year showed that only 10 percent had even returned to local employment offices to seek work by the end of July. There were 3 percent of such claimants who had returned to file a new claim under the State law. Thus, there were 87 percent of exhaustees who had made no further contact with the employment office following exhaustion of both their State and TEUC benefits.

This kind of record gives strong support to the possibility that most of the unemployed who fail to secure jobs within the normal period that protection is afforded by the respective State laws actually face an extended period of unemployment that will generally go beyond any extension period that has been enacted or even proposed as a temporary extension of UC benefits. Under these circumstances it appears that any extension of benefits beyond the normal period of protection provided under State laws is in fact no solution to long-term unemployment problems. While the extensions are expensive in dollar cost, their results in affording a readjustment to a new job appear to be negligible.

Experience with the two Federal extension programs to date indicates that this approach to long-term unemployment problems may have a built-in feature, an incentive to idleness, which would always prevent such a program from being an effective solution, regardless of the duration of any extension.

Mr. Ribicoff, recent Secretary of Health, Education, and Welfare, proposed the establishment of local work relief projects to meet the immediate needs of people unable to get jobs in private industry.

Under the bill, a worker who earns $100 a week could take home $61 per week based on the present national averages. While drawing $61, he would be free from deductions for Federal and State income taxes and social security taxes. He would not have to meet the cost of transportation, pay union or membership fees or make donations. He would also have the extra amounts spent on lunches

and clothing while working. He would, in fact, net almost as much as if he were on the job and yet could spend all of his time as he sees fit instead of working. Under such circumstances, he isn't likely to be in a hurry to return to work before exhausting his benefits.

The proposals in this bill would inevitably increase the incentive of both employers and workers to look to the Federal Government for the solution of their financial problems. While most workers would rather have jobs than unemployment benefits, there are numbers, and I am afraid rather large numbers of workers, who would welcome the opportunity to become members of a privileged group of Federal beneficiaries.

The present employment security program is of great value to the majority of unemployed workers. Most people realize that the program does more to prevent and cure mental and physical illness than the whole college of physicians.

In Georgia we placed 145,844 workers on nonagricultural jobs during the 12-month period ending May 31, 1962. The national figures for the same period were 6,450,900. Still there are many unemployed and many members of the army of the unemployed are volunteers. Some of these volunteered because they worked for a period at highly paid assembly line jobs and prefer drawing unemployment compensation to the return to less glamorous service, agricultural, or domestic jobs for which they are qualified. Many are senior citizens whose social security checks would be reduced if they continued to hold down their jobs. Others belong to welfare-supported families and do not want earnings to interfere with the continued flow of welfare checks. Some husband and wife teams alternate in working and drawing unemployment compensation. Many separation reports filed by employers state that the workers tell them that they are quitting to draw unemployment compensation.

Georgia employers filed separation notices covering workers who are responsible for their own separation; i.e., who quit without good cause or are discharged for misconduct. Over 3,000 such notices are filed each week. It is because of the presence of such volunteers among the unemployed to those mentioned above that we see such criticisms of the program as those voiced in: Harper's article on "How to Play the Unemployment Insurance Game" by Seth Levine; the Look article on "Welfare" by Fletcher Knebel, and the Reader's Digest articles on "Scandal of Unemployment Compensation" by Kenneth Gilmore and "Chiselers Endanger our Unemployment Program" by Charles Stevenson.

The fact that in Georgia alone over 2,000 determinations of fraud were made under the job insurance program last year and that fraud prosecutions instituted in the courts have averaged nearly 300 annually for several years, is further indicative of the willingness of many workers to risk punishment for the sake of obtaining benefits for which they are not entitled.

The Trade Expansion Act is expected to result in more and better jobs for our workers. The Secretary of Labor has estimated that during the first 5 years of the program an average of 18,000 workers per year will be displaced because of increased imports. He estimates that during each of those years increased exports will generate several hundred thousand jobs. If his estimates are approximately correct, it would seem unreasonable to establish a new, costly, and unnecessary Federal unemployment compensation system for the benefit of that portion of the 18,000 workers displaced each year who were not included among the hundreds of thousands employed as a result of increased exports and unable to find other jobs in what is expected to be a flourishing economy. If his estimates are incorrect and much greater numbers of workers are thrown out of employment, the ill effects of discriminatory treatment would be multiplied.

I am not unaware of or indifferent to the potential problems of workers who might be displaced as a result of the Trade Expansion Act, neither am I unaware of the increasing and increasingly dangerous trend toward greater dependence upon a paternal Federal Government. The established unemployment compensation system, designed to assist the temporarily unemployed worker while maintaining the incentive to work, can, if permitted to do so, continue to serve the purpose for which it was created.

If the contention that the workers unemployed because of the Trade Expansion Act would be in a different category because of loss of employment due to Federal action were valid, why wouldn't those who lose their jobs because of termination of defense contracts, changes in Federal tax or credit policies, or changing conditions within the Federal agencies themselves be placed in the same category?

All workers unemployed as a result of Federal action are entitled to equal treatment as are all other American workers unemployed as a result of automation, changes in the economy, or other forces.

Since the bill provides that many workers receive Federal unemployment compensation as a supplement to State benefits, it is proposed that the benefits be called "Readjustment Allowances." Proponents of this section seek in this way to remove one of the conflicts with State laws which prohibit concurrent payment of benefits under two unemployment compensation systems. This subterfuge designed to overcome a legal obstacle does not change the character of the payments.

Those insisting that payments made under the provisions of this act are not unemployment compensation should review the Federal law which plainly says that "All money withdrawn from the unemployment fund must be used solely for the payment of unemployment compensation. * * *" This same provision is in every State law. If States' payments are not to be considered unemployment compensation payments, not one State could make them without changes in both the State and Federal laws.

In the final analysis, the benefits paid workers under the provisions of this act must be considered unemployment compensation and be in conflict with many State laws, or be considered something other than unemployment compensation and be in conflict with the Federal law and all State laws.

It would be extremely difficult to persuade the average man that benefits paid because of the loss of a job are not unemployment compensation benefits. I am reminded of the old saying that if it looks like a duck, swims like a duck, and quacks like a duck, it doesn't really matter what you call it.

A few years ago, in connection with the hearings on Senate bill 1274, Senator George, then chairman of this committee, sent the following telegram to Governors of all States:

"The bill, S. 1274, provides for Federal Government supplementing amount and duration of State unemployment benefits by means of voluntary agreement between State and Federal Government. If State does not wish to enter into such agreement, the Federal Government will make such supplementary payments directly. Would appreciate your immediate reply as to how your attorney general or legal department construes your State law: (1) Can your State enter into such agreement with Federal Government without resulting in the State payment being partially or totally reduced by the amount of the supplementary Federal payment? (2) If your State does not enter into such an agreement, would Federal supplementary payments result in reduction of the State amount? In brief, will your State under existing law be required to credit any payments made by Federal Government against the unemployment compensation benefits paid under your State law? Please advise by telegram collect."

Record of that hearing shows that the Social Security Board's expert in this field stated that of 51 jurisdictions, 47 of them have provisions which would subtract the amount paid by the Federal Government from the amount paid by the State, or completely bar any payment to a claimant drawing or seeking unemployment compensation under a Federal unemployment compensation law.

The laws of 42 States specifically prohibit the concurrent payment of unemployment compensation from both State and Federal sources.

The laws of eight States would permit concurrent State and Federal payments if it is acknowledged that Federal payments are Federal unemployment compensation. The House report to H.R. 11970 (p. 30) says that payments under this act would not be unemployment compensation. (See exhibit A for the exact wording of the various State laws.)

The bill now under consideration prohibits the signing of an agreement with a State having laws in effect similar to the Georgia law, which reads: "An individual shall be disqualified for benefits for any week with respect to which he has received or is seeking unemployment compensation under an unemployment compensation law of another State or of the United States."

In Georgia, the statement as it appears above became law on January 25, 1938, almost a year before payments were first made in the State. The provision was intended, as it plainly says, to prevent drawing unemployment compensation from more than one source.

In the late 1800's, Georgia had a very learned and colorful chief justice of its supreme court, Hon. Logan E. Bleckley. He was noted for the clarity and logic of his decisions and for his writings and speeches concerning the law.

Judge Bleckley wisely maintained that a law needs no interpretation if plainly expressed. The statement is quite plain.

The payment of unemployment compensation to veterans of the Korean war has been cited by someone as a precedent for the violation of State laws for the benefit of selected workers displaced because of the Trade Expansion Act. There is, however, little if any resemblance between the circumstances under which veterans who, since the Revolutionary War, have earned and received special considerations and the circumstances surrounding the proposed payments to selected workers unemployed because of this act.

The Congress in establishing the laws providing unemployment compensation payments for ex-servicemen and ex-Federal employees specifically and wisely provided that they be paid at the same rate and under the same provisions as workers covered by the State unemployment compensation laws. This action clearly reflects the intent of the Congress to treat all unemployed workers in a State the same and to avoid establishing special classes among them.

Back in March of 1958 when testifying before the House Committee on Ways and Means, I called attention to previous occasions on which various proposals which would have seriously impaired the State-Federal system of unemployment insurance were considered and rejected.

In 1942 (H.R. 6559) war displacement bill: This was pressed by the administration as essential to the successful prosecution of hostilities which had just broken out. It proposed that Federal cash be given to States to increase their State weekly benefit payments by 20 percent and to increase the duration of payments to 26 weeks (at that time, no State had a maximum duration exceeding 20 weeks, and many were several weeks short of this figure).

In 1944 (S. 2051): An amendment to the war mobilization and reconversion bill. Predicated on anticipated postwar unemployment situations, would have provided Federal funds to supplement State benefit payments up to 75 percent of claimants' wages, but not to exceed $20. Federal funds would be provided for increasing the duration of payments from State maximum up to 26 weeks.

In 1945 (S. 1274): Proposed amendment to the Reconversion Act of 1944: Predicated on postwar unemployment which was then developing, would have provided Federal cash to supplement State maximum payments up to $25 per week and 26 weeks duration.

In 1952 (S. 2504): Proposed that Federal funds supplement State benefits up to 65 percent of wages, and in the case of dependency, benefits of not more than 75 percent of wages.

You will recall that the proponents of those bills claimed that State unemployment compensation systems were inadequate and would be unable to cope with the dire unemployment problems they predicted. The bill now under consideration is only an echo of those other bills which subsequent events showed the Congress so wisely rejected.

The Senate Appropriation Committee in its report on the bill making appropriations for the Departments of Labor and Health, Education, and Welfare for fiscal year 1963 said: "The committee is concerned with the mounting cost of the employment security program, and in the interest of economy and efficiency it is essential that administration of the unemployment compensation and employment services be directed and coordinated, geared to local conditions, at all levels. Separation of the services would greatly increase administrative costs and should under no conditions be thrust upon State officials. Separation would result in less exposure of claimants to job openings, and through less effective application of the work test, cause the payment of benefits to claimants neither seeking work nor willing to work."

Enactment of H.R. 11970 in its present form would further increase the mounting cost of the employment security program, concentrate more control in Washington, and gear the program to bureaucratic determination of causes of unemployment rather than to local conditions.

In this connection, I should like to call your attention to a statement made by Senator Vandenberg who, in the course of one of the perrenial debates over Federal versus State control of the unemployment compensation program, said: "* * * when we are asked to start this process by scrapping the standards of a successful, time-tried State system of unemployment insurance, substituting Washington as the centralized core of the new system, and imposing Washington's judgments upon the judgments of the States, I cannot escape the conclusion that we move diametrically away from prudence and wisdom and experience and simplicity and that we create more problems than we solve."

This bill would confer upon the Secretary of Labor authority to override by regulation provisions of State laws governing unemployment compensation. Federal Standards might thus be imposed on every State agency without recourse.

Some of the very same people who insist that Federal pay for job loss is not unemployment compensation also insist that the inclusion of a formula for the payment of benefits practically identical with that in the proposed Federal standards bill (H.R. 7640) is not related to and would have absolutely no bearing whatsoever on that objectionable measure. Despite these protestations, I do not think that we can be so naive as to overlook the fact that pressure for the inclusion of this formula in H.R. 11970 comes from those who have long sought federalization of the unemployment compensation program. This bill would provide immediately at one jump benefits at 65 percent of gross wages, which H.R. 7640 hopes to accomplish in three jumps over a period of several years. It is apparently their hope that the Federal standards and controls proposed in H.R. 7640 can ride in "piggyback" on this bill.

It has been suggested that because of the overriding importance of tariff adjustment you accept this unrealistic formula for payments and also accept the fiction that readjustment allowances under this bill would not be unemployment compensation.

Gentlemen, I know that when hammering out legislation acceptable to the various groups represented in our economy, compromises are sometimes necessary. If in your good judgment you should decide that circumstances require special provisions for workers who might be displaced as a result of tariff adjustment, and you determine that these workers can be clearly defined, a simple provision to the effect that, "Upon exhaustion of State unemployment compensation benefits a claimant determined to be unemployed as a result of this act may, if still unemployed, receive Federal benefits at the same rate and under the same condition as he has received State benefits for an additional 13 weeks" would be least destructive of the established system, would obviate the need for changes in State legislation, would reduce the cost, and simplify administration.

I do not urge the establishment of such a system. I would urge that there be no first- and second class citizens among our unemployed. If, however, we are to have special classes, the special privilege might well be limited to extended payments without other changes in the established program.

The recently enacted Manpower Development and Training Act, which among other things was intended to help meet the needs of workers displaced by foreign competition, might well be used for the purpose for which it was devised instead of setting up an additional training program. Then, too, the proposal that the transportation of workers, their families, and household goods to new job locations, heretofore the responsibility of the worker or of his employer, become the responsibility of the Federal Government, might well be eliminated.

As I said initially, I am not here to discuss the merits of tariff adjustment. I am here in the interest of the people of Georgia, who are entitled to a fair and equitable unemployment compensation system, geared to local conditions, as are the people of all other States. And, as I am required to do by Georgia law, I am here to oppose action which would tend to effect federalization of unemployment compensation funds and the State employment security program.

EXHIBIT A

STATEMENT BY MARION WILLIAMSON, DIRECTOR, EMPLOYMENT SECURITY AGENCY, GEORGIA DEPARTMENT OF LABOR, ON PROPOSED TRADE EXPANSION ACT OF 1962, H.R. 11970.

The Trade Expansion Act of 1962 would establish a Federal unemployment compensation system.

The Federal Unemployment Tax Act provides that: "All money withdrawn from the unemployment fund of the State shall be used solely in the payment of unemployment compensation." (Internal Revenue Code, sec. 3304(a)(4).) All State laws include a similar provision.

The laws of 42 States specifically prohibit the concurrent payment of unemployment compensation from both State and Federal sources.

The laws of eight States would permit concurrent State and Federal payments if it is acknowledged that Federal payments are Federal unemployment compensation. The House report to H.R. 11970 (p. 30) says that payments under this act would not be unemployment compensation.

DISQUALIFICATION PROVISIONS OF ALL STATE EMPLOYMENT SECURITY LAWS RELATING TO SEEKING OR RECEIVING JOB INSURANCE UNDER A LAW OF ANOTHER STATE OR OF THE UNITED STATES.

ALABAMA

"SEC. 214. *Disqualification for benefits.*—An individual shall be disqualified for total or partial unemployment: * * *

* * * * * * *

"G. For any week with respect to which or a part of which he has received or is seeking unemployment benefits under an unemployment compensation law of any other state or of the United States; provided, that if the appropriate agency of such other state or of the United States finally determines that he is not entitled to such unemployment benefits this disqualification shall not apply."

ALASKA

"SEC. 741. *Disqualification for benefits.*—An insured worker shall be disqualified for waiting-week credit or benefits for any week of his unemployment if with respect to such week the Commission finds that: * * * (e) For such week or any part of such week he has received or is seeking unemployment benefits under any other employment security law in any manner other than in accordance with the reciprocal arrangements with other States or the Federal government, but if the appropriate agency finally determines that he is not entitled to benefits under such other law, this paragraph shall not apply; or * * * ."

ARIZONA

"SEC. 23–775. *Disqualification from benefits.*—An individual shall be disqualified for benefits: * * *

* * * * * * *

3. "For any week with respect to which or a part of which he has received or is seeking unemployment benefits under an unemployment compensation law of another state or of the United States, but if the appropriate agency of such other state or of the United States finally determines that he is not entitled to such unemployment benefits, such ineligibility shall not apply."

ARKANSAS

"SEC. 81–1106. *Disqualification for benefits.*—For all claims filed on and after July 1, 1955, if so found by the Commissioner, an individual shall be disqualified for benefits—* * * (f) Receiving other remunerations. For any week with respects to which he receives or has received remuneration in the form of * * * (2) Unemployment benefits under an unemployment compensation law of another state or of the United States."

CALIFORNIA

"SEC. 1255. *Ineligibility due to receipt of other benefits.*—An individual is not eligible for unemployment compensation benefits on account of unemployment for any week or part of any week with respect to which he has received or is seeking unemployment benefits under an unemployment compensation law of any other state or of the United States. If the appropriate agency of the other state or of the United States finally determines that he is not entitled to unemployment compensation benefits, this section shall not apply."

COLORADO

"SEC. 82–4–13. *Disqualification—compensation from other state.*—An individual shall be disqualified for benefits for any week with respect to which or a part of which he has received or is seeking unemployment benefits under an unemployment compensation law of another state or of the United States; If the appropriate agency of such other state or of the United States finally determines that he is not entitled to such unemployment benefits, this disqualification shall not apply."

CONNECTICUT

"SEC. 31-236. *Disqualifications.*—An individual shall be ineligible for benefits. * * * (4) during any week with respect to which the individual has received or is about to receive remuneration in the form of (a) * * * any payment by way of compensation for loss of wages, or any other state or federal unemployment benefits, * * *

DELAWARE

"SEC. 3315. *Disqualification for benefits.*—An individual shall be disqualified for benefits— * * *

* * * * * * *

"(5) For any week with respect to which or a part of which he has received or is seeking unemployment benefits under an unemployment compensation law of another State or of the United States, but if the appropriate agency of such other State or of the United States finally determines that he is not entitled to such unemployment benefits, this disqualification shall not apply; * * *"

DISTRICT OF COLUMBIA

"SEC. 10. (g) *Receipt of other unemployment compensation.*—An individual shall not be eligible for benefits for any week with respect to which he has received or is seeking unemployment compensation under any other unemployment compensation law of another State or of the United States: Provided, That if the appropriate agency of such other State or of the United States finally determines that he is not entitled to such unemployment benefits, this disqualification shall not apply."

FLORIDA

"SEC. 443.06. *Disqualification for benefits.*—An individual shall be disqualified for benefits— * * *

* * * * * * *

"(5) For any week with respect to which or a part of which he has received or is seeking unemployment benefits under an unemployment compensation law of another state or of the United States; provided, that if the appropriate agency of such other state or of the United States finally determines that he is not entitled to such unemployment benefits, this disqualification shall not apply."

GEORGIA

"SEC. 5. *Disqualification for benefits.*—An individual shall be disqualified for benefits: * * *

* * * * * * *

"(f) For any week with respect to which he has received or is seeking unemployment compensation under an unemployment compensation law of another State of the United States."

HAWAII

"SEC. 93-29. *Disqualification for benefits.*—An individual shall be disqualified for benefits: * * *

* * * * * * *

(f) Other unemployment benefits. For any week or part of a week with respect to which he has received or is seeking unemployment benefits under any other employment security law, except the Agricultural Unemployment Compensation Law, but this subsection shall not apply (1) if the appropriate agency finally determines that he is not entitled to benefits under such other law, or (2) if benefits are payable to him under an Act of Congress which has as its purpose the supplementation of unemployment benefits under a state law."

IDAHO

"SEC. 72-1366. *Personal eligibility conditions.*—The personal eligibility conditions of a benefit claimant are that— * * *

* * * * * * *

"(k) A benefit claimant shall not be entitled to benefits for any week with respect to which or a part of which he has received or is seeking unemployment benefits under an unemployment compensation or insurance law of another state or of the United States, except as the director shall by regulations otherwise prescribe: Provided, That if the appropriate agency of such other state or of the United States shall finally determine that he is not entitled to such unemployment compensation or insurance benefits he shall not by the provisions of this subsection be denied benefits."

ILLINOIS

"SEC. 605. *Receipt of Unemployment Benefits Under Another Law.*—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, provided, that if the appropriate agency of the United States or of such other State finally determine that he is not entitled to such unemployment benefis, this ineligibility shall not apply."

INDIANA

"SEC. 1506. *Receipt of other benefits.*—Except as provided in section 2303 of this act, an individual shall be ineligible for waiting period or benefits rights: For any week with respect to which or a part of which he receives, is receiving, has received or is seeking unemployment benefits under an unemployment compensation law of another state or of the United States; Provided, that this disqualification shall not apply if the appropriate agency of such other state or of the United States finally determines that he is not entitled to such employment benefits, or if benefits under Title IV of the Veterans' Readjustment Assistance Act of 1952 or Title XV of the Social Security Act are payable."

IOWA

"SEC. 96.5. * * * *Causes.*—An individual shall be disqualified for benefits: * * *

* * * * * * *

"6. Benefits from other state.—For any week with respect to which or a part of which he has received or is seeking unemployment benefits under an Unemployment Compensation Law of another state or of the United States, provided that if the appropriate agency of such other state or of the United States finally determines that he is not entitled to such unemployment benefits, this disqualification shall not apply."

KANSAS

"SEC. 44-706. *Disqualification for benefits.*—An individual shall be disqualified for benefits: * * *

* * * * * * *

"(e) For any week with respect to which or a part of which he has received or is seeking unemployment benefits under the unemployment compensation law of any other state or of the United States: Provided, That if the appropriate agency of such other state or the United States finally determines that he is not entitled to such unemployment benefits, this disqualification shall not apply. (f) For any week with respect to which he is entitled to receive any unemployment allowance or compensation granted by the United States under an act of congress to ex-service men and women in recognition of former service with the military or naval service of the United States."

KENTUCKY

"SEC. 341.360. *Conditions of disqualification for benefits.*—No worker may serve a waiting period or be paid benefits for any week of unemployment with respect to which: * * *

* * * * * * *

"(2) He has received or is seeking unemployment compensation under an unemployment compensation law of another state or of the United States, except as otherwise provided by an arrangement between this state and such other

state or the United States. But if the appropriate agency of such state or of the United States finally determines that he is not entitled to such unemployment compensation, this subsection shall not apply."

LOUISIANA

"SEC. 1601. *Disqualification for benefits.*—An individual shall be disqualified for benefits: * * *

* * * * * * *

"(5) For any week with respect to which or a part of which he has received or is seeking unemployment benefits under an unemployment compensation law of another state or of the United States, provided that if the appropriate agency of such other state or of the United States finally determines that he is not entitled to such unemployment benefits, this disqualification shall not apply. If the Congress of the United States passes any law providing for unemployment compensation benefits intended as a supplement to the benefits provided by this Chapter this disqualification shall not apply."

MAINE

"SEC. 15. *Disqualification for benefits.*—An individual shall be disqualified for benefits: * * *

* * * * * * *

"V. For any week with respect to which he is receiving, is entitled to receive or has received remuneration in the form of: * * * B. Benefits under the unemployment compensation or employment security law of any state or similar law of the United States; * * *"

MARYLAND

"6. *Disqualification for benefits.*—An individual shall be disqualified for benefits— * * *

* * * * * * *

"(g) Benefits under laws of another state or of the United States. For any week with respect to which or a part of which he has received or is seeking unemployment benefits under an unemployment insurance law of another State or of the United States; provided, that if the appropriate agency of such other State or of the United States finally determines that he is not entitled to such unemployment benefits, this disqualification shall not apply".

MASSACHUSETTS

"SEC. 26. *Disqualification because of receipt of other benefits.*—No waiting period shall be served and no benefits shall be paid under this chapter to an individual for any week with respect to which, or a part of which, he has received or is seeking unemployment benefits under an unemployment compensation law or employment security law of any other state or of the United States; provided, that, if the appropriate agency of such other state or of the United States finally determines that he is not entitled to such unemployment benefits, this section shall not apply."

MICHIGAN

"17.531 *Disqualification of benefits.—Sec. 421.29(3)*—An individual shall be disqualified for benefits: * * *

* * * * * * *

"(3) An individual shall be disqualified for benefits for any week with respect to which or a part of which he has received or is receiving or is seeking unemployment benefits under an unemployment compensation law of another state or of the United States: Provided, That if the appropriate agency of such other state or of the United States finally determines that he is not entitled to such unemployment benefits, this disqualification shall not apply."

MINNESOTA

"SEC. 268.08. *Benefit Eligibility conditions. Subdivision 2.*—No week shall be counted as a week of unemployment for the purposes of this section: * * *

* * * * * * *

"(3) With respect to which he is receiving, has received, or has filed a claim for unemployment compensation benefits under any other law of this state, or of any other state, or the federal government, including readjustment allowances under Title V, Servicemen's Readjustment Act, 1944 but not including benefits under the Veterans' Readjustment Assistance Act of 1952 or any other federal or state benefits which are merely supplementary to those provided for under section 268.03 to 268.24, inclusive; provided that if the appropriate agency of such other state or the federal government finally determines that he is not entitled to such benefits, this provision shall not apply."

MISSISSIPPI

"SEC. 7379(f). *Disqualification for benefits.*—An individual shall be disqualified for benefits— * * *

* * * * * * *

(f) For any week with respect to which he has received or is se[illegible]ing unemployment compensation under an unemployment compensation la[illegible] another state or of the United States. Provided, that if the appropriate a[illegible] of such other state of the United States finally determines that he is not entitled to such unemployment compensation benefits this disqualification shall not apply. Nothing in this subsection contained shall be construed to include within its terms any law of the United States providing unemployment compensation or allowances for honorably discharged members of the armed forces."

MISSOURI

"*Ineligibility for benefits. Sec. 288.040. 2.*— * * *

* * * * * * *

"3. A claimant shall be ineligible for waiting week credit or benefits for any week for which or a part of which he has received or is seeking unemployment benefits under an unemployment insurance law of another state or of the United States; provided, that if it be finally determined that he is not entitled to such unemployment benefits, such ineligibility shall not apply."

"SEC. 87-106. *Disqualification for benefits.* An individual shall be disqualified for benefits—* * *

* * * * * * *

"(e) For any week with respect to which he is receiving or has received payment in the form of—* * *

"(3) Benefits under the railroad unemployment insurance act or any state unemployment compensation act or similar laws of any state or of the United States. This disqualification does not apply to any week with respect to which an individual is receiving or has received benefits under an unemployment compensation law of another state or of the United States, if such benefits are paid pursuant to Section 87-129."

NEBRASKA

"SEC. 48-628. *Benefits; conditions disqualifying applicant.*—An individual shall be disqualified for benefits: * * *

* * * * * * *

"(f) For any week with respect to which or a part of which he has received or is seeking unemployment benefits under an unemployment compensation law of any other state or of the United States; Provided, that if the appropriate agency of such other state or of the United States finally determines that he is not entitled to such unemployment benefits, this disqualification shall not apply; * * *"

NEVADA

"SEC. 612.400. *Receipt of benefits under another unemployment compensation law.*—(1) An individual shall be disqualified for benefits for any week with respect to which or to a part of which he has received or is seeking unemployment benefits under an unemployment compensation law of another state or of the United States. (2) If the appropriate agency of such other state or of the United States finally determines that he is not entitled to such unemployment benefits, this disqualification shall not apply."

NEW HAMPSHIRE

"SEC. 282.4. *Disqualifications for benefits.*—An individual shall be disqualified for benefits and no waiting period may be served except as otherwise provided by subsection K of this section: * * *

* * * * * * *

"G. For any week or part of a week with respect to which he is seeking to receive or has received payments in the form of unemployment compensation, or payments supplementary to New Hampshire unemployment compensation, under any law of the Federal government. Provided, however, that there shall be no disqualification for seeking to receive or receiving unemployment compensation, or supplementary payment, under: (1) Title XV of the Social Security Act; or (2) Any federal law whose purpose is to assist in the readjustment of individuals from military to civilian life; or (3) The Veterans' Readjustment Assistance Act of 1952.

"H. For any week or part of a week with respect to which he is seeking to receive or has received payments in the form of unemployment compensation under an unemployment compensation law of any other state or under a similar law of the federal government. Provided that seeking to receive or receiving payments under any reciprocal arrangement to which New Hampshire is a party under section 16 of this chaper, shall not disqualify the individual for benefits."

NEW JERSEY

"SEC. 43:21-5. *Disqualification for benefits.*—An individual shall be disqualified for benefits. * * *

* * * * * * *

"(f) For any week with respect to which or a part of which he has received or is seeking unemployment benefits under an unemployment compensation law of any other state or of the United States; provided, that if the appropriate agency of such other state or of the United States finally determines that he is not entitled to such unemployment benefits, this disqualification shall not apply."

NEW MEXICO

"SEC. 59-9-5. *Disqualification for benefits.*—An individual shall be disqualified for benefits— * * *

* * * * * * *

"(e) For any week with respect to which, or a part of which, he has received or is seeking through any agency other than the commission, unemployment benefits under an unemployment compensation law of another state or of the United States; Provided, That if the appropriate agency of such other state or of the United States finally determines that he is not entitled to such unemployment benefits, this disqualification shall not apply."

NEW YORK

"SEC. 592.2. *Suspension of accumulation of benefit rights.*—Concurrent payments prohibited. No days of total unemployment shall be deemed to occur in any week with respect to which or a part of which a claimant has received or is seeking unemployment benefits under an unemployment compensation law of any other state or of the United States provided that this provision shall not apply if the appropriate agency or such other state or of the United States finally determines that he is not entitled to such unemployment benefits."

NORTH CAROLINA

"SEC. 96-14. *Disqualification for benefits.*—An individual shall be disqualified for benefits: * * *

* * * * * * *

"(7) For any week after June thirtieth, one thousand nine hundred thirty nine with respect to which he shall have and assert any right to unemployment benefits under an employment security law of either the federal or a state government, other than the State of North Carolina."

NORTH DAKOTA

"SEC. 52-0602. *Disqualifications for benefits.*—An individual shall be disqualified for benefits: * * *

* * * * * * *

"5. For any week with respect to which or a part of which he has received or is seeking unemployment benefits under an unemployment compensation law of another state or of the United States, provided, that if the appropriate agency of such state or of the United States finally determines that he is not entitled to such unemployment benefits, this disqualification shall not apply."

OHIO

"*Receipt of other benefits. Sec. 4141.31 (c).*—No benefits shall be paid for any week with respect to which or a part of which an individual has received or is seeking unemployment benefits under an unemployment compensation law of any other state or of the United States, or for any week with respect to which he has received or is seeking remuneration from any federal system of unemployment or readjustment allowances for individuals discharged from the land or naval forces of the United States; provided the disqualifications shall not apply if the appropriate agency of such other state or of the United States finally determines that he is not entitled to such unemployment benefits."

OKLAHOMA

"SEC. 215. *Disqualification for benefits.*—An individual shall be disqualified for benefits: * * *

* * * * * * *

"(f) For receiving or seeking unemployment benefits under another law.—For any week with respect to which or a part of which he has received or is seeking unemployment benefits under an unemployment compensation law of another state or of the United States or is entitled to receive readjustment allowances under the Servicemen's Readjustment Act of 1944 (Public Law 346—78th Congress) (Chapter 268—2d Session); provided, that if the appropriate agency of such other state or of the United States finally determines that he is not entitled to such unemployment benefits, this ineligibility shall not apply."

OREGON

"SEC. 657.210. *Disqualification for compensation in other jurisdictions.*—An individual is disqualified for benefits for any week with respect to which or a part of which he has received unemployment benefits under an unemployment compensation law of another state or of the United States. However, if the appropriate agency of such other state or of the United States finally determines that he is not entitled to such unemployment benefits, this disqualification shall not apply."

PENNSYLVANIA

"SEC. 402. *Ineligibility for Compensation.*—An employee shall be ineligible for compensation for any week— * * *

* * * * * * *

"(c) With respect to which or a part of which he has received or is seeking unemployment benefits under an unemployment compensation law of any other state or of the United States: Provided That, if the appropriate agency of such other state or of the United States finally determines that he is not entitled to such unemployment benefits, the disqualification shall not apply; * * *"

RHODE ISLAND

"SEC. 28-44-19. *Receipt of compensation.*—An individual shall be disqualified from receiving benefits for any week of his unemployment occurring within any period with respect to which such individual is currently receiving, or has received, remuneration in the form of— * * *

* * * * * * *

"(b) Benefits under an unemployment compensation law of any state or of the United States;"

SOUTH CAROLINA

"SEC. 68-114. *Disqualification for benefits.*—Any insured worker shall be ineligible for benefits: * * *

* * * * * * *

"(e) For any week with respect to which or a part of which he has received or is seeking unemployment benefits under an unemployment compensation law of another state or of the United States; provided, that if the appropriate agency of such other state or the United States finally determines that he is not entitled to such unemployment benefits, this disqualification shall not apply."

SOUTH DAKOTA

"SEC. 17.0830. *Disqualification for benefits: Conditions Prescribed.*— * * * (7) An individual shall not be entitled to any benefits for any week with respect to which or a part of which he has received or is seeking unemployment benefits under an unemployment compensation law of another state or of the United States, provided that if the appropriate agency of such other state or of the United States finally determines that he is not entitled to such unemployment benefits this disqualification shall not apply."

TENNESSEE

"SEC. 50-1324. *Disqualification for benefits.*—An individual shall be disqualified for benefits— * * *

* * * * * * *

"F. For any week with respect to which, or a part of which he has received, or is seeking unemployment benefits under an unemployment compensation law of another state or of the United States, provided, that, if the appropriate agency of such other state or of the United States finally determines that he is not entitled to such unemployment benefits, this disqualification shall not apply; Provided, however, that the disqualification imposed by this paragraph shall not apply to any individual who is seeking or who has received benefits provided for by the provisions of the Veterans' Readjustment Assistance Act of 1952 (Act of July 16, 1952. Ch. 875, 66 Stat. 663), and provided further that any payments heretofore made by the Department of Employment Security to an individual who was seeking or receiving simultaneous benefits under said Veterans' Readjustment Assistance Act of 1952 are hereby validated. In addition to the foregoing reasons an individual shall be disqualified from obtaining the advantage of a waiting period for any week with respect to which, or a part of which, he has received, or is seeking, unemployment benefits under an unemployment compensation law of another state or of the United States, provided, that if the appropriate agency of such other state or of the United States finally determines that he is not entitled to such unemployment benefits, this disqualification shall not apply; Provided, however, that the disqualification imposed by this paragraph shall not apply to any individual who is seeking or who has received benefits provided for by the provisions of the Veterans' Readjustment Assistance Act of 1952."

TEXAS

"SEC. 5221 b-3. *Disqualification for benefits.*—An individual shall be disqualified for benefits: * * * (e) For any benefit period with respect to which he is receiving or has received remuneration in the form of: * * *

* * * * * * *

"(3) Old Age Benefits under Title II of the Social Security Act as amended, or similar payments under any Act of Congress, or a State Legislature; provided, that if such remuneration is less than the benefits which would otherwise be due under this Act, he shall be entitled to receive for such benefit period, if otherwise eligible, benefits reduced by the amount of such remuneration. If such benefits, payable under this subsection, after being reduced by the amount of such remuneration are not an even multiple of One Dollar ($1), they shall be adjusted to the next higher multiple of One Dollar ($1)."

UTAH

"SEC. 35-4-5. *Ineligibility for benefits.*—An individual shall be ineligible for benefits or for purposes of establishing a waiting period: * * *

* * * * * * *

"(f) For any week with respect to which or a part of which he has received or is seeking unemployment benefits under an unemployment compensation law of another state or the United States, provided, that if the appropriate agency of such other state or of the United States finally determines that he is not entitled to such unemployment benefits, this disqualification shall not apply."

VERMONT

"SEC. 1344. Disqualification for benefits.—An individual shall be disqualified for benefits; * * *

* * * * * * *

"(7) For any week with respect to which or a part of which he has received or is seeking to receive unemployment benefits under an unemployment compensation law of another state or of the United States, provided that if the appropriate agency of such other state or of the United States finally determines that he is not entitled to such unemployment benefits, this disqualification shall not apply."

VIRGINIA

"SEC. 60-46. *Benefit eligibility conditions.*—An unemployed individual shall be eligible to receive benefits with respect to any week only if the Commission finds that: * * *

* * * * * * *

"(f) He is not receiving, has not received or is not seeking unemployment benefits under an unemployment compensation law of any other state or of the United States, provided, however, that if the appropriate agency of such other state or of the United States finally determines that he is not entitled to such unemployment benefits, this subsection shall not apply."

WASHINGTON

(No similar language found in Disqualification or Eligibility provisions.)

WEST VIRGINIA

"ARTICLE VI, SEC. 2366 (78) [4]. *Disqualification for benefits.*—Upon the determination of the facts by the director an individual shall be disqualified for benefits: * * *

* * * * * * *

"(5) For a week with respect to which he is receiving or has received * * *
"(c) Remuneration in the form of a primary insurance benefit under title two of the social security act, as amended, or similar payments under any act of Congress, from and after receipt by him of his first payment for such benefits.

WISCONSIN

"SEC. 108.04. (12) *Prevention of duplicate payments.*—(a) Any individual who is entitled to federal readjustment allowances under the Servicemen's Readjustment Act of 1944 may nevertheless claim benefits based on his available credit weeks under this chapter, and may receive such benefits if otherwise eligible; but 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. (b) Similarly, any individual who receives, through the commission, any other type of unemployment benefit or allowance for a given week shall be ineligible for benefits paid or payable for that same week under this chapter. (c) Any individual who receives unemployment compensation for a given week under any federal law through any federal agency shall be ineligible for benefits paid or payable for that same week under this chapter. (d) Any individual who receives unemployment compensation for a given week under the law of any other State (with no use of benefit credits earned under

this chapter) shall be ineligible for benefits paid or payable for that same week under this chapter."

WYOMING

"SEC. 27-26. *Disqualification for benefits.*—* * *

"B. An individual shall be disqualified for benefits.—* * *

"III. For any week or part of a week with respect to which he has received or is seeking unemployment benefits under an unemployment compensation law of another State or of the United States, provided that if the appropriate agency of such other state or of the United States finally determines that he is not entitled to such unemployment benefits, this disqualification shall not apply provided further, that this disqualification shall not extend to the receipt of benefits under an unemployment compensation law of the United States if such benefits are paid under a Federal-State agreement entered into by this State pursuant to the provisions of such law."

FEDERAL LAW

The Federal Unemployment Tax Act provides that: "All money withdrawn from the Unemployment Fund of the State shall be used solely in the payment of unemployment compensation" (Internal Revenue Code, Section 3304(a)(4).)

ROYER V. BROWN, 93 A. 2D 667

(Supreme Court of New Hampshire, Jan. 6, 1953)

"Appeal, under R. L. c. 218, section 5G, by Maurice F. Royer from a decision of the Appeal Tribunal of the Division of Employment Security of the Department of Labor.

"The petitioner is a veteran of the Korean war, so-called. On October 15, 1952 he filed an initial claim under Title IV of the Veterans' Readjustment Assistance Act of 1952, 38 U. S. C. A. section 991 et seq. Pub.L. No. 550, 82d Cong., 2d Sess., section 7656. On October 20, he made a claim under R. L. c. 218 for unemployment compensation to which he was entitled because of his previous civilian employment record. Laws 1951, c. 140, section 5. He also filed a continued claim for compensation under the Federal Act.

"He was thereupon disqualified by petitionee from receiving any benefits under R. L. c. 218 because 'he also sought to receive payments in the form of unemployment compensation under a similar unemployment compensation law of the federal government.' See Id. section 4F. This decision was affirmed by the Appeal Tribunal and a written request by the petitioner to the Director to reopen the case was denied. Royer thereupon duly filed this appeal.

"The Superior Court reserved and transferred to this Court, on an agreed statement of facts the following questions of law:

" '1. Is Title IV of the Veterans' Readjustment Assistance Act of 1952 * * * a similar unemployment compensation law of the federal government within the meaning of Revised Laws, Chapter 218, section 4-F, as amended?

" '2. Is the petitioner disqualified from receiving State Unemployment Compensation benefits for the week ending October 18, 1952, under Revised Laws, Chapter 218, section 4-F, as amended?'

LAMPRON, *Justice*.

"We are of the opinion that Royer is not disqualified from receiving unemployment compensation benefits under R. L. c. 218 because he filed for compensation under Title LV of the Veterans' Readjustment Assistance Act of 1952, Pub.L. No. 550, 82d Cong., 2d Sess., section 7656, as the latter is not 'a similar law of the federal government' within the provisions of R. L. c. 218, section 4F. That section reads substantially as follows: '4. Disqualifications for Benefits. An individual shall be disqualified for benefits * * *. F. For any week or part of a week with respect to which he is seeking to receive or has received payments in the form of unemployment compensation under an unemployment compensation law of any other state or under a *similar* law of the federal government.' (Emphasis added.)

" 'Similar' is defined thus in Webster's New International Dictionary (2d ed.): 'nearly corresponding; resembling in many respects; somewhat like; having a

general likeness.' See *Vermont Accident Ins. Co.* v. *Burns*, 114 Vt. 143, 40 A.2d 707. It connotes homogeneity. *Piaget-Del Corporation* v. *Kulik*, 113 N.J.L. 485, 45 A.2d 125.

"R.L. c. 218 was enacted because, among other reasons, 'the public good and the general welfare of the workers of this state require the enactment of this measure for the setting aside of unemployment reserves to be used for the benefit of unemployed persons, and for providing a systematic accumulation of funds during periods of employment to provide benefits for periods of unemployment'. Laws 1935, c. 99. In the present Federal Act 'the home, farm, and business-loan benefits, the unemployment compensation benefits, the mustering-out payments, and the employment assistance provided for * * * *are for the purpose of assisting in the readjustment of such persons from military to civilian life.*'" Id. section 102, 38 U.S.C.A. section 901. [Emphasis added.]

"Our State law applies to any employing unit which in each of 20 different weeks * * * has or had in employment four or more individuals. Section 1H(1). It pays benefits generally to any such unemployed individual who is able to work, and is available for work, who has followed the requisite procedure and is not disqualified for certain specified reasons. Sections 3, 4, 5. The funds for these benefits are derived from contributions made by employers subject to the law. Section 6. Payments are made to claimants on an annual earnings or wage credit basis. Section 2. The Federal Act applies only to veterans and to those veterans only who have served in the Armed Forces after June 27, 1950. Sections 102, 201. All claimants are given a flat benefit rate of $26 per week without regard to any wage credit concept. Section 401(b). There are no employer contributions. If a veteran receives an education and training allowance under the Act he is ineligible for benefits. Section 408(a)(2). It is also correlated to mustering-out payments. Section 401(b). If a veteran is eligible to receive unemployment compensation under his State law this Act merely supplements that payment to bring it up to $26 per week. Section 408(a)(1). 'Under no circumstances shall any veteran receive compensation under this title * * * in a total amount in excess of $676.' Section 408(d).

"[1, 2] It seems to us that the above juxtaposition of the salient provisions of both acts demonstrates clearly that the Veterans' Readjustment Assistance Act of 1952 is not an unemployment compensation law and consequently payments received thereunder are not received under 'a similar law of the federal government' within the meaning of R.L. c. 218, section 4F. It is true that payments are made to veterans under Title IV of that Act because they are unemployed. However *said Title and the payments made under it are an integral part of a law which has for its chief purpose to provide 'vocational readjustment and restoring lost educational opportunities' to certain veterans and to assist 'in the readjustment of such persons from military to civilian life.'* Section 102. R.L. c. 218, on the other hand, has for its sole aim the establishment of a permanent method of 'systematic accumulation of funds during periods of employment to provide benefits for periods of unemployment' to all persons in a broad type of employment, Laws 1935, c. 99, and payments are made thereunder for that sole purpose. [Emphasis added.]

"It might not be amiss to point out the incongruous results which the interpretation sought by the petitionee would bring about. A veteran who has never worked and therefore is not entitled to any benefits under R.L. c. 218 would be eligible to receive $26 per week under the Federal Act. If one who is entitled to $19 per week under our law, as is the petitioner, should apply for supplemental benefits under the Federal Act to bring his compensation to $26 per week, he would forfeit his $19 state compensation and he could receive only $7 under the Veterans' Readjustment Assistance Act (the difference between $26 and what he is eligible for under the State Act).

"Each question submitted to us is answered in the negative.

"Case discharged.

"All concurred."

NOTES

(1) The foregoing New Hampshire opinion cites no authority for its conclusions reached in Divisions 1 and 2 of the decision.

(2) The word "similar" in the disqualification provisions of the New Hampshire law do not appear in the corresponding provision of the Georgia law. (The New Hampshire decision turned in part on the word "similar" in the New Hampshire statute.)

(3) The New Hampshire court had under consideration title IV of the Veterans' Readjustment Act of 1952 which, according to the New Hampshire decision, "has for its chief purpose to provide 'vocational readjustment and restoring lost educational opportunities' to certain veterans and to assist 'in the readjustment of such persons from military to civilian life." The purposes of title IV, there being construed, were not the same as the purposes of the trade expansion bill, now under consideration and the reasoning in the New Hampshire case would not be applicable in the present situation.

(4) Too, the veterans of the military services were in the highest and noblest sense employees of the United States and were paid wages.

(5) Veterans of our wars have earned and been afforded privileges since our first war with England.

On January 2, 1951, the U.S. Supreme Court, in a memorandum decision, sustained the decision of the Supreme Court of Errors of Connecticut in the case of *Hannan* vs. *Administrator, Unemployment Compensation Act*, originally reported in 75 Atlantic (2d) 483, 137 Connecticut 240. The memorandum decision contained no opinion but simply held: "Certiorari denied," and was reported in 340 U.S. 914.

In the case of *Hannan* v. *Administrator, Unemployment Compensation Act*, 75 Atlantic (2d) 483, the Supreme Court of Errors of Connecticut said on pages 483–486:

"* * * The issue determinative of the appeals is whether the plaintiffs are eligible for benefits under the Connecticut Unemployment Compensation Act * * * for such periods of time as they were receiving subsistence allowances under the Federal Servicemen's Readjustment Act.

* * * * * * *

"On June 22, 1944, Congress passed the Servicemen's Readjustment Act, hereinbefore referred to, 'to provide Federal Government aid for the readjustment in civilian life of returning World War II veterans.' * * *

"General Statutes, section 7508 [Connecticut], provides, inter alia: 'Disqualifications. An individual shall be ineligible for benefits * * * (4) during any week with respect to which the individual has received or is about to receive remuneration in the form of (a) * * * any payment by way of compensation for loss of wages, or any other state or federal unemployment benefits * * *; (7) during any week with respect to which an individual is receiving any unemployment allowance or compensation granted by the United States under an act of congress to ex-servicemen in recognition of former military service.' The determination of the meaning of these two provisions read together presents a problem of statutory construction which involves a consideration of their terms and the purpose and intent which caused their adoption. Hartford Production Credit Ass'n v. Clark, 118 Conn. 341, 343, 172 A. 266; Chambers v. Lowe, 117 Conn. 624, 626, 169 A. 912; Waterbury Savings Bank v. Danaher, 128 Conn. 78, 81, 20 A. 2d 455. In interpreting the provisions of section 7508 in the light of the federal legislation, we note that subsection (4) was a part of our statute law before the federal acts hereinbefore referred to were adopted. * * * In May, 1943, subsection (7) was added to our statute, to take effect October 1, 1943. * * * The Congress had already made provision for the education and training of disabled veterans and for their subsistence while taking such training. We cannot believe, in the light of the legislative history of our act and the language used, that the legislature intended otherwise than to avoid a duplication of benefits so far as claims against the Connecticut unemployment funds were concerned, just as the Congress had done. The language is broad. '[A]ny unemployment allowance or compensation granted by the United States * * * to ex-servicemen in recognition of former military service' means just what it says, compensation in the form of unemployment allowances or compensation in the form of cost of training and money for subsistence during that training. It could hardly be thought necessary, when the Servicemen's Readjustment Act was adopted, to change this broad wording.

"It is argued that the subsistence allowance is not 'unemployment allowance or compensation' within the terms of the disqualifying clause. The subsistence allowance was, in effect, a substitute for wages which the recipient was not able to earn while pursuing a course of study. * * * It is a monetary allow-

ance intended to provide a person in receipt of education or training under [Veterans' Regulation No. 1(a), Part 8] with a measure of support during such education or training. * * * The subsistence allowance paid under the circumstances of the present cases is an 'unemployment allowance or compensation' within the fair intent of subsections (4)(a) and (7) of section 7508. To hold otherwise would lead to endless inequalities among veterans and would result in a duplication of benefits which both the Congress and the General Assembly intended to avoid.

* * * * * * *

"In this opinion the other Judges concurred."

EXHIBIT B

DISQUALIFICATION FOR BENEFITS

SEC. 5. An individual shall be disqualified for benefits—

(e) For any week with respect to which he is receiving or has received remuneration in the form of—

(1) Wages in lieu of notice;

(2) Compensation for temporary partial disability under the Workmen's Compensation Law for any State or under a similar law of the United States; or

(3) Old-age benefits under title II of the Social Security Act, as amended, or similar payments under any Act of Congress: Provided, That if such remuneration is less than the benefits which would otherwise be due under this Act, he shall be entitled to receive for such week, if otherwise eligible, benefits reduced by the amount of such remuneration.

(These draft bills meet the minimum standards for State unemployment compensation laws required under the Social Security Act, which would permit employers making contributions thereunder to offset such contributions up to 90 percent of the Federal pay-roll tax to which they became subject beginning January 1, 1936. These drafts are merely suggestive and are intended to present some of the various alternatives that may be considered in the drafting of State unemployment compensation acts. Therefore, they cannot properly be termed "model" bills or even recommended bills. This is in keeping with the policy of the Social Security Board of recognizing that it is the final responsibility and the right of each State to determine for itself just what type of legislation it desires and how it shall be drafted.

EXHIBIT C

DISQUALIFICATION FOR BENEFITS

SEC. 5. An individual shall be disqualified for benefits—

(e) For any week with respect to which he is receiving or has received remuneration in the form of—

(3) Old-age benefits under Title 2 of the Social Security Act, as amended, or similar payments under any Act of Congress; Provided, that if such remuneration is less than the benefits which would otherwise be due under this Act, he shall be entitled to receive for such week, if otherwise eligible, benefits reduced by the amount of such remuneration. (Georgia Laws 1937, Unemployment Compensation Law, Section 5 (e) (3), pp. 812, 814.)

EXHIBIT D

SEC. 5(f). For any week with respect to which he has received or is seeking unemployment compensation under an Unemployment Compensation Law of another State or of the United States. (Georgia Laws 1937–1938, Unemployment Compensation Law Amended. Section 5 (f), p. 363.)

EXHIBIT E

ATLANTA, GA.

Retel September 3 to Governor Arnall re State unemployment benefits, section 5(F) of the Georgia unemployment compensation law provides as follows: "An individual shall be disqualified for benefits: (F) for any week with respect to which he has received or is seeking unemployment compensation under an employment compensation law of another State or of the United States." Accordingly, it is my opinion that if the Georgia benefit allowance were to be supplemented by additional Federal allowance, a claimant would be disqualified from receiving benefits from the Georgia unemployment compensation fund under the terms of section 5(F) of the Georgia law.

EUGENE COOK, *Attorney General.*

STATE OF GEORGIA DEPARTMENT OF LABOR.
EMPLOYMENT SECURITY AGENCY,
Atlanta, Ga., August 10, 1962.

To: Mr. Marion Williamson, director, ESA.
From: Dean J. Ratliffe, chief of investigations.
Subject: Puerto Rico—Disqualification provision as to receiving job insurance under Federal law.

Section 704(b)(5) of the Puerto Rico Code covering the Puerto Rico employment security law, provides:

"*Disqualifications.*—An insured worker shall not be disqualified for waiting-week credit or benefits for any week of his unemployment unless, with respect to such week, the Director finds that: * * *

"(5) For the week in which he has received or is seeking unemployment benefits under any other employment security law, but if the appropriate agency finally determines that he is not entitled to benefits under such other law, this provision shall not apply; or * * *"

The CHAIRMAN. The Honorable Christian B. Herter, the former distinguished Secretary of State, has entered the room, and the Chair would like to recognize him.

Mr. Herter, take a seat, sir, and we are very happy to have you with us. Take a seat and proceed.

STATEMENT OF HON. CHRISTIAN B. HERTER, WASHINGTON, D.C.

Mr. HERTER. Mr. Chairman, and members of the committee, it is a great privilege to appear before this committee to present my views on the trade policy proposals you are now considering.

I would like to discuss with you today not the details of the dynamic and even revolutionary changes our country faces in today's world, but rather the nature of our national response to those changes.

Many of these changes reflect the actions not of enemies but of friends. However, the actions and aspirations of friendly nations can pose serious obstacles to the efforts our own country must make to protect our trading position, our political position, and our total negotiating leverage in the councils of nations. The extent to which we can protect and expand our national strength—and we can do so only in the closest cooperation with the rest of the community of free nations, both developed and less developed—will be an important measure of our ability not only to fulfill our national need for stepped-up growth and higher standards of living at home, but our ability to strengthen our defenses in the face of the unrelenting designs of nations which threaten the principles and institutions we hold dear.

There is much more to the achievement of these objectives than trade policy alone. However, I cannot overemphasize what to me is a clear and unmistakable imperative—that a sound, forward looking, and truly responsible approach to this area of public policy is indispensable to the success of the broader program. It seems to me that the bill now before you is a bare minimum of the kind of legislation that fits these standards. There are many ways in which I believe this bill could be improved—improved, that is, in the direction of greater flexibility in the discretionary authority of the President.

However, I would like to use the time at my disposal this morning to urge you, and through you, the Senate itself, to hold fast to this minimum proposal. I urge you to reject any effort to comprise its principles.

Attempts will be made and, I understand, are already being made to write specially contrived formulas into the bill which would curtail the essential authority it now gives the President in negotiating reciprocal trade agreements.

Attempts will be made and are being made to restore the outdated peril point procedures of present legislation and the restrictive provisions of the old escape clause.

Such proposals are made, I am sure, by people who say they support the objectives of the President's program, by people who say that the United States must negotiate with the European Common Market, that it must act responsibility in its relations with the less developed areas, and that it must strengthen the economic defenses of the free world against the designs of international communism.

Yet many of these proposals would, in my judgment, make it impossible for our country to achieve these overall objectives on which there appear such overwhelming agreement.

In today's world it would be national folly to revert to the restrictive policies of the past; yet there is in most of these proposed amendments—and indeed even in various provisions of the present bill—a mysterious nostalgia for the protectionism of the past. Even where some of the proposed amendments represent a departure from past protectionism and a movement, at least so it seems, in the direction of freer trade, they present a pattern which, by the standards of what we must accomplish in today's world, must be tagged for what it really is—a new protectionism.

There are some who will go along with the negotiating authority as it is proposed in the bill now before you, but who will attempt to make changes in the escape clause by having the reserve list expanded.

Any escape clause makes reciprocal bargaining difficult at best, but let us make no mistake about it—the reserve list, which limits the total negotiating list we bring in the bargaining table, is an important dimension of our total negotiating position. The amount of tariff-cutting authority in this legislation is only part of the President's negotiating authority.

The United States must show a real interest in negotiating if we expect the European Common Market and other areas of the world to agree to come to the negotiating table seriously intent on reaching an agreement. A real interest in negotiating will require not only the authority provided in this bill, but also an impressive list of products on the negotiating list and impressive evidence that we shall not

withdraw concessions via the escape clause except as an indispensable last resort.

To set such a standard for U.S. trade policy is surely not asking too much of the American economy. I know that all of us on both sides of this witness table believe in the resourcefulness of the free enterprise system. If we really believe this, then there is no better way to show it than to adopt a trade policy that clearly bespeaks our enduring confidence in the free enterprise system.

I submit that a trade policy that shows such confidence is a major element in the ceaseless effort we must make to hold the confidence of the rest of the world in American policy and American purpose.

The American economy is today burdened with many problems. It will be facing increasing competition from other nations, virtually all of whom have received our assistance in their efforts to recover from the effects of war and to achieve unprecedented economic goals. The way to help American industry in this kind of competitive setting is not to use the escape clause as a quick and easy safety valve for the problems, the neglects, and the miscalculations in our domestic economy. The way to meet these problems with constructive solutions, and these are the only kinds of solutions to which our efforts should be geared, is to begin without delay to find such solutions through the close cooperation of both Government and industry.

There is much that American industry can do to help itself, and there is much that Government can do in a free enterprise system to facilitate such self-help.

The bill before you now includes some ways in which Government can fulfill such a responsibility. But the time to begin to find such solutions is not when problems become crises, but rather right now as we chart our economic course for the future and face up to the many ways and means of keeping the ship of state on that course.

I am very much aware of the fact that the Presidential discretion and negotiating authority, which I believe are so vital to our national objectives, are based on the delegation of major authority by the Congress to the Chief Executive.

I am closely aware of what this means for both the legislative and executive branches of our Government. It has been my great privilege to have served in both branches. The Congress, I am certain, wants to feel sure that the discretion the President asks the Congress to give him will be used in accordance with the intent of the Congress in the enactment of this legislation.

I therefore feel that both the Congress and the Executive, as well as the Nation as a whole, would benefit greatly from closer cooperation between the legislative and executive branches of Government with respect to trade policy.

I would therefore recommend that, in enacting this legislation, the Congress establish a select joint committee to study the progress of this policy and recommend to the Congress ways in which the program may be moved forward with increasing success. Great care should be taken by the President in the choice of the chief negotiator he is required to appoint under this legislation and in the choice of the negotiating team.

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Equal care will be required by the Congress in its designation of the committee and the committee's staff whose job it will be to provide the kind of legislative oversight which I have suggested.

I want to emphasize that legislative oversight in trade policy must not be in terms of legislative review of newly negotiated agreements, but rather should take the constructive form of evaluating the progress of the program and proposing additional measures to assure its success.

In conclusion I urge you to recognize that we have not only reached a point of no return; we have arrived at a moment in our Nation's history when—recognizing the facts, the challenges, and the opportunities of the world in which we live—we must move confidently forward with the posture and gait of leadership.

This is a time—not for going back, as some have proposed, or for conducting a study of where we are, as others have advocated—but a time of great decision reflecting the courage of our convictions.

The bill before you is no panacea for all our ills. The success of this program will take a lot of hard work. The bargaining we do will be the toughest we have ever done. We may not use any of the authority in this bill this year or next or the year after that.

But the bill before you is a vital policy instrument representing a declaration or purpose that is urgently needed right now to influence the myriad decisions, both public and private, now being made all around the world.

Those decisions will not wait. Therefore, our decision in trade policy must not be delayed.

Thank you, sir, for giving me the opportunity of presenting my views.

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

We assure you we will give full consideration to your views.

Any questions?

Thank you very much, sir for your appearance.

The next witness is Mr. Charles P. Taft.

Take a seat, sir, and proceed.

STATEMENT OF HON. CHARLES P. TAFT, CINCINNATI, OHIO

Mr. TAFT. Mr. Chairman, and gentlemen of the committee, my name is Charles P. Taft. I propose to file this entire statement. I am going to try to summarize it as your chairman has requested me to do.

The CHAIRMAN. Without objection the entire statement will be inserted in the record.

Mr. TAFT. While I am general counsel for the Committee for a National Trade Policy which I helped to organize in 1953, I am appearing today in my individual capacity as a longtime advocate of expanded world trade and liberal U.S. trade policies.

The committee represents an important part of leadership in American business, small and large, which believes in the free enterprise system and in competition as its foundation. I deplore the utter pessimism of the witnesses for protection who have again predicted doom as they have so many times before.

In the face of a new world trade situation, they seek restoration of the oldtime restrictions. These have now been dressed up for your

benefit on this committee and presented to the Senate by some of your colleagues in 37 varieties of Government intervention to avoid competition.

These 37 proposed amendments are very difficult, I may say, to follow. I found great difficulty in making sure exactly what they say. When I found out I wasn't sure what it meant. They are very hard to interpert. We are trying to prepare a summary of their content and when we have that we will ask permission of the chairman to turn it over to the committee for their use in any way that they seek to do so.

The CHAIRMAN. Without objection.

(The information referred to follows:)

ANALYSIS OF THE BUSH AMENDMENTS

The 37 amendments proposed by Senators Bush, Capehart, Allott, Bennett, Hickey, Saltonstall, Thurmond and Tower would, if adopted by the Senate and enacted by the Congress, make extremely difficult, if not impossible, meaningful tariff negotiations. While purporting to set up improved guidelines for the President in administering the act, the practical effect of the amendments would so hamstring the Executive in his operations and so limit his area of discretion as to make the legislation meaningless. These amendments are clearly calculated to destroy the bill.

Specifically, these amendments, which are analyzed in detail in the attached material, would in the main—

1. Seriously impair the President's flexibility in negotiation procedures by spelling out in the legislation specific concepts of reciprocity and requiring that the trade agreements concluded conform in detail to these arbitrary definitions;
2. Eliminate the special trade adjustment assistance provisions as an instrument of Government attention to industrial injury from imports—eliminating a way in which Government may help such industries find enduring solutions to such problems;
3. Leave to existing area redevelopment and manpower development and training legislation the responsibility for programs of assistance (on a priority basis) to firms and workers seriously injured by imports, thus merging two areas of public policy that have different purposes and different criteria;
4. Restore the specific peril point. This would require a finding by the Tariff Commission of a particular point at which serious injury would be likely to occur to particular products or segments of industries, again without reference to the larger economic picture of the industry. This provision could only have the effect of drastically reducing the U.S. negotiating list;
5. Restore the escape clause with its provision for industry "segmentation" and concept of "share of the market." This would preclude any total evaluation of an industry situation in terms of its broad viability and instead require findings of injury by the Tariff Commission for individual products, quite independent of the relation of their production to the larger industrial picture;
6. Seriously limit the provision for elimination of duties on tropical products;
7. Withdraw Presidential discretion in the use of section 252 which authorizes the withdrawal of U.S. tariff concessions in situations where other countries maintain non-tariff or discriminatory restrictions against U.S. exports; this would certainly make for very difficult negotiation;
8. Change the House bill to require a mere majority of the yea's and nay's (not a constitutional majority), and make it privileged, in instances where Congress considers overriding Presidential decision in escape clause cases. This, of course, avoids committee procedures and makes congressional override far easier and susceptible to surprise moves by enterprising protectionist Members of Congress.

In sum, the amendments equate the "stability" they purport to seek with status quo. Instead of devising ways to make the trade expansion policy work, they contrive to prevent it from getting off the ground.

DETAILED ANALYSIS OF THE BUSH AMENDMENTS

(The numbers used are those used in the Bush presentation)

1. Proposed amendment, section 201(a)

The amendment would require the President to determine that the first purpose of the act as set forth in section 102(1) would be served, plus any of the other purposes, before he negotiated a trade agreement. The purpose of this amendment is to make export expansion a required purpose in every agreement.

Reply: Section 201(a) already means what the proposed amendment would have it mean. Lines 17 to 20 require that the President first find 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" before he may negotiate an agreement. The fact that the amendment has been proposed reflects the failure of its authors to appreciate the closer interrelationship of all four of the declared purposes of the act.

2. Proposed amendment, section 202.

The amendment would delete the section, on grounds (*a*) that the administration's justication for it was that the rates 5 percent or less had little or no economic significance, thus justifying their elimination as a matter of administrative convenience, but (*b*) that the Ways and Means Committee said it did not mean to minimize the significance of these rates.

Reply: The purpose of section 202 is not the reason of expediency which is attributed to an administration witness. Nor can it be said that in every case a duty of 5 percent or less is of no significance. The purpose of section 202 is to make such products meaningful additions to the negotiating list, meaning the list of products to be negotiated not just with the EEC but with other countries as well. Since tariff concessions with other countries, and with the EEC outside the 80-percent formula, can be cuts not exceeding 50 percent, such concessions on items where the duty is 5 percent or less are not much of a concession. There are similarly low duties in Western Europe, perhaps particularly in the EEC as a result of the averaging of national rates (especially where some had been zero). Such rates often have restrictive effects measured only by the administrative delays and interpretations involved in clearing them through customs. Authority to go to zero in such cases could produce concessions aboard which 50-percent authority would not be able to produce. This authority could be a useful part of the President's negotiating leverage. As for the effect of tariff elimination on the industries concerned, such determinations would, under the bill, have to be made according to the same guidlines governing other tariff decisions.

3a. Proposed amendment, section 211

The amendment would restrict the application of the free-trade, 80-percent formula to items in which the United States accounted for at least 25 percent of world exports.

Reply: In the first place the proposed amendment does not accomplish—and no amendment of this type can accomplish—its declared objective. Its authors want to have the free-trade formula confined to those products in which U.S. exports are "of some significance," hence apparently of competitive strength in world markets. The proposal seems to assume that U.S. exports of all items within the 25-percent-of-world-exports category would amount to at least that proportion. There would be no such uniformity within each category; nor are tariff rates the same within each category.

In the second place, if the United States had to apply such a formula as the proposed amendment suggests, there is every reason to expect the EEC to use a comparable formula, not necessarily of the same magnitude. It might be a higher percentage. It would be applied particularly against products in which the U.S. proportionate position is relatively large and our stake in the EEC market presently great.

Such restrictive formulas do not contribute to the impressive negotiating authority we must have if we are to be effective in minimizing the tariff handicaps posed by the EEC's common external tariff. They rather lessen it. The authority pattern in the bill permits the exclusion from the free-trade negotiations of products in which such reductions of duty would be likely to cause serious injury for the industries concerned. On the other hand, it provides a negotiating framework likely to make it possible for the United States to increase its ex-

ports in the categories covered by the 80-percent formula, and even our proportions of world exports of the items in each category. The bill provides machinery for treating injury that may result from tariff concessions.

The proposed amendment, like others in this series, seeks a comfortable assurance ahead of time that no injury will occur. It seeks an unattainable certainty. It overlooks the potentials of the authority in the bill and of the trade expansion which that authority could generate.

3b. Proposed amendment, section 211(b)(2)(B)

The amendment would require the Tariff Commission to make public not only its determination of the product composition of each category covered by the 80-percent authority (already required), but also any modifications of such determinations.

Reply: Such a change is unnecessary in view of the clear requirement already in the bill, which by any reasonable interpretation must also include any changes the Commission might make in its definitions of category composition.

3c. Proposed amendment, section 211(b)(2)

The amendment would provide that the Tariff Commission, in modifying its determination of the product composition of 80 percent categories, may make such changes either for purposes of correcting earlier definitions or for excluding those products on which it finds that tariff reductions below the limit specified in the bill would cause or threaten serious injury.

Reply: This injects peril-point requirements (themselves objectionable; see later comments) into a section designed to deal only with the definitions of product categories. Aside from its objectionable features on other grounds, such a proposal is out of place here.

3d. Proposed amendment, section 211(c)(2)(B)

The amendment would require that the world trade data on which the 80 percent definitions are based should be made public.

Reply: Such a proposal would only confirm a practice already in effect. See, for example, the detailed statistics presented by the Secretary of Commerce to the House Ways and Means Committee and the Senate Finance Committee on the product categories that would qualify under the 80-percent formula.

3 e, f, and g. Proposed amendments, section 211(c)(2)(C)

The amendments would require that definitions of the 80-percent categories omit those exports "for which payment is not made nor undertaken to be made in the currency of the exporting nation on a commercial basis."

Reply: Since omission of such data from the exports of both the United States and the EEC (economically similar economies) and from the total base on which the United States plus EEC proportion is calculated would most likely not significantly affect the product list, there would seem to be no objection to this amendment. However, there is clearly a problem of how to define "commercial basis," and the cumbersome task of determining for all the countries concerned how much of the exports of each of them in each product category is financed by such things as foreign aid. Are loan-financed exports "commercial" if financed by the World Bank or the Export-Import Bank and "noncommercial" if covered by the foreign-aid program per se? This is only one of many questions open to many interpretations.

In addition, under conditions of free convertibility of most West European currencies since 1959 with respect to current transactions, it is conceivable that some "commercial" exports might be paid for in currencies other than those of the exporting country. It would also be very difficult to develop the necessary world export data according to means of payment. Moreover, whether or not the products involved are financed on a "commercial" basis, the demand for them reflects their competitive attractiveness to world customers.

3h. Proposed amendment, section 211(d)

The amendment would require that the Tariff Commission make public the advice it gives the President regarding the statistical material he is required to use in formulating his negotiating list for negotiations with the EEC.

Reply: This amendment would make public the material provided by one agency of government to the President for the preparation of a list which will be made public and on which public hearings will be held. The amendments does not seem sound, from the standpoint either of the procedures of preparing a negotiating list or of principles of government administration.

4. Proposed amendment, section 211(e)

The amendment would reinstate the peril-point procedures with respect to negotiations with the EEC.

Reply: This amendment would (*a*) seriously curtail the ability of the President to develop a negotiating list he considers best calculated to serve the national interest, (*b*) prevent the President from coordinating an adjustment assistance approach to import competition problems with his choice of a sound negotiating list, and (*c*) require the Tariff Commission to make precise judgments of likely serious injury on a list of a couple of thousand products. The so-called peril-point investigations of the past were, and never could have been more than, shadows of reality. They could never be more in the future. Predictions of this kind take no account of the adaptability of domestic industries to growing imports. This cannot be predicted. Moreover, an industry is no collection of identical producers. To which producer or producers is a peril-point germane? Thus the proposed amendment would add unrealistic procedures that would curtail both the President's negotiating authority and his ability to cope with problems of serious vulnerability to import competition. These peril-point findings would be final and conclusive.

5 a, b, c, d, e, and f. Proposed amendments, section 213

The amendment would add to the bill's section concerning tropical products a requirement that a tropical product on which the President may go to zero must not be a product "directly competitive with an article produced in significant quantities in the United States."

Reply: This amendment takes no account of (*a*) the fact that the quantities may be small, (*b*) the needs of the U.S. economy, (*c*) the difficult question of defining "directly competitive," (*d*) the fact that even substantial quantities of directly competitive products may not pose any problems for U.S. producers, and (*e*) the safeguards in the bill to deal with situations of import injury.

6. Proposed amendment, section 221

The amendment would reinstate the old peril-point procedures with respect to any agreement negotiated under this legislation. One of the criteria to be used which would necessarily point to likely injury from tariff concessions would be a significant decline in the domestic industry's share of the market.

Reply: See reply under No. 4. In addition, the share-of-the-market concept as a necessary criterion of injury completely overlooks the true position of the domestic industry. While in No. 6 the peril-point procedures do not prevent Presidental discretion in negotiations, they deter the necessary scope of discretion and for unrealistic and arbitrarily determined reasons.

7. Proposed amendment, section 224

The amendment would require that the President not only may not make an offer of a concession until after he has complied with certain procedures specified in the legislation (such a requirement is already in the bill) but he shall not make a concession until after those criteria have been met.

Reply: A concession is made only after a U.S. offer has been accepted by the country most interested in it. Thus the proposed amendment adds nothing to the bill.

8. Proposed amendment, section 225(a)(1)

The amendment would remove reference to section 351 dealing with tariff adjustment under the bill adjustment assistance concept.

Reply: The substance of this change is analyzed below under Nos. 18-32.

9. Proposed amendment, section 225(b)

The amendment would delete the 4-year limit on the period during which the President shall reserve from the negotiations products which had been the subject of a Tariff Commission finding of serious injury (even though not the subject of escape-clause action), thus making this exemption last for the 5 years of the legislation.

Reply: While there seems little difference between the 4 years provided in the bill and the 5 years proposed in the amendment, the 4 years' provision of the bill is already 4 years too long. It should be remembered that the exemption from negotiation (subject to certain qualifications which are not likely to alter the exemption) in this case covers escape-clause cases in which the Tariff Commission had found injury but the findings were rejected by the President. To

extend the 4-year exemption to 5 years would give the affected industry protection it could not prove it deserved. Although the Tariff Commission is required to update its earlier findings and the exemption is made only where the industry requests it, the time factors involved are so limited that it is highly likely the Commission would certify the exemption in most cases after a proforma examination of recent trends—an examination, incidentally, which would take no account of the ability of the Government to use adjustment assistance to help the industry improve its position. It is assumed also that the affected industries would ask for the exemption in every case.

10. Proposed amendment, section 225(c)

The amendment would require that the communication by the Tariff Commission to the President regarding the likely effect of concessions on the particular industries should take the form of peril-point findings.

Reply: See earlier references to the peril-point procedures.

11 a, b, c, and d. Proposed amendment, a new section 226

These amendments write a definition of reciprocity into the bill. They require that the President should not make trade concessions where the EEC (a party to an agreement or benefiting from an agreement), "except as otherwise permitted by the terms of such agreement," does not commit itself to admit like articles from the United States "on terms and conditions no less favorable than those which would be applicable to their exports of such articles" to the United States. The amendments would require that all countries with which we negotiate trade agreements or which get the benefits of such agreements admit like articles exported from all free countries "free from quantative and other nontariff restrictions" and subject to most-favored-nation treatment. The amendments would also require that U.S. concessions be made only to principal suppliers of the particular product.

Reply: The amendments write into the bill a form of reciprocity which, by taking no account of differences in the economics of the negotiating countries and differences in the products traded even within given product classifications, would virtually make impossible the negotiation of meaningful trade agreements. Strict bilateral comparisons with EEC, product category for like product category even where the concession to be made by the United States is to obtain concessions from countries outside the EEC), conflicts with any semblance of sound multilateral trading arrangement. This bilateralism, with which the EEC could be expected to respond reciprocally in kind, would apply whether or not the concessions we sought from the EEC were on products on which our concessions were of special interest to the EEC and vice versa. The amendment also takes no account of the possibility that some EEC nontariff and nonquota restrictions on imports may still be in effect without violating GATT and on which sustained efforts will still be necessary to get them reduced or eliminated. The proposed restriction would prevent an agreement until all of these restrictions (assuming we have nothing comparable in our own country) are discontinued, regardless of the effect of those restrictions on U.S. exports.

By tying the effectuation of U.S. concessions on various products to the readiness of all countries to accord most-favored-nation treatment to imports of those products, our ability to obtain concessions and new market opportunities in the countries where we need them would be seriously curtailed. The proposed amendment is clearly designed to force the application of most-favored-nation treatment by EEC countries to Japan and other Asian countries. Not only is this not the effective way to do it, but it assumes that all foreign concessions in which we are interested will also be substantial interest to those Asian countries. The assumption is not valid. The whole concept of reciprocity embodied in these amendments suggests that we are doing other countries favors by making trade concessions—favors for which we can extract all kinds of compensation at will. It overlooks our national need for export expansion and for getting concessions abroad.

As for the proposed requirement that U.S. concessions be offered only to the principal suppliers of the product outside the United States itself, the proper use of the dominant supplier concept—the way it has been used to date—is in terms of dominant supplier to the United States, not dominant supplier in general. If the proposed amendment were adopted, we should expect countries from whom we seek certain concessions to deny them on grounds that the United States while the dominant supplier of the particular products to the particular coun-

tries involved in the negotiations, was not the dominant world supplier. The likelihood that the two definitions of dominant supplier would coincide in many, even most instances, does not remove the objections, since it is important that we have the widest possible flexibility and the best possible negotiating list.

12. Proposed amendment section 226

The amendment would require that the President explain his reasons for not following the Tariff Commission's peril-point findings, which are provided for in other proposed amendments in this series.

Reply: This is a point contingent on the more basic peril-point proposal made in another amendment. See the comment on the proposed reinstatement of the peril-point procedures.

13a. Proposed amendment, section 242(a)

This is a clerical point contingent on the proposed deletion of the adjustment assistance provisions for industries. See comment on that amendment (No. 18–32).

13b. Proposed amendment, section 242(a)

The amendment would make the Secretary of Commerce the Chairman of the Interagency Trade Organization created by the bill.

Reply: While this would fix by statute the existing role of the Secretary of Commerce as Chairman of the Trade Policy Committee (a role which the President has indicated he intends to carry over into the operation of the new interagency group), it is the view of the CNTP that the bill should designate the President's Special Representative for Trade Negotiations as the Chairman. This would seen especially proper in view of the President's declared intention (in a letter to Chairman Mills of the Ways and Means Committee) to work mainly through the special representative in his efforts to achieve full coordination of the activities of the various departments in trade policy matters.

14. Proposed amendment, new section 242(b)(3)

The amendment would delete the word "unjustifiable." This is a clerical point contingent on the amendments proposed in the No. 16 series.

15. Proposed amendment, new section 244

The amendment would require that the President seek information and advice during the course of negotiations from each distinct industry and agricultural subdivision whose products are like or directly competitive with each "distinct and homogeneous grouping of articles which is the subject of negotiations."

Reply: This requirement with respect to such a large number of products would be unwieldy. The advice of the industries concerned should clearly be sought before the negotiations. This is amply provided for in the bill. In addition, the President should, at his discretion, consult them further during the course of the negotiations as he finds it necessary and helpful to do so. General language to this effect might be written into section 222. To require what the proposed amendment requires would not only be unwieldy, but it would require advice from only one point of view in U.S. commerce in the particular product—omitting not only the arguments of importers and consumers but also the views of members of an industry who may not agree with the so-called "representatives" of an industry, however such representatives may be identified.

16 a, b, c, d, e. Proposed amendments, section 252

The amendments would, by deleting the word "unjustifiable," require retaliatory action by the President whenever a foreign country or common market receiving the benefit of U.S. trade concessions maintains nontariff trade restrictions (including variable import fees) which burden U.S. commerce. They would also delete the word "unlimited" with reference to variable import fees as examples of nontariff restrictions.

Reply: Technically it seems possible to continue Presidential flexibility in dealing with nontariff restrictions, for whether or not such restrictions—using language in the bill—"oppress," "prevent the expansion of trade on a mutually advantageous basis," or "substantially burden U.S. commerce in a manner inconsistent with provisions of trade agreements" is left to the President's discretion. The proposed amendment is nevertheless objectionable since it directly rejects the fact that there are GATT rules on which the difference between "justifiable" and "unjustifiable" turns. It also rejects the whole experience of

the early postwar period when nontariff restrictions could clearly be justified for balance-of-payments reasons, and may still be justifiable in some cases.

The lawyer who wrote these proposed amendments acknowledges (perhaps unwittingly) that there must be an element of discretion involved. In insisting that there must be a "mandatory directive" rather than a "discretionary power" on the matter of foreign nontariff restrictions, he then adds that "any restriction which *impairs* the value of commitments made to us should be the subject of action to eliminate the restriction *where appropriate*" [Emphasis added.]

The italic terms clearly involve discretion.

The proposed amendments open the door to similar actions by other countries in the face of U.S. restrictions even where ours have been cleared with GATT and are hence "justifiable" in that sense.

The proposed deletion of "unlimited" with respect to variable import fees appears to overlook differences between those import fees which may be limited by international agreement and be "justifiable" under GATT and those which are unlimited, fluctuating in accordance with market changes and the discretion of the government that imposes them.

By proposing to delete a reference to Presidential discretion as to whether any retaliatory action he takes is consistent with the purposes of this legislation, the amendment directly rejects the need to serve the objectives of this legislation (a conclusion that is implied in the whole package of amendments). By deleting the word "unjustifiable" in connection with the types of foreign import restrictions on which hearings should be conducted, the proposed amendment takes no account of the requirement of public hearings in section 223 regarding concessions the United States should seek from other countries—in other words, on "justifiable" import restrictions, which are the only kinds of restrictions for whose reduction the United States should be prepared to make concessions. Section 252(c), on the other hand, deals with foreign restrictions on which a trading of concessions is not in order—that is, "unjustifiable" restrictions.

17a. Proposed amendment, section 255

The amendment would require the President, at the first appropriate terminal point in an agreement with the EEC, to terminate that trade agreement if he finds that, in the most recent 2-year period for which data are available, U.S. exports plus EEC exports did not represent at least 80 percent of world exports, or that the U.S. share was less than 25 percent.

Reply: This amendment is related to an earlier proposed amendment in section 211 preventing free-trade negotiations with the EEC unless these percentages were met. In addition to the objections expressed in our comments at that point, the proposed amendment here takes no account of the economic position of the U.S. industry and requires the President to terminate concessions if the percentage shares of world exports reach certain points. It rejects the concept of an expanding market and the ability of a country to do well even with a smaller share. It also takes no account of the compensatory action the United States would be required to take on other U.S. duties, or alternatively the retaliatory action we would encounter in the EEC. Such contingencies hardly contribute to the continuity which traders need in respect of import restrictions and to the export expansion objectives of the legislation.

17b. Proposed amendment, section 255

The amendment would add a section requiring the President to withdraw concessions from countries which do not practice the trade policies set forth in the proposed amendments identified in the number 11 series above.

Reply: This amendment takes no account of the fact that individual concessions are often not identifiable as having been made in exchange for particular commitments. Reciprocity, as noted earlier, cannot feasibly (considering our objectives) be a bilateral trading of concessions product for product. In addition to the earlier objections on the number 11 series, this amendment seeks enforcement of an originally unworkable amendment, taking no account of the facts of international economic and political life.

18 through 32. Proposed amendments

The amendments would restore the escape clause of existing law, making it even more restrictive—for example, by specifying limited criteria of injury: a significant decline in the share of the domestic market and either a significant decline in net earnings or a decline (omitting the word "significant") in em-

ployment, a loss of wages due to shortened work periods, or a decline in wage rates. It appears to omit the provision in existing law that the specified criteria in the escape clause do not exclude other considerations the Tariff Commission may want to take into account.

The proposed amendment would also provide for congressional override of Presidential rejection of Tariff Commission decisions by a simple majority of both Houses on a privileged motion.

Reply: Restoration of the old escape clause (with or without the added features that make it even more restrictive) has many objectionable features. It conflicts seriously with the need to confine the withdrawal of trade concessions and its trade-restriction multiplier effect to cases in which the concession has been at least a considerable factor in the import expansion; the proposed amendmnet would make it possible for import restrictions to be established even where the concessions were a very minor factor (even a negligible one) in the array of factors that caused the expansion. Moreover, the premise for this set of proposed changes—that the bill requires that the increased imports must be found to have been caused solely by the concession—is fallacious. The bill says "as a result of concessions." The criteria of injury are also such as to lead to findings of serious injury where no such injury really has occurred or is threatened. Restoration of the old escape clause (with or without the new restirctive characteristics) also leaves the President with no statutory alternative to the imposition of import restrictions where he accepts a Tariff Commission finding of serious injury. This could at times hurt the chances of import-buffeted industries of getting Government relief, inasmuch as the foreign policy of the United States could make it necessary for the President to reject a Tariff Commission finding if the only course of action he could take—and would in fact be required to take—would be import restrictions. It would also deny the President a combination of policy instruments designed to help the industry reach enduring solutions to its problems.

The proposed amendments conflict with the increasingly urgent need—considering today's world trade needs of the United States—to make the escape clause consistent with the facts and dynamics of economic life, including the ability of a free enterprise system to adjust to change, and the ability of an industry to shift production resources, and its ability to do well even while experiencing a decline in its share of the market. The amendments focus on criteria reflecting a desire to preserve the status quo in a rapidly changing international economic setting, rather than to help the United States find a firm place for itself in the world economy of which it is inextricably a part and in which it can grow only if it keeps pace with the pace of that environment.

The amendments would make a mockery of the desire to prevent injury, for they would seriously retard the effort that must be made to protect and promote the opportunities both of the affected industries and particularly of the total national economy on whose health all producers are so inextricably dependent. The role of Government should be to facilitate this, not to protect certain shares of the market.

By restoring the segmentation of industry provision of the old escape clause, the amendments would deny the Tariff Commission the freedom it should have—and which the bill gives it—to reach economically realistic and sound definitions of industry, consistent with the facts of economic life. The basis on which the author of the amendments rejects these provisions of the bill is his contention that, under the bill, "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 contention does not reflect either the language of the bill or the intent of the Ways and Means Committee in reporting the bill to the House. Even with this faulty reading of the bill, the amendment suggests that the responsibility of Government is to help protect a product, not the investment and the workers and the industry's strength and opportunities.

The proposed change in the provision for congressional override of Presidential rejections of Tariff Commission findings and recommendations would deny to the Senate Finance Committee and the House Ways and Means Committee the responsibility they should have to study such matters. The amendment would open the door to votes in either Chamber that would make a mockery of the legislative process.

As already suggested by the above comments, the proposed amendments reject the adjustment assistance concept in industry cases. They limit adjustment

assistance to firms and workers, and then only to the extent provided by the Area Redevelopment Act and the Manpower Development and Training Act.

33 and 34. Proposed amendments, chapters 2 and 3 of title III

The amendments would delete the adjustment assistance provisions of the bill as they apply to firms and workers and replace them with procedures which make assistance available on a priority basis under the Area Redevelopment Act and the Manpower Development and Training Act.

Reply: In the first place, the bill's adjustment assistance provisions do not preclude the effective use of those statutes as the source of remedies to firms and workers. Moreover, it should be expected that these adjustment provisions of the bill will be administered in close coordination with the other programs which provide adjustment assistance of some kind. However, the program under this bill is designed to meet a situation which the other statutes are not designed to deal with. More specifically, for example, it is conceivable that an injured firm may not be in an area qualifying for Government attention under the Area Redevelopment Act. Even where a firm may be in a "redevelopment" area, a redevelopment plan would have to be formulated by the area and approved by the State and Federal Governments before assistance under that statute may flow. The criteria and other provisions of that law are different from those needed in dealing with individual import-impact cases. Although the Government would, under the proposed amendment, be authorized to apply the provisions of the Area Redevelopment Act to these import-impact needs (both to firms and workers) as the Secretary of Commerce "shall determine to be appropriate for the sound economic redevelopment of the affected establishment and workers * * * notwithstanding any provision of such Act to the contrary" such a shelving of the standards of that statute gives the Secretary of Commerce authority that seems too sweeping and probably flirts with unconstitutionality. It also poses problems for the entire structure of the area redevelopment program.

With respect to the Manpower Development Act, the purposes and criteria are different from those of the assistance-to-workers provisions of the trade bill. For example, payments to workers during their unemployment are in the nature of unemployment compensation benefits based on their previous wage earnings. Payments under the Manpower Act are not in the nature of unemployment compensation but of subsistence benefits based on statewide criteria, not on the wage record of the workers who are found to have been dislocated by imports. Other criteria in the Manpower Retraining Act are also different from those in the trade bill. For example, the trade bill deals with all workers dislocated by imports. The Manpower Act deals only with heads of households. Moreover, transferring the assistance-to-labor program to the Manpower Training Act neglects those import-impacted workers who have reached near-retirement age and may be found unacceptable for retraining for other skills.

35. Proposed amendment, a new section 406

The amendment would require that any of the determinations the President makes under this bill "shall be based upon findings of fact by the President that the conditions or principles specified in each [case] exist or are applicable as shown by the record of the investigation made incidental to such determination."

Reply: This amendment is not at all necessary. It adds nothing not covered by the language or the clear intent of the bill. It isn't even necessary to assure that the delegation of authority to the President meets the standards of constitutionality.

36. Proposed amendment, a new section 407

The amendment would require that the President make public certain reports and judgments to him by the Tariff Commission and the Interagency Trade Organization as soon as practicable after their purposes have been accomplished.

Reply: The bill already calls for the publication of escape clause reports of the Tariff Commission. It seems unwise, from the standpoint of sound principles of government, to require the President to release at any time judgments made to him by the Interagency organization.

37. Proposed amendment, a new section 408

The amendment would inject a new peril joint and escape clause concept in addition to those already mentioned—this one designed to prevent "serious

impairment of the rate of growth" of growth industries producing products like or directly competitive with imports.

Reply: In view of the role of growth industries in our economy—they are the heart of the ability of the economy to sustain a trade expansion policy and our rising standards of living—the amendment says in effect that, if imports are found to impair our economic life, we should isolate ourselves from the rest of the world. This amendment seems to be a fitting capstone to the whole structure of these "37 varieties of protectionism." As throughout these amendments, no recognition is given to the dynamics of the American economy and its free enterprise system, or to the contribution of trade expansion to growth. Their only remedy for import injury—even for such a national catastrophe as the impairment of the growth rate of our growth industries—is import restriction, which impairs growth. The cumulative effects of these prescriptions of protection are a nation on the run backward.

Mr. TAFT. The President is seeking authority by delegation of Congress for a fixed period—authority of the same character, but with far more definition and restriction, as was given to President Roosevelt in 1934. There is an escape clause in the bill; there is a Tariff Commission examination of the negotiating lists. These provisions establish sound and constructive guidelines for the protection of both the national interest and the particular interests of affected industries.

The President also asks for unprecedented authority in regard to negotations with the Common Market. He asks also for special authority to seek assurance that Latin America can hold and expand its markets for tropical products in Europe; he asks for authority with which to negotiate against restrictive farm policies in Europe which could exclude, and already are beginning to exclude, our farm exports.

This is a new world, yet the 37 varieties of protection proposed by some of your colleagues are a total rejection of that world. The Common Market is a new context for the reciprocal trade agreements discussion. I have spoken to groups from coast to coast since last October, in nearly every case quite conservative.

Where earlier the protective idea was bred in their bones, I am sure from what they said to me, I found without exception the most extraordinary interest in the Common Market, and a universal concern that we should meet its challenge by a similar outburst of free enterprise.

Senator Tower may sponsor the 37 varieties of protection but the National Review, edited by Mr. Buckley, does not agree with him. I don't doubt that some businessmen and a few of their employees are actively talking to your colleagues. They do not represent the general business or labor sentiment of this Nation; and the rest of the community has little doubt at all of the immediate necessity for the passage of this bill.

In 1962 the United States faces the successful, dynamic, and exploding Common Market, the European Economic Community. For the first time in 30 years Western Europe, by all standards a major market for American goods, is bubbling in a vigorous revival of the free enterprise system. From that extraordinary economic activity, and from export sales to other parts of the world, we have profited to a degree that has relieved our lastest period of recession and thus continue to make a substantial contribution to our own capacity to absorb the 1,200,000 youngsters annually added to our labor force, as well as the unemployed.

The machine tool industry, the heart of our growth potential, I don't believe they testified before you against this bill, sent 25 percent of their production abroad in 1960 and nearly 40 percent in 1961.

Our export surplus is vital not only to our international balance of payments and to the limitation of our gold outflow, but to our capacity for growth and to our ability to lead the free world in meeting and surpassing the challenge of the Soviet bloc.

The Common Market and the rest of Europe are not waiting for us. Without positive and constructive action now, we shall find our present trade with Europe seriously reduced.

As the trade barriers go down inside the Common Market and as the outer wall is averaged, real damage not yet realized will come from more American plants forced to go to Europe to get inside those walls; from increasing exclusion of our farm products as agricultural interest of France and Germany finally reach agreement on higher support prices instead of lower; and from the proposed preferences for present and former European colonial empires, shutting out tropical products upon which many of our Latin American friends rely for their very lives. This is why I say we must act now.

One of the thirty-seven varieties of protection proposed by your colleagues, and I am going to discuss these amendments because I didn't think they have been prepared or discussed in earlier hearings, is that a requirement of specific forms of reciprocity be written into the bill. No one disputes the necessity for reciprocity; the problem is how to define it. The language in the 37 varieties was written by a protectionist lawyer, not by a technician in international trade negotiation.

His concepts of trade, negotiation, and the adaptability of a free enterprise system would prevent the vigorous trade expansion policy so necessary to our national objectives.

Reciprocity cannot be achieved by the old German bilateral deals of the 1930's, or by the bilateral trade agreements on Latin American raw materials of the McKinley and Dingley tariffs in the 1890's. They didn't work and they don't work.

International trade expansion is inevitably multilateral and eludes bilateral arrangements like mercury.

There can be no doubt that we must favor the most-favored-nation treatment originated by Secretary of State Hughes and Senator Lodge in 1922, but there can be no doubt also that we must negotiate as has been done in GATT with those who benefit by it, and require them to pay something for it.

Exact predetermined mathematical measures of reciprocity as attempted in these proposed amendments are impossible realistically. When we negotiate industrial concessions, for instance, either for freeing our agricultural exports or Latin American exports to go to Europe, this operation is so much a matter of expert judgment that the only possible language for reciprocity, in my opinion, would be an instruction to the President, in so many words, that in his negotiations he must seek as nearly as possible full reciprocal benefits. This, I think the legislation, as modified by the House Ways and Means Committee and passed by the House, does now.

One of our major difficulties in world trade today is international restrictions like the equalization taxes or "variable levies" involved

in the present Common Market "agreement" on agriculture (and put "agreement" in quotes because it is really not an agreement as yet on anything which is necessary to their final agreement), as well as other internal taxes that sometimes are a violation of GATT, but are slow and difficult to get rid of.

Section 252 represents a vigorous expression of the intent of Congress that the President work toward the elimination of these protective measures, and an injunction to utilize in every proper case the penalties provided.

One of the thirty-seven varieties would deny the Senate Finance Committee and the House Ways and Means Committee responsibility with respect to resolutions for congressional override of Presidential decisions in escape clause cases. By making these resolutions privileged and subject to congressional approval by a simple majority of those present and voting, it bypasses regular congressional procedure for careful examination and analysis.

The 37 varieties thus contrive to negate as easily as possible Presidential decisions in trade policy. When these proposals deal with the role of the Congress, their purpose is not to give the Congress a positive, constructive role, but rather to make the role of the President ineffective.

At this point I would like to emphasize that the Congress, in delegating such important authority to the President in such an area of essential national interest, ought to find appropriate ways to concern itself with the trade expansion policy on a sustained basis during the period covered by the legislation.

This is the point to which the distinguished former Secretary of State has just referred, and I want to do it only in a little more detail than he did, and submit to you, as I have promised to do (but it is not in my statement), proposed language that would help to accomplish the purpose.

Congress never surrenders its final power in trade policy, nor should it neglect its responsibility to make sure that this trade expansion program in all its many complex features is a successful one, and conforms to its intent.

But the way to do this is not through the negative role of a congressional review of newly negotiated agreements, or even of escape clause decisions. It is rather through affirmative examination of the progress of the program.

How can this be done?

The present bill requires the President to send an annual report to the Congress "on trade agreements and adjustment assistance under this act."

The Tariff Commission is also required to submit to the Congress "an annual report on trade agreements under this act." The report of the President should be a major and information report to the Congress on the President's stewardship each year of the trade expansion policy during that year.

Congress should hold hearings on that report, perhaps through a joint committee (or a select committee of each House), consisting of representatives of the various committees with major jurisdiction over some aspect of export and import policy. The purpose of these

would be the constructive purpose of assuring that all necessary steps are being taken to make the new trade expansion policy a success.

The President should be required to report not only on trade agreements and other activities he has undertaken in international trade consultations, but also on the effectiveness with which the American economy is adjusting to import competition and availing itself of new export opportunities. This report would afford him the opportunity to advise the Congress on a regular basis in areas of public policy which might require new legislation to enhance the effectiveness of the trade expansion program.

These procedures, which amount to active accountability to the Congress by the President on his administration of the program, would provide a framework for congressional review of progress made on various policy aspects which concerned the Congress when it enacted the new policy. This constructive surveillance over the President's conduct of the program would be matched by active administration responsiveness to congressional intent in this field.

Thus the President would continue to have the authority and flexibility he needs to cope effectively with the many issues of both foreign and domestic policy involved in the Nation's trade relations with the rest of the world.

The Congress would not only retain control over the tax and commerce powers, but would make that control constructive by concerning itself with ways and means of enhancing the practicality and effectiveness of a trade expansion policy.

The language of the present act and of the administration bill that passed the House makes a beginning toward this objective.

Under this proposal the dignity and importance given to this annual review could approach that which has been achieved by the hearings and report of the Joint Economic Committee with respect to the Economic Report of the President.

The traditional methods of relief are not abandoned in this bill. In fact there are many objections that too much is retained. My own judgment has been that essentially the President is given no more power than he has already, and less than he had under the original act except in the question of percentages of possible reductions.

The procedures are improved upon and made to serve the basic interests of the Nation as well as of the industries and workers who may be injured by growing import competition. The present form of relief in the existing legislation is not as effective as that under H.R. 11970.

In the first place, in spite of the importance which the late Senator Milliken gave to the peril point—and I discussed it with him when he was working on it in 1948, when he originated it in that year—experience has indicated the impossibility of fixing a point in a tariff duty at which "no damage" stops, and damage begins.

The distinguished chairman of this committee has referred to the fact that it is very difficult to determine whether imports did the damage to a particular industry, perhaps even to a particular plant. There are certainly some instances where this can be shown very clearly, but there are also many in which it is very difficult to do so. If it is difficult to do so then how is the Tariff Commission in so many of the cases expected to find a point at which damage will begin.

For instance, does damage begin at that point for the very efficient, integrated, and competitive Mr. Cannon in North Carolina, or for a little nonintegrated and inefficient textile mill in South Carolina or Virginia trying to make the same products?

Or from another point of view, when it takes 6 months for the Tariff Commission, probably understaffed and overworked anyway, to consider fully an escape-clause matter under the present act, in regard to a single sector of an industry, how in the world can that agency establish a precise peril point for the thousands of items proposed for the complicated negotiations that concluded this year in the trade agreement with the Common Market countries?

The answer is that it could not and did not.

I quote the following paragraphs, the first from the President's statutory report to Congress on that agreement of January 1962, and the second from the accompanying detailed description of the negotiations, by the negotiating team.

The one on page 10 is from the President and the one on page 11 is from the negotiating team:

> I believe that we must recognize that under the law the Tariff Commission was required to make hasty predictions as to future market conditions for thousands of individual articles. These predictions were necessarily superficial. Even if there had been available, and there was not, a full range of data for production, trade, and prices on all these articles, the Commission's task was a highly speculative one. This was particularly true with regard to items exported from the Common Market countries. These countries are going through revolutionary changes in their trade patterns, attendant upon the development of a new internal market of unprecedented proportions. In some cases, products which were previously available for export to other countries will find their future markets within the area. In other cases, products which had not previously been exported will appear as new export specialties.
>
> The Tariff Commission's peril-point findings were, therefore, carefully reexamined and a number of additional items were found in which it appeared possible to offer tariff reductions. These were items in which the procedures and standards stipulated in the Trade Agreements Act had compelled the Commission to make unduly restrictive judgments or to make judgments unsupported by relevant evidence. In many instances, tariff reductions of even a few percentage points had been precluded. In some instances, peril points had been set on items where imports represented only a minor fraction of domestic production. In others, peril points had been found at existing duty levels for specialty commodities which were produced abroad for a narrow and highly specialized market in the United States and which were not competitive with domestic production. In still other cases, a single peril point had been set for basket categories of many items, even though the situation as between items in the category appeared to differ markedly. It was in cases of the foregoing character that it was decided that tariff reductions could be made.

The so-called peril-point investigation has always been a shadow of reality; yet many basic decisions have been based on superficial and arbitrary peril-point findings which have been required under the trade agreements legislation of the past decade.

The new bill calls for a Tariff Commission judgment provided to the President on the scope of problems that may arise as a result of tariff reductions. This is even more than the negatiators ever had as meaningful guidelines under previous legislation.

The escape clause under the bill passed by the House does by inference exclude the segmentation of industry provided by the present act.

How can the supporters of the 37 varieties of protection contend that the Roosevelt-Hull-Truman-Eisenhower policy accompanying those proposals, or the congressional policy either, really intended that the Government have an obligation to protect production of a certain narrowly defined product quite aside from the ability of a diversified industry and its workers to adjust to an import problem in that product?

The fact is that a few garlic farms in California, a tartaric acid plant in Brooklyn, and producers of horseradish in Iowa—none of them involving more than a few hundred workers—have had escape-clause proceedings and have taken the time of the overworked Tariff Commission all for themselves.

The real segments of any industry that have any meaningful economic character come within the definition of an industry in the present bill. Whether they exclude those that don't have meaningful economic character is a matter of inference. I say they do, but it is not stated in that way.

Import restrictions to provide relief for only small sectors of industries could and have brought windfall gains to the strong and integrated members of that industry, often without coping really with the special needs of weaker members.

Lead and zinc measures at times have been in that category. If the weaker members of an industry can make a successful adjustment to import competition, through their own efforts abetted by Government assistance, there will often be no need whatever for the Government to protect it against such competition.

Such relief by import restrictions does not solve the problems of the affected producers. Moreover, such restrictions cannot be invoked without compensatory action required under a prior trade agreement, either through the withdrawal of certain concessions by other governments which are parties to the agreement, or through new concessions we would have to make on other products.

Where import relief is found to be necessary—and it may be invoked only to help an entire industry or major part of an industry—the bill clearly implies that the relief should be only temporary, providing an adjustment period during which the industry should be expected to seek solutions to its difficulties.

Import relief may be technically a temporary measure under present legislation, but there is no incentive under the present act for the affected producers to seek real solutions to their problems.

The net effect of these new provisions would be to spur American producers to adjust quickly to new import situations.

In principle trade adjustment to damage by imports is very sound. It will not only remedy import damage but strengthen our economy and our abilities to compete without subsidy.

(*a*) Though vigorously supported by labor, trade adjustment was a businessman's suggestion. John Coleman, president of Burroughs Corp., and later president of the U.S. Chamber of Commerce, proposed it publicly to the Randall Commission in October 1953. It was not a labor proposal.

(*b*) It is widely claimed that trade adjustment somehow dictates to plants and workers how to run their businesses. There is no dictation

to anybody. If a plant or workers want to apply, they may. Nobody makes them.

Their application has to contain a plan which the applicant prepares himself, designed to meet his competitive problem as he sees it.

Each plan has a definite time factor, a termination point. Governmental help is not perpetuated, but specifically limited, quite contrary to farm or shipping programs.

(*c*) The remedies are not something new, but programs with good experience behind them. This has been in effect for the Iron and Steel Community, and for the Common Market, and actively available for from 3 to 7 years. For them in that period it has cost less than $12 million, or not that much under different calculations.

(*d*) Large companies don't need SBA loans and won't use this except conceivably for individual plants.

(*e*) Vocational rehabilitation and training within industry have worked to an increasing degree. Unemployment compensation and moving expenses for workers are the basis of the worker provisions. These remedies are old and successful.

(*f*) Talk of favoritism like the old RFC charges, or the current agricultural ones, is clearly exaggerated. Most Federal loan programs are well run.

(*g*) The claims of subsidy are again much exaggerated. There is no such subsidy here as those to shipping or to metal production or to agriculture.

More than that, the alternative to trade adjustment is subsidy to those unable to compete—in the form of tariffs or quotas that let prices rise as they did this spring for glass. Then the consumer pays the subsidy, by order of the Government.

(*h*) Not only is there little if any subsidy in trade adjustment, but whatever there is is limited in time. There is nothing indefinitely continuing about assistance to any plant or worker in this bill.

Why should workers idled by imports get special benefits that are unavailable for workers displaced by automation or any other factors?

The same kind of question arises with respect to those sections of the adjustment assistance program that provide help to business firms: Why should production facilities idled by imports get special benefits that are unavailable to firms injured by other economic forces?

The basic answer to both questions is the same. The President put it this way in his trade policy message to the Congress, January 25, 1962:

> When considerations of national policy make it desirable to avoid higher tariffs, those injured by that competition should not be required to bear the full brunt of the impact.

In other words, this is not a case of the normal operation of the American enterprise system; it is a case of competitive injury brought about by direct Government action in the national interest.

To qualify for adjustment assistance, the industry or the firm would be required to provide substantial injury attributable to import competition. Firms would have to show that, as a result of tariff concessions, competitive imports were entering the United States "in such increased quantities as to cause, or threaten to cause serious injury * * *" and this raises exactly the question raised by the dis-

tinguished chairman of the committee as to how you know whether the imports really did the damage.

It has always been my claim that most of the claims of damage are really due to other factors. This could be demonstrated widely in the textile industry, for instance, where you have had so many producers if you get into a case of a price war, you immeditely begin to cut prices across the board, and put some of them in very serious difficulties.

There is no question in my opinion that this has been responsible for more of the trouble of the textile industries than imports ever have, which have been restricted in general to a few specialized products.

The Senator will remember the case of the velveteen plants, one of which is in the State of Virginia, I believe. When the chairman and I discussed this in 1955, there were, I think, 1,200 employees in velveteens in the entire United States, and promises were made if the bill was passed that all the velveteen plants would be utterly destroyed.

In 1958, 3 years later there were 900 still employed in velveteen plants in the United States. I don't know the breakdown as to Virginia, but this was certainly true as to total.

So not only the predictions are often quite inaccurate but in addition to that it is very hard to know whether imports did it, and in that particular case you will remember that the Japanese had waterproofed the velveteens and brought them in at 12 percent instead of 33 or 40 percent and then taken the waterproofing off. This was stopped shortly after the time that the bill was before this Senate in 1955.

To return to my discussion of qualifying for adjustment assistance, the act proposes:

> In making its determination the Tariff Commission should take into account all economic factors which it considers relevant including—
>
> (1) Idling of the productive facilities of the firm;
>
> (2) Inability of the firm to operate at a profit; or
>
> (3) Unemployment or underemployment in the firm.

Workers would have to prove only the third item "unemployment or underemployment of a significant number or proportion of the workers" caused or immediately threatened by such increased imports.

Where imports tend to exert an injurious impact on a firm and its workers, the problem is generally only one of several encountered, and the problem from imports is usually one of the lesser ones.

It should be expected that firms and workers with import difficulties and those without import difficulties will avail themselves of all the facilities at their common disposal. It is conceivable that the problems of these firms and workers may be successfully dealt with through the facilities available outside the trade legislation.

To the extent that such facilities are not adequate, firms and workers who can prove injury from import competition would be entitled to special consideration in view of the fact that the problem they encounter is one to which national policy of trade liberalization may have substantially contributed.

Constant reference is made in debate—and the protectionists supporting the 37 varieties have done so—to State Department diplomatic or foreign aid considerations as measured against injury to our workers and businesses.

Foreign policy may occasionally be one consideration in a negotiation, but this is not the major reason for the President's decisions on escape clause or peril point matters. The major consideration in all trade agreement operations is the total effect on the American economy.

Many years back the cheese amendment (which I am sure all of you three who are here today will remember) which was a tight quota on foreign cheese, was attached as a rider to a defense appropriations bill in violation of our trade agreement with Holland. The Dutch, damaged by this restriction of their export of speciality cheeses—important to them, but not really serious for our dairy industry—promptly put a quota on American wheat flour, which was much more serious to our wheat farmers than Dutch cheese ever was to our dairy farmers.

This necessity for an overall economic view of foreign trade problems is what all our international traders understand, and what the supporters of the 37 varieties of protection clearly ignore.

The State Department or the President in protesting or preventing action like the cheese amendment is not coddling the Dutch or other foreign nations, but protecting producers and exporters in the rest of the economy, looking at our economic situation as a whole, if the restrictive measures are put into effect.

Thus it is that the 37 varieties, in attempting to curtail the President's discretionary authority, seek to secure protection for some products—usually minor—in the whole economy, at the expense of the economy as a whole. I have specified some of those in my testimony before the Ways and Means Committee and I won't repeat it.

The continuing protectionist argument is that a growing industry is damaged if it does not grow as fast as imports.

Again, this is a rejection of the overall benefit of imports to our economy and our consumers. Our automobile producers lost to imports in their share of the market for a few years.

But how else would the consumer have secured the wide selection he now enjoys which the American producers had not found it economic to produce. Why should there be any of this kind of protection which the 37 varieties propose, when the American companies involved are actually prosperous and increasing their business?

Don't they ever change their product mix in the face of domestic competition?

The claim that such producers are damaged because of an increase in foreign proportion of the total U.S. market, and a decrease in theirs (although they are decreasing their business), is the most complete nonsense, especially when it comes from people who insist they favor the free enterprise system.

If they mean what they say about favoring the free enterprise system by saying this they clearly don't believe in that system.

The 37 varieties of protection are clearly and wholly devised to produce a closed system—a comfortable, noncompetitive, high-priced business world. That results in a dying economy that cannot compete or even continue to exist in this world against the dynamic, optimistic booming producers of Europe.

I agree that we need tough traders in the administration, and we who support this bill must insist on that. I would remind this com-

mittee of one situation with which they may or may not be familiar but which to me is a sample of one gap we have had in the general area. You may not know that the drug producers (who have been vigorously attacked in some quarters but nevertheless are certainly entitled to fair treatment in this) complained bitterly because the patents which they secure here are not recognized in Italy. Their new products are pirated, copied, and produced in Italy, for instance, and then distributed in many, many places outside the United States—even here. The representations made to Italy have been wholly inadequate, in my opinion, to bring about some revision of that situation.

We should be tough, and I am emphasizing that sample in support of my position that maybe we haven't been tough enough.

But we will not be accomplishing tough negotiation by trying to direct them in every detail from the back seat. The annual report and vigorous bipartisan annual review by Congress which I propose—and which the former distinguished Secretary of State proposed just before me—with the many features of trade policy directed and coordinated as this bill proposes, are the way to achieve that result.

Finally, I would like to endorse the specific amendments recommended by Carl J. Gilbert, Chairman of the Committee for a National Trade Policy, in his testimony before you on behalf of CNTP on July 24, 1962. These are nine amendments which are now part of the record.

1. Sections 202 and 253—Low-rate articles authority and staging requirements: Amend to allow a minimum annual reduction of 1 percent ad valorem of tariffs under this authority to avoid complexities in calculation.

2. Section 225—Reserve list: Amend to allow non-tariff-adjustment assistance to be utilized as an alternative to commodities being placed on reserve list.

3. Section 232—Safeguarding national security: Amend to require the Executive to seek solutions to the problems making tariff shelter necessary with a view to eventually terminating such shelter.

4. Section 241—Special representative for trade negotiations: Amend to broaden role of chief negotiator to concentrate in him the coordination and administration of the powers delegated to the President in the act other than adjustment assistance and escape clause, and empower him to advise the President on the impact of domestic policies on our international trade.

5. Section 242—Interagency trade organization: Amend to require special representative to serve as chairman.

6. Section 201—Tariff Commission investigations and reports: Amend to require that Tariff Commission reports in escape clause cases and Presidential proclamations in escape clause action be based on industry data no more than 6 months old.

7. Section 323—Weekly amounts (adjustment assistance): Amend to require full Federal payment of adjustment allowances in place of partial State and Federal to those workers eligible for State unemployment compensation.

8. Section 351—Tariff adjustment authority: Amend to provide that any tariff protection given shall automatically be reduced, over the period found to be necessary to complete the adjustment, in stages

decreasing to zero at the end of the period unless the President authorizes other treatment.

9. Section 402(2)—Reports: Expand to require President to include an appraisal of the overall U.S. position in world trade and the impact of domestic policies on our international trade.

The CHAIRMAN. Thank you, Mr. Taft. It is not clear to me what you mean by 37 varieties of protection. I have heard of 57 varieties of soup. I don't know where you will find those.

Mr. TAFT. I thought of 57——

Senator DOUGLAS. I believe Howard Johnson says he has 37 varieties of ice cream.

Mr. TAFT. They were presented by Senator Bush and I think he will present them this afternoon.

The CHAIRMAN. There is no use in your going to any trouble about it.

Mr. TAFT. They appear on page 14371 of the Congressional Record for the Senate.

The CHAIRMAN. You mean 37 amendments?

Mr. TAFT. Yes, sir; 37 specific amendments in so many numbers for August 2, 1962.

Senator WILLIAMS. These are the Bush amedments?

Mr. TAFT. These are the Bush amendments.

Senator WILLIAMS. And you are submitting nine amendments?

Mr. TAFT. Yes.

Mr. Gilbert submitted them, I am endorsing them, that is correct.

Senator WILLIAMS. Yes. Yours are not part of the 37 and that makes it 46?

Mr. TAFT. I should hope not; ours are very simple, they are described here in brief terms that anybody can understand. If you can read the description of the 37 amendments in the Congressional Record on pages 14371 over to the bottom of 14373, without an awful lot of work, you are a better man than I am, I can assure you.

The CHAIRMAN. I would like to ask you about your amendment No. 7, to require full Federal payment of adjustment allowances in place of partial State and Federal to those workers eligible for State unemployment compensation. Do you mean then that those workers would exclude themselves entirely from the State unemployment benefits?

Mr. TAFT. Sir, I am no expert in this area, and I heard this morning a gentleman, it seemed to me, who knew what he was talking about, the representative, the longtime administrator of unemployment compensation in Wisconsin.

I think I will simply say that I listened to him with great interest and education. He knows much more about it than I do, and I think I would normally be governed by his recommendation.

The CHAIRMAN. Do you favor the Federal Government paying in toto, and the State contributing nothing?

Mr. TAFT. That is correct. That was one of the suggestions that came from several witnesses.

The CHAIRMAN. Do you know whether that is possible under the State laws?

Mr. TAFT. I can only refer you to what the gentleman said. He thought it was.

The CHAIRMAN. Under State laws certain people are entitled to certain benefits?

Mr. TAFT. This I can't answer. I did not prepare this amendment, it is not in my field of expertise.

The CHAIRMAN. You have endorsed it and I assume you knew it.

Mr. TAFT. I have the general principle also endorsed by the gentleman from Wisconsin. If you are going to do it for the reasons set forth in the bill it ought to be paid entirely by the Federal Government just as it was done for veterans in Georgia.

The CHAIRMAN. You would exclude these companies that are injured by imports entirely from the State compensation systems; is that it?

Mr. TAFT. I am not really sure of that, sir, I don't know whether that is the effect of our amendment or not.

The CHAIRMAN. That is what your amendment says, the Federal Government would pay the entire cost of it.

Mr. TAFT. That is a matter of reimbursement, sir.

The CHAIRMAN. Maybe you could furnish me a memorandum so I could understand it.

Mr. TAFT. Well, I think, sir, that you can get more from the gentlemen from Wisconsin, and Senator Javits, I understand has introduced an amendment for this purpose.

The CHAIRMAN. I don't think the gentleman from Wisconsin advocated that at all.

Mr. TAFT. He suggested ways in which the purposes of the bill could be accomplished and, in doing so, I think, the record says that it could be accomplished if the Federal Government reimbursed wholly for what was paid out for this reason.

The CHAIRMAN. I wouldn't go on record for saying that the gentleman from Wisconsin favors it because I don't think he did.

Mr. TAFT. I didn't say that.

He said that he suggested ways in which it can be done. I think our amendment works in that direction. It may not be worded as accurately as perhaps it should be.

The CHAIRMAN. As long as you approved the amendment I have confidence in you. You have appeared before this committee many times. As chairman of the committe I have twice reported the Reciprocal Trade Agreement Extension Act.

I made my maiden speech in 1934 in the Senate in favor of the reciprocal trade agreements. If you advocate this I would like you to give me a memorandum on exactly what you mean.

That is not an unreasonable request, is it?

Mr. TAFT. No, sir; it is not. I will try to do so.

(The following was later received for the record:)

Questions have been raised concerning the nature and extent of benefits to workers and the danger of Federal intrusion in State unemployment compensation programs.

A worker displaced as a result of import competition due to a tariff reduction suffers as a result of deliberate national policy designed to benefit the Nation as a whole. It is not a case of the normal operation of the free enterprise system. Therefore, it seems just to extend appropriate assistance to him.

The objections to the specific provisions of the bill which provide Federal standards for qualification and payments at rates substantially above those provided under the most liberal State system reflect a fear that this will set a pattern for Federal standards and high compensation rates throughout the pro-

gram. We stand behind a sound program of assistance to workers hurt by import competition, but we do not claim any special competence as to amount or duration of payments. We do think it is desirable to quiet these widely expressed fears of employers without crippling the adjustment assistance program, despite the bill's stipulation that the excess of the trade adjustment allowance over the amount the worker would get from ordinary or current Federal-State unemployment insurance, if there were no adjustment assistance program, is to be reimbursed to the State by the Federal Government.

It seems to us that the reasoning followed in justifying extraordinary payments to workers because their plight is the result of national policy would also apply to the States. The impact of import competition is indeterminate at this time since it will depend upon future tariff negotiations and the changing economics of world trade. The impact of the burden of unemployment payments, State by State, is unpredictable now and is almost certain not to be evenly spread. Since the demands on State unemployment insurance funds determine the rate which must be paid by employers, they are a factor in competition for industry among the States. It seems that to require individual states to bear the full burden of expense caused by actions of the Federal Government which are in the general national interest is no more fair than requiring injured workers to bear unaided the burden of unemployment thus generated. Consequently, I respectfully suggest that your committee consider amending the bill before you to require the Federal Government to meet directly the full cost of benefits extended to workers who qualify for trade readjustment allowances. By thus maintaining a separate program, though administered at cost through State agencies, the objections to the level of payments, to Federal standards, and to the impact on individual States, together with the fears of establishing precedents to be followed by State unemployment insurance programs, would be quieted.

The CHAIRMAN. Don't put it on the gentleman from Wisconsin because I don't think he would want to carry that burden.

Mr. TAFT. No, but all I pointed out, sir, and I will repeat it, he said if you wanted to accomplish the purpose indicated in the bill, that is to say to compensate those who are injured by an affirmative Government action, that one way in which it could be done was by providing in some appropriate way for the Federal Government to reimburse fully for what was paid out for this purpose.

If your bill doesn't do it then certainly I would advocate amending it so it does it appropriately in that way and I have no intention whatever because I support the State principle in unemployment compensation myself, I have no intention of attacking that principle.

The CHAIRMAN. As a former Governor of a State you would have to amend the State unemployment compensation law because those that are out of employment are entitled by law to such benefits.

Mr. TAFT. I understood the gentleman was suggesting a process by which you would not have to amend the State laws and I would be in favor of that. Whether he approved of it or not, I am saying he did suggest how it could be done.

Senator WILLIAMS. Do I understand you endorse the recommendations that the gentleman from Wisconsin may submit to this committee in that connection?

Mr. TAFT. Well, I think so, I didn't hear very much that I disagreed with but if he covers something I didn't hear him say I might not approve of it.

The CHAIRMAN. I would suggest you read his testimony.

Mr. TAFT. I listened to it very carefully, sir.

The CHAIRMAN. You will see he disagreed with practically all of it.

Mr. TAFT. I am not so sure. I will read his testimony and if it does I will give you a memorandum on that.

The CHAIRMAN. This particular part of it he disagreed with all of it if my ears were open and I could hear.

Senator Douglas?

Senator DOUGLAS. Mr. Chairman, Mr. Taft, I know you are a very modest man and you don't like to brag but let me say I have always thought you were one of the finest citizens in the country and your testimony this morning bears out the high opinion which I have of you.

Mr. TAFT. Thank you, sir.

Senator DOUGLAS. Now in connection with the question as to what Dr. Raushenbush testified about, I have the text of his statement before me, and I would like to read this passage.

Several alternatives are available for these purposes and the second alternative was as follows and I quote precisely:

> *Complete Federal financing.*—If Congress should find it essential for any reason to stick with the 65–65 percent deal, then all of the 52 (65 or 78) weekly benefits or allowances to be paid under this pending Federal law and Federal program should be 100 percent federally financed, with no State-financed benefits in the picture.

Mr. TAFT. Senator, may I interrupt to say he was asked that—I think by Senator Curtin—as to whether he meant that that program should be administered through the Federal Government he replied at once, no, that it must be administered through the State offices.

Senator DOUGLAS. Yes.

Then he went on to say that would remove the supplementation and conflict angles. It would cost more Federal money but it would carry out the idea of the Ways and Means Committee that, and then another clause:

> The terms of worker assistance are not meant to be precedents for the unemployment insurance program.

Mr. TAFT. That is what I was referring to.

Senator DOUGLAS. Yes.

The CHAIRMAN. I think in justice to the gentleman from Wisconsin the Chair should communicate with him and state that Mr. Taft thinks he is satisfied and approves of the amendments that Mr. Taft has proposed, and I will obtain that and insert it in the record.

Mr. TAFT. I am not sure he will, sir, because he did not draft it. I am saying I thought what he proposed indicated——

The CHAIRMAN. You said he indicated agreement with the proposal.

Mr. TAFT. No, sir. That is not what I said. What I said was just exactly what he said there that he proposed a way in which it could be done. He said nothing about whether he approved it or not.

Senator DOUGLAS. If I may read the final sentence.

The CHAIRMAN. Excuse me.

Senator DOUGLAS. He said:

> In brief use 100 percent Federal financing for this uniquely Federal responsibility and for all of this uniquely Federal program.

That is precisely what Mr. Gilbert proposed, is that right?

Mr. TAFT. I think that was his intent. Whether the language conforms to it, I don't know.

Senator DOUGLAS. I want to say, Mr. Taft, I think that the country holds you in very high esteem, and deservedly so.

Mr. TAFT. Thank you.

Senator CARLSON. Mr. Chairman, Mr. Taft, I just want to say, too, that your many years of interest in the studies of our international trading programs entitle your testimony to receive every consideration and it certainly will from me. I did notice in your statement that there are a few instances in which you have some concern, at least, as to our future trade, and one of them that caught my eye particularly deals with the agricultural trade, and you state in your testimony here:

> One of our major difficulties in world trade today is international restrictions, like the equalizations variable levies involved in the present Common Market agreement on agriculture, as well as other international taxes that sometimes are a violation of GATT.

Mr. TAFT. Yes, sir.

Senator CARLSON. It is a fact, is it not, there have been violations in this in the past? Is there any reason to assume that we can be reassured there won't be in the future?

Mr. TAFT. I think it is fair to say, Senator, that in the cases where there have been violations in the past, we have ultimately, although it may have taken quite a while, secured actual results in conforming to the GATT.

For instance, there was a time at which both the Germans and the Belgians put restrictions on the importation of coal, which seemed to us, to the Government, a violation of the GATT, and representations were made, and the removal substantially of those restrictions was secured.

Now, Germany has again put some additional restrictions on coal, I don't know about Belgium. I have not gone into the question as to whether this is a violation of GATT. If it is, we have got to start all over again. But it is a democratic, effective process that may take time, and it is one which protects us, just as much as it protects somebody else, because they may claim that we are putting restrictions on, or that we are paying export surpluses on certain products in which Kansas is interested which may ultimately be violations of the GATT.

So we are interested that that process of deciding whether it is a violation should be one that goes through a regular judicial affair and comes out at some fair result.

I can only say the one I mentioned in which the good result was ultimately secured.

Senator CARLSON. If I may I would like to mention one that we are interested in in Kansas, and that is a violation of GATT and I firmly believe it is, in regard to the importation of wheat flour into the Netherlands. At present, that, I think, has been studied some and I think it is generally agreed it is in violation and nothing has been done about it.

Mr. TAFT. I might explain to the committee that while I don't know too much about the details of the program and you can get much more, did get it from Mr. Shuman who spoke for the farm bureau. They attempt to see to it that any import must be sold at the market price in the country where it is sold.

Now, how you accomplish this, I don't know. There is a variable levy between what you try to sell it at and what the market is, and the Government takes that position. The administration of it sounds

to me pretty difficult but this is certainly what they set out to do, and this is clearly, in my opinion, a protective measure, and is, therefore, a violation, if that is an item which they are not permitted to protect under the GATT.

Senator CARLSON. Mr. Taft, I think we all appreciate the importance of international trade, I certainly do and I know you have been interested in it for years, and I am hoping we can work out a program, and I share your views that our trading just be touch and go. I think we are going to deal with people who are experts in this field of trading, and I sometimes am fearful we are not going to have the right restrictions, if restrictions are necessary or whatever it is that is necessary, to be sure we get our share and the trade is equitable and fair.

Mr. TAFT. Mr. Chairman, we should consider that Belgium, Holland, and Luxemburg are countries which have to depend a great deal on imports and, therefore, want fairly low tariffs—and therefore, fairly low prices on the products which they buy. This is not true of apples, Senator, because Belgium has held up on apples, as you well know, but in a number of the items those are consumer countries, and yet with all that fact and with the fact that France has low support prices the distinguished Chancellor of the German Government has succeeded in preventing an agreement on the French support price level which would in general be satisfatcory to us, and has prevented any agreement up to date really on where that support price level is going to be.

This is a sample of the fact if you are going to get anywhere on this one you really have to be just as tough as he is.

Senator CARLSON. If I may add, if Great Britain joins the Common Market, it will probably be the more difficult.

Mr. TAFT. Well, it isn't quite the same because Britain has the subsidy process. I suppose they would be insulted or somebody would if we called it the Brannon plan but they have to change to a support price operation instead of the present subsidy program so they are moving to a newer one. They don't quite know how it is going to work and I don't think that agriculture is the place where they give us the most trouble but they will add to the protective side of it within the Common Market if they get in.

Senator WILLIAMS. Mr. Taft, is there any basic difference between a tariff and a variable fee as far as the effect is concerned?

Mr. TAFT. I wouldn't really think so, except it is supposed to be adjusted, apparently on the face of it, as the market may change in agricultural products and you and I know, of course, that it does, so many pounds per chickens or poultry, which is shipped. I don't know how they can change fast enough to keep that thing at any kind of a level gate; it would be terribly confusing.

Senator WILLIAMS. It is really, variable fees in effect are really another form of tariffs under another name.

Mr. TAFT. That is my opinion, if they are on an item which they are not permitted to put a tariff on in the GATT.

Senator WILLIAMS. Yes, and it would be more or less a violation of the principle of GATT at the least.

Mr. TAFT. I think this is correct.

I suppose the Senator knows we have been shipping some $60 million or more of poultry to the Common Market countries, or Europe at least?

Senator WILLIAMS. There has been a substantial increase in the tariff in the last few weeks.

Mr. TAFT. That is right.

Senator WILLIAMS. In the form of variable fees.

I noticed in your statement you referred to the retaliatory action taken by the Dutch.

Mr. TAFT. Compensatory, I think.

Senator WILLIAMS. Compensatory, all right, by the Dutch at the time we restricted the imports of cheese.

Mr. TAFT. That is right.

Senator WILLIAMS. And do you think that we more or less asked for that and they were justified in such action?

Mr. TAFT. I think they were just as much as the Belgians were in picking out a few things that we didn't like either, when they compensated for glass and carpets.

Senator WILLIAMS. Well, I am inclined to agree with you.

Mr. TAFT. I had heard, sir, they had proposed to put it on something else that wouldn't do us much damage but somebody advised them it would be better to put it on us where it would hurt us most, which is after all smart trading.

I don't know why they shouldn't.

Senator WILLIAMS. By the same token as these countries put these variable fees or barriers on trade on some of our products which to us appear to be violations we would be justified in taking similar action and raising the tariffs on some of their products, is that right?

Mr. TAFT. I think so, and the bill as passed by the House instructs the President to give greater consideration to that kind of a penalty.

I think I would have to add, however, that if our objective is to try to get all of the range of restrictions down, you don't accomplish it by a tariff war which is what we had between 1919 and 1939.

So that you must be somewhat reluctant to do it and you would try to prevent the taking of steps of that kind on our side in the first place, or if it is on their side try to stop it in advance by indicating what we would do if they do it?

Senator WILLIAMS. I agree with you on that but I think it is very important at the same time that we let them know.

Mr. TAFT. Absolutely.

Senator WILLIAMS. We would not hesitate to do it if they do it.

Mr. TAFT. If we haven't done it in the past, Senator, it will take us a little time to convince them we mean it. This is also what I conclude about tough trading.

Senator DOUGLAS. Mr. Chairman, may I ask another question?

Senator Williams has touched on a very important point. In your statement you refer to section 252 which in your judgment gave the President the power to protect American interests.

Mr. TAFT. You mean in this agricultural field?

Senator DOUGLAS. Of course, but also on coal because Germany has a tariff-free quota or a restriction of 6 million tons on imports of coal, 5 million of which come from the United States, and we could lay down at least 20 to 40 million tons of coal.

In section 252 the powers of the President are confined to withdrawing concessions, if foreign countries began discriminatory action against us.

Since we have already reduced our tariffs below the Common Market level, and have given away a goodly proportion of our marbles, I don't say all of them, but a goodly proportion of our marbles, I have been dubious whether this may be sufficient protection for us. And while I certainly would deplore a retaliatory tariff war, as you would, nevertheless I find myself on agreement with the Senator from Delaware on this point and I take it with you. We should have some powers which the President can point to or the President's representatives can point to when they negotiate with foreign countries.

Mr. TAFT. The original act provided, sir, for an increase in the tariff also.

Senator DOUGLAS. Yes.

Mr. TAFT. Within the discretion in the negotiating agreement. I haven't examined that particular section. Perhaps I had better do a little memo on it for the committee.

Senator DOUGLAS. I know the point.

Mr. TAFT. I know it does go back to the original level of the tariff.

Senator DOUGLAS. I would not confine myself to the precise article. We have given away most of our trading advantages but we have a great advantage on automobiles. Our tariff on automobiles is, I think, now 6½ percent.

Mr. TAFT. 6¾.

Senator DOUGLAS. The German tariff is over 22 percent.

Mr. TAFT. Well, the British is almost that high, too.

Senator DOUGLAS. Yes.

While I would hate to see a retaliatory tariff war, as you would, nevertheless if we could say "if you persist in discriminating against American chickens and in keeping out American wheat, and make it difficult for American durable goods to be sold in your markets, and in restricting feed grains and soybeans, we should be compelled to consider whether or not we would place a tariff on your products." I think this would have a restraining influence on the high tariff forces inside Germany and France which are very powerful, as you know.

On the other hand, I think it is sound advice that one should never threaten until one is prepared to back it up. But I have formed the conclusion that the European nations are convinced that we will be soft on them.

Mr. TAFT. Senator, I agree in general with what you have said.

One remark, however, that our tariffs are generally low, I think deserves a comment because there are many of our tariffs which are not low.

Senator DOUGLAS. I understand that.

Mr. TAFT. And the chemical tariffs are one of the principal samples of this.

Senator DOUGLAS. I agree with that.

Mr. TAFT. So we do have some areas in which concessions, perhaps, could be made and personally, my own judgment is that is an area where we could do it without damaging anything or anybody except in the general range of profits, perhaps. It certainly would not cause a loss.

Senator DOUGLAS. I agree thoroughly with you on that.

Mr. TAFT. Yes.

Senator DOUGLAS. And I agree with the program of trying to get as good terms as possible from the Common Market.

Mr. TAFT. You are quite correct.

Senator DOUGLAS. Without our making tariff concessions.

Mr. TAFT. We can't get automobile tariffs off in Europe by any reciprocity change, by what we do on automobile tariffs in the United States.

Senator DOUGLAS. But you might be able to get reductions in their restrictions on American farm products and American durable goods other than automobiles.

Mr. TAFT. By some other kind of concession on this side?

Senator DOUGLAS. Well, by threatening to increase the tariff on automobiles if they didn't.

Mr. TAFT. This is a possibility obviously although it was never more than 10 percent.

Senator DOUGLAS. It's now down to 6½.

Mr. TAFT. 6¾.

Senator DOUGLAS. I wish in the few days that remain, that your group would consider this. I don't regard it as a breach of the principle of cooperation for the international expansion of trade, but I think it strengthens the tough bargaining which you have properly emphasized.

Mr. TAFT. That is right.

The CHAIRMAN. Thank you very much, Mr. Taft, we are glad to have you, sir.

Mr. TAFT. Thank you, sir.

(Mr. Taft's prepared statement follows:)

STATEMENT OF THE HONORABLE CHARLES P. TAFT, OF CINCINNATI, OHIO, IN SUPPORT OF H.R. 11970, THE TRADE EXPANSION ACT OF 1962

My name is Charles P. Taft. While I am general counsel for the Committee for a National Trade Policy, which I helped to organize in 1953, I am appearing today in my individual capacity as a longtime advocate of expanded world trade and liberal U.S. trade policies. The committee represents an important part of leadership in American business, small and large, which believes in the enterprise system and in competition as its foundation. I deplore the utter pessimism of the witnesses for protection who have again predicted doom as they have so many times before. In the face of a new world trade situation, they seek restoration of the old-time restrictions. These have now been dressed up for your benefit—and presented to the Senate by some of your colleagues—in 37 varieties of Government intervention to avoid competition.

The President is seeking authority by delegation of Congress for a fixed period—authority of the same character, but with far more definition and restriction, as was given to President Roosevelt in 1934. There is an escape clause in the bill; there is a Tariff Commission examination of the negotiating lists. These provisions establish sound and constructive guidelines for the protecton of both the national interest and the particular interests of affected industries. The President asks for unprecedented authority in regard to negotiations with the Common Market; he asks also for special authority to seek assurance that Latin America can hold and expand its markets for tropical products in Europe; he asks for authority with which to negotiate against restrictive farm policies in Europe which could exclude, and already begin to exclude, our farm exports.

This is a new world, yet the 37 varieties of protection proposed by some of your colleagues are a total rejection of that world. The Common Market is a new context for the reciprocal trade agreements discussion. I have spoken to groups from coast to coast since last October, in nearly every case quite conservative.

Where earlier the protective idea was bred in their bones, I found without exception the most extraordinary interest in the Common Market, and a universal concern that we should meet its challenge by a similar outburst of free enterprise. Senator Tower may sponsor the 37 varieties of protection but the National Review does not agree with him. I don't doubt that some businessmen and a few of their employees are actively talking to your colleagues. They do not represent the general business or labor sentiment of this Nation; and the rest of the community has little doubt at all of the immediate necessity for the passage of this bill.

In 1962 the United States faces the successful, dynamic, and exploding Common Market, the European Economic Community. For the first time in 30 years Western Europe, by all standards a major market for American goods, is bubbling in a vigorous revival of the free enterprise system. From that extraordinary economic activity, and from export sales to other parts of the world, we have profited to a degree that has relieved our latest period of recession and thus continue to make a substantial contribution to our own capacity to absorb the 1,200,000 youngsters annually added to our labor force, as well as the unemployed. The machine tool industry, the heart of our growth potential, sent 25 percent of production abroad in 1960 and near 50 percent in 1961. Our export surplus is vital not only to our international balance of payments and to the limitation of our gold outflow, but to our capacity for growth and to our ability to lead the free world in meeting and surpassing the challenge of the Soviet bloc.

The Common Market and the rest of Europe are not waiting for us. Without positive and constructive action now, we shall find our present trade with Europe seriously reduced. As the trade barriers go down inside the Common Market and as the outer wall is averaged, real damage not yet realized will come from more American plants forced to go to Europe to get inside those walls; from increasing exclusion of our farm products as agricultural interests of France and Germany finally reach agreement on higher support prices instead of lower; and from the proposed preferences for present and former European colonial empires, shutting out tropical products upon which many of our Latin American friends rely for their very lives. We must act now.

One of the 37 varieties of protection proposed by your colleagues is that a requirement of specific forms of reciprocity be written into the bill. No one disputes the necessity for reciprocity; the problem is how to define it. The language in the 37 varieties was written by a protectionist lawyer, not by a technician in international trade or an expert in international trade negotiation. His concepts of trade, negotiation, and the adaptability of a free enterprise system would prevent the vigorous trade expansion policy so necessary to our national objectives.

Reciprocity cannot be achieved by the old German bilateral deals of the 1930's, or by the bilateral trade agreements on Latin American raw materials of the McKinley and Dingley tariffs in the 1890's. They didn't work and they don't work. International trade expansion is inevitably multilateral and eludes bilateral arrangements like mercury.

There can be no doubt that we must favor the most-favored-nation treatment originated by Secretary of State Hughes and Senator Lodge in 1922, but there can be no doubt also that we must negotiate as has been done in GATT with those who benefit by it, and require them to pay something for it.

Exact predetermined mathematical measures of reciprocity as attempted in these proposed amendments are impossible realistically. When we negotiate industrial concessions, for instance, either for freeing our agricultural exports or Latin American exports to go to Europe, this operation is so much a matter of expert judgment that the only possible language, in my opinion, would be an instruction to the President, in so many words, that in his negotiations he must seek as nearly as possible full reciprocal benefits. This, I think the legislation does now.

One of our major difficulties in world trade today is international restrictions like the equalization taxes or "variable levies" involved in the present Common Market "agreement" on agriculture, as well as other internal taxes that sometimes are a violation of GATT, but are slow and difficult to get rid of. Section 252 represents a vigorous expression of the intent of Congress that the President work toward the elimination of these protective measures, and an injunction to utilize in very proper case the penalties provided.

One of the 37 varieties would deny the Senate Finance Committee and the House Ways and Means Committee responsibility with respect to resolutions

for congressional override of Presidential decisions in escape clause cases. By making these resolutions privileged and subject to congressional approval by a simple majority of those present and voting, it bypasses regular congressional procedure for careful examination and analysis.

The 37 varieties thus contrive to negate as easily as possible Presidential decisions in trade policy. When these proposals deal with the role of the Congress, their purpose is not to give the Congress a positive, constructive role, but rather to make the role of the President ineffective.

At this point I would like to emphasize that the Congress, in delegating such important authority to the President in such an area of essential national interest, ought to find appropriate ways to concern itself with the trade expansion policy on a sustained basis during the period covered by the legislation.

Congress never surrenders its final power in trade policy, nor should it neglect its responsibility to make sure that this trade expansion program in all its many complex features is a successful one, and conforms to its intent. But the way to do this is not through the negative role of a congressional review of newly negotiated agreements, or even of escape clause decisions. It is rather through affirmative examination of the progress of the program.

How can this be done?

The present bill requires the President to send an annual report to the Congress "on trade agreements and adjustment assistance under this Act." The Tariff Commission is also required to submit to the Congress "an annual report on trade agreements under this Act." The report of the President should be a major and informative report to the Congress on the President's stewardship each year of the trade expansion policy. Congress should hold hearings on that report, perhaps through a joint committee (or a select committee of each House), consisting of representatives of the various committees with major jurisdiction over some aspect of export and import policy. The purpose of these would be the constructive purpose of assuring that all necessary steps are being taken to make the new trade expansion policy a success. The President should be required to report not only on trade agreements and other activities he has undertaken in international trade consultations, but also on the effectiveness with which the American economy is adjusting to import competition and availing itself of new export opportunities. This report would afford him the opportunity to advise the Congress on a regular basis in areas of public policy which might require new legislation to enhance the effectiveness of the trade expansion program.

These procedures, which amount to active accountability to the Congress by the President on his administration of the program, would provide a framework for congressional review of progress made on various policy aspects which concerned the Congress when it enacted the new policy. This constructive surveillance over the President's conduct of the program would be matched by active administration responsiveness to congressional intent in this field.

Thus the President would continue to have the authority and flexibility he needs to cope effectively with the many issues of both foreign and domestic policy involved in the Nation's trade relations with the rest of the world. The Congress would not only retain control over the tax and commerce powers, but would make that control constructive by concerning itself with ways and means of enhancing the practicality and effectiveness of a trade expansion policy.

The language of the present act and of the administration bill that passed the House makes a beginning toward this objective. We attach a proposed revision for consideration of this committee. Under this proposal the dignity and importance given to this annual review could approach that which has been achieved by the hearings and report of the Joint Economic Committee with respect to the Economic Report of the President.

The traditional methods of relief are not abandoned in this bill. In fact, there are many objections that too much is retained. My own judgment has been that essentially the President is given no more power than he has already, and less than he had in 1934 under the original act. The procedures are improved upon and made to serve the basic interests of the Nation as well as of the industries and workers who may be injured by growing import competition. The present form of relief in the existing legislation is not as effective as that under H.R. 11970.

In the first place, in spite of the importance which the late Senator Milliken gave to the peril point when he originated it in 1948, experience has indicated

the impossibility of fixing a point in a tariff duty at which "no damage" stops, and damage begins.

For instance, does damage begin at that point for the very efficient, integrated and competitive Mr. Cannon in North Carolina, or for a little nonintegrated and inefficient textile mill in South Carolina or Virginia trying to make the same products?

Or from another point of view, when it takes 6 months for the Tariff Commission, probably understaffed and overworked anyway, to consider fully an escape clause matter under the present act, in regard to a single sector of an industry, how in the world can that agency establish a precise peril point for the thousands of items proposed for the complicated negotiations that concluded this year in the trade agreement with the Common Market countries? The answer is that it could not and did not. I quote the following paragraphs, the first from the President's statutory report to Congress on that agreement, and the second from the accompanying detailed description of the negotiations, by the negotiating team:

"I believe that we must recognize that under the law the Tariff Commission was required to make hasty predictions as to future market conditions for thousands of individual articles. These predictions were necessarily superficial. Even if there had been available, and there was not, a full range of data for production, trade, and prices on all these articles, the Commission's task was a highly speculative one. This was particularly true with regard to items exported from the Common Market countries. These countries are going through revolutionary changes in their trade patterns, attendant upon the development of a new internal market of unprecedented proportions. In some cases, products which were previously available for export to other countries will find their future markets within the area. In other cases, products which had not previously been exported will appear as new export specialties."

"The Tariff Commission's peril point findings were, therefore, carefully reexamined and a number of additional items were found in which it appeared possible to offer tariff reductions. These were items in which the procedures and standards stipulated in the Trade Agreements Act had compelled the Commission to make unduly restrictive judgments or to make judgments unsupported by relevant evidence. In many instances, tariff reductions of even a few percentage points had been precluded. In some instances, peril points had been set on items where imports represented only a minor fraction of domestic production. In others, peril points had been found at existing duty levels for specialty commodities which were produced abroad for a narrow and highly specialized market in the United States and which were not competitive with domestic production. In still other cases, a single peril point had been set for basket categories of many items, even though the situation as between items in the category appeared to differ markedly. It was in cases of the foregoing character that it was decided that tariff reductions could be made."

The so-called peril point investigation has always been a shadow of reality; yet many basic decisions have been based on superficial and arbitrary peril point findings which have been required under the trade agreements legislation of the past decade.

The new bill calls for a Tariff Commission judgment provided to the President on the scope of problems that may arise as a result of tariff reductions. This is even more than the negotiators ever had as meaningful guidelines under previous legislation.

The escape clause under the bill passed by the House does exclude the segmentation of industry provided by the present act. How can the supporters of the 37 varieties of protection contend that the Roosevelt-Hull-Truman Eisenhower policy, or the congressional policy either, really intended that the Government had an obligation to protect production of a certain narrowly defined product quite aside from the ability of a diversified industry and its workers to adjust to an import problem in that product. The fact is that a few garlic farms in California, a tartaric acid plant in Brooklyn, and producers of horseradish in Iowa—none of them involving more than a few hundred workers—have had escape clause proceedings and have taken the time of the overworked Tariff Commission all for themselves. The real segments of any industry that have any meaningful economic character come within the definition of an industry in the present bill. Import restrictions to provide relief for only small sectors of industries could and have brought windfall gains to the strong and integrated members of that industry, often without coping with the special needs of weaker

members. Lead and zinc measures at times have been in that category. If the weaker members of an industry can make a successful adjustment to import competition, through their own efforts abetted by Government assistance, there will often be no need whatever for the industry as a whole to seek tariff or quota relief from the Government to protect it against such competition.

Such relief by import restrictions does not solve the problems of the affected producers. Moreover, such restrictions cannot be invoked without compensatory action required under a prior trade agreement, either through the withdrawal of certain concessions by other Governments which are parties to the agreement, or through new concessions we would have to make on other products.

Where import relief is found to be necessary—and it may be invoked only to help an entire industry or major part of an industry—the bill clearly implies that the relief should be only temporary, providing an adjustment period during which the industry should be expected to seek solutions to its difficulties. Import relief may be technically a temporary measure under present legislation, but there is no incentive under the present act for the affected producers to seek real solutions to their problems.

The net effect of these new provisions would be to spur American producers to adjust quickly to new import situations.

In principle trade adjustment to damage by imports is very sound. It will not only remedy import damage but strengthen our economy and our abilities to compete without subsidy.

(*a*) Though vigorously supported by labor, trade adjustment was a businessman's suggestion.

John Coleman, president of Burroughs Corp., and later president of the U.S. Chamber of Commerce, proposed it publicly to the Randall Commission in October 1953.

(*b*) It is widely claimed that trade adjustment somehow dictates to plants and workers how to run their businesses. There is no dictation to anybody. If a plant or workers want to apply, they may. Nobody makes them.

Their application has to contain a plan which the applicant prepares himself, designed to meet his competitive problem as he sees it.

Each plan has a definite time factor, a termination point. Governmental help is not perpetuated, but specifically limited, quite contrary to farm or shipping programs.

(*c*) The remedies are not something new, but programs with good experience behind them. This has been in effect for the Iron and Steel Community, and for the Common Market, and actively available for from 3 to 7 years. For them in that period it has cost less than $12 million, or not that much under different calculations.

(*d*) Large companies don't need SBA loans and won't use this except conceivably for individual plants.

(*e*) Vocational rehabilitation and training within industry have worked to an increasing degree. Unemployment compensation and moving expenses for workers are the basis of the worker provisions. These remedies are old and successful.

(*f*) Talk of favoritism like the old RFC charges, or the current agricultural ones, is clearly exaggerated. Most Federal loan programs are well run.

(*g*) The claims of subsidy are again much exaggerated. There is no such subsidy here as those to shipping or to metal production or to agriculture.

More than that, the alternative to trade adjustment is subsidy to those unable to compete—in the form of tariffs or quotas that let prices rise as they did this spring for glass. Then the consumer pays the subsidy.

(*h*) Not only is there little if any subsidy in trade adjustment, but whatever there is, is limited in time. There is nothing indefinitely continuing about assistance to any plant or worker in this bill.

Why should workers idled by imports get special benefits that are unavailable for workers displaced by automation or any other factor?

The same kind of question arises with respect to those sections of the adjustment assistance program that provide help to business firms: Why should production facilities idled by imports get special benefits that are unavailable to firms injured by other economic forces?

The basic answer to both questions is the same. The President put it this way in his trade policy message to the Congress (Jan. 25, 1962): "When considerations of national policy make it desirable to avoid higher tariffs, those injured by that competition should not be required to bear the full brunt of the impact."

In other words, this is not a case of the normal operation of the American enterprise system; it is a case of competitive injury brought about by direct Government action in the national interest.

To qualify for adjustment assistance, the industry or the firm would be required to prove substantial injury attributable to import competition. Firms would have to show that, as a result of tariff concessions, competitive imports were entering the United States "in such increased quantities as to cause, or threaten to cause, serious injury * * *." "In making its determination the Tariff Commission should take into account all economic factors which it considers relevant, including (1) idling of the productive facilities of the firm, (2) inability of the firm to operate at a profit, or (3) unemployment or underemployment in the firm." Workers would have to prove only the third item—"unemployment or underemployment of a significant number or proportion of the workers" caused or immediately threatened by such increased imports.

Where imports tend to exert an injurious impact on a firm and its workers, the problem is generally only one of several encountered, and the problem from imports is usually one of the lesser ones. It should be expected that firms and workers with import difficulties and those without import difficulties will avail themselves of all the facilities at their common disposal. It is conceivable that the problems of these firms and workers may be successfully dealt with through the facilities available outside the trade legislation. To the extent that such facilities are not adequate, firms and workers who can prove injury from import competition would be entitled to special consideration in view of the fact that the problem they encounter is one to which national policy of trade liberalization may have substantially contributed.

Constant reference is made in debate, and the protectionists supporting the 37 varieties have done so, to State Department diplomatic or foreign aid considerations as measured against injury to our workers and businesses.

Foreign policy may occasionally be one consideration in a negotiation, but this is not the major reason for the President's decisions on escape clause or peril point matters. The major consideration in all trade agreement operations is the total effect on the American economy. Many years back the cheese amendment (a tight quota on foreign cheeses) was attached to a defense appropriations bill. The Dutch, damaged by this restriction of their export of specialty cheeses—important to them, but not really serious for our dairy industry—promptly put a quota on American wheat flour, which was much more serious to our wheat farmers than Dutch cheese ever was to our dairy farmers. This necessity for an overall economic view of foreign trade problems is what all our international traders understand, and what the supporters of the 37 varieties of protection clearly ignore. The State Department or the President in protesting or preventing action like the cheese amendment is not coddling the Dutch or other foreign nations, but protecting producers and exporters in the rest of the economy, looking at our economic situation as a whole.

Thus it is that the 37 varieties, in attempting to curtail the President's discretionary authority, seek to secure protection for some products—usually minor—at the expense of the economy as a whole.

The continuing protectionist argument is that a growing industry is damaged, if it does not grow as fast as imports. Again, this is a rejection of the overall benefit of imports to our economy and our consumers. Our automobile producers lost to imports in their share of the market for a few years. But how else would the consumers have secured the wide selection they now enjoy which the American producers had not found it economic to produce. Why should there be any of this kind of protection which the 37 varieties propose, when the American companies involved are actually prosperous and increasing their business?

The claim that such producers are damaged is really the most complete nonsense when it comes from people who insist that they favor the free enterprise system. If they mean what they say, they don't believe in that system. The 37 varieties of protection are clearly and wholly devised to produce a closed system—a comfortable, noncompetitive, high-priced business world. That results in a dying economy that cannot compete or even continue to exist in this world against the dynamic, optimistic, booming producers of Europe.

I agree that we need tough traders in the administration, and we who support this bill must insist on that. But we won't be accomplishing tough negotiation by trying to direct them in every detail from the back seat. The annual report and vigorous bipartisan annual review by Congress which I propose, with the

many features of trade policy directed and coordinated as this bill proposes, are the way to achieve that result.

Finally, I would like to endorse the specific amendments recommended by Carl J. Gilbert, Chairman of the Committee for a National Trade Policy, in his testimony before you on behalf of CNTP on July 24, 1962. These are nine amendments which are now part of the record.

1. *Sections 202 and 253. Low-rate articles authority and staging requirements.*—Amend to allow a minimum annual reduction of 1 percent ad valorem of tariffs under this authority to avoid complexities in calculation.

2. *Section 225. Reserve list.*—Amend to allow nontariff adjustment assistance to be utilized as an alternative to commodities being placed on reserve list.

3. *Section 232. Safeguarding national security.*—Amend to require the Executive to seek solutions to the problems making tariff shelter necessary with a view to eventually terminating such shelter.

4. *Section 241. Special representative for trade negotiations.*—Amend to broaden role of chief negotiator to concentrate in him the coordination and administration of the powers delegated to the President in the act other than adjustment assistance and escape clause, and empower him to advise the President on the impact of domestic policies on our international trade.

5. *Section 242. Interagency Trade Organization.*—Amend to require special representative to serve as Chairman.

6. *Section 201. Tariff Commission investigations and reports.*—Amend to require that Tariff Commission reports in escape-clause cases and Presidential proclamations in escape-clause action be based on industry data no more than 6 months old.

7. *Section 323. Weekly amounts (adjustment assistance).*—Amend to require full Federal payment of adjustment allowances in place of partial State and Federal to those workers eligible for State unemployment compensation.

8. *Section 351. Tariff adjustment authority.*—Amend to provide that any tariff protection given shall automatically be reduced, over the period found to be necessary to complete the adjustment, in stages decreasing to zero at the end of the period unless the President authorizes other treatment.

9. *Section 402(2). Reports.*—Expand to require President to include an appraisal of the overall U.S. position in world trade and the impact of domestic policies on our international trade.

The CHAIRMAN. The next scheduled witness, Charles M. Ashley, has yielded to Charles F. Percy of the Bell & Howell Co. who must take a plane.

Mr. Percy, you take a seat and proceed.

Senator DOUGLAS. Before Mr. Percy testifies, since he comes from Illinois, I want to say that I think we are all glad to welcome him here. He has a very distinguished career, and is one of the finest citizens in our State, active in many good movements and we are glad to have him.

STATEMENT OF CHARLES H. PERCY, CHAIRMAN OF THE BOARD, BELL & HOWELL CO.

Mr. PERCY. Thank you, Senator Douglas.

Mr. Chairman——

The CHAIRMAN. Take a seat.

Mr. PERCY. With your permission I would like to submit my statement and make a few exacting comments.

The CHAIRMAN. Without objection.

Mr. PERCY. I have long advocated a freer trade policy for the United States, and have done so with some feeling.

I would like to show you a camera that we tried to produce 12 years ago in competition with the German Leica. We brought it out, were unable to compete with the Leica. There was great temptation to ask for tariff protection because we couldn't compete, and we simply

decided at that time it would be unfair to ask the American consumer to pay more for camera products simply because we were not able to compete on this particular product and I felt it very unfair to have an uncertain crutch be the foundation for our company.

So we decided at that time to discontinue production of this product. We wrote it off as a loss of a million and a quarter dollars and decided at that time that we would do what we could economically to maintain our strength as a company, and urge the same course of action on our particular industry.

We have a great deal of competition in the photographic business, as you well know. We have competition from Switzerland, United Kingdom, Germany, Japan particularly now. Germany alone brings in more than 150 models of cameras and Japan has more than that.

I have submitted with my testimony a number of charts showing the dramatic increase in imports and a large percentage of market enjoyed by foreign competition.

I have not submitted these charts or figures to elicit your sympathy but simply to indicate that very few industries in the United States have as much competition from abroad as the photographic industry has, nor has any industry subjected itself to or taken a tariff reduction as steep as the one we did.

The one on motion picture cameras was reduced 40 percent in 1 year, and as a result of that experience I would urge gradual and moderate reductions in tariffs, as I have through the years.

We decided several years ago—and I take this only as a case history to show that it is possible for adjustments to be made in a company and an industry that is in great competition abroad—we decided on a three-part program that might be of interest to you, years ago.

First, we had highly developed skills and specialized areas of the photographic field and we thought we could take these skills and through research and development, through improved manufacturing processes, and through increasing our market strength we could broaden the line that we had in the photographic field.

Secondly, we thought we had certain capital facilities, certain management skills that we could use in other fields, and we asked ourselves what other fields could we enter profitably to diversify our company program and meet the changing needs of a changing economy and society.

We recognized that our environment is in a constant fluctuation as the result of shifts in the very structure of our society, the economy, and Government; the state of technology and the need of the market; and as a result of changes in the world economic order.

Third, we decided that greater emphasis should be placed on the development of our oversea market. As a result in a dozen years now since that decision was made, we have evolved from a company engaged primarily in the photographic industry to a company that now makes not only a broader line of photographic products, but also a broad line of electronic instrumentation, data processing systems, high-vacuum products, and business machinery equipment and supplies.

For example, the Polaris, Atlas, Minuteman, Courier, Mercury, Telstar, and virtually every major missile and satellite program rely to some degree on our instrumentation developed to measure, analyze, record, play back, process, or in some other way evaluate the per-

formance of men and equipment responsible for carrying out vital missions.

In the business machine field, Bell & Howell is providing new equipment to accelerate information handling, increase efficiency, and reduce costs as business, industry, and Government seek new methods with which to penetrate the "paperwork curtain."

I mention these items simply as an indication that I think that as a result of competition that we face both in this country and abroad, we have probably been motivated to seek greater consumer needs in other areas, and I'm not sure but that same motivation would have been there if we had had a much more comfortable and protected market in this country.

As a result; through the years, Bell & Howell sales have grown from $13 million to $150 million, and they have grown within the photographic field from $13 million to $50 million, a fourfold increase, where $100 million has been the increase in electronic instrumentation and business equipment.

We employed when we started this program 1,800 people, and we now employ 9,000. The value of our securities on the New York Stock Exchange has increased from a market value of $7 million a dozen years ago to approximately $100 million today. This transition has not been easy. It has not been without financial as well as personal disappointment on occasion, and it is not complete today.

We believe, however, that we have been able to respond to a changing environment rather than being controlled or defeated by it. We believe we have been partly successful in analyzing changing needs and marshaling our resources of capital, labor, management, and technology to provide fundamentally new products and services for an ever-changing society.

As a result of the experience that we have had, we have come to several observation, however, which I would like to close on.

First, I do not think that the effect of tariff reductions would have been severe, as severe, on photographic goods if they had not been as drastic as they were.

If we had had a more gradual reduction we could have adjusted more easily, and I think the industry at this point has earned a pause, as I analyze the problems, that we have that will, I hope, refresh us and carry us to a point where we will be increasingly economically strong rather than depend upon any political support.

Insofar as the photographic industry is concerned, bargaining by our own negotiators, that is, our U.S. Government negotiators, has not been effective in removing restrictions to American photographic exports into other markets.

To illustrate this point, I have shown a chart on a film product, on film, which is not a large product manufactured by Bell & Howell to show that where we all started, the major nations of the world, producing film years ago with a 25-percent tariff, we are now down to 6¼ percent, and the others have stayed right up at 25 percent. So I would urge that we bargain and bargain very hard; those people whom we are bargaining against, I would suggest in Europe and the Common Market countries particularly, are skilled, able negotiators, with a long background in commerce and industry.

We have in our Government exceptionally able people as well as in private life who can be drawn from the field of economics, commerce, and business as well as government, and I would not put too much emphasis on diplomacy in this hardheaded economic type of bargaining. I think we must enlist the ablest talent we possibly can in this country to represent our interests.

The United States also has every economic and moral right to bargain hard and to insist that restrictions against American goods be removed to an even greater degree than we reduce tariff barriers against other countries. The relative position of the United States has changed today.

We have contributed billions of dollars to the rebuilding of Western Europe as well as certain other developed nations such as Japan. We have unused resources in the United States, both in the form of unemployment and idle production facilities. To the extent that these resources are not fully utilized, the relative strength of the free world is thereby diminished, and I think we must make this point very strongly.

I would like to comment on the section in the act dealing with the adjustments required or provided for labor as well as industry.

This act does provide technical and financial assistance to companies and industry adversely affected by imports. It also provides generous unemployment compensation as well as moving expenses anywhere within the United States for workers adversely affected.

Without administration guidelines this act could end up a political boondoggle where companies, industry trade associations, labor unions, and workers might spend thousands of man-hours, preparing hardship requests, putting political pressure upon Members of Congress and creating mountains of paperwork for Government administrators. Even worse, necessary adjustments on the part of industry might be delayed and unwarranted further Government controls imposed.

I mention this because so many things could be brought in, in the name of adjustment because of imports. Almost anyone could find an illustration of an import coming in and taking a sale away, and I think the tendency is to overemphasize this and, perhaps, play down the fact that we simply are subject to all kinds of competition, technological as well as changing needs of society, which are more responsible for adjustments in business than imports have ever been.

I do not think in our own case at Bell & Howell we would have any difficulty in finding departments, divisions, or subsidiaries that could unfold a remarkable tale of woe.

We have no intention of asking for any kind of Government assistance. We regard adjustments required by imports to be no different from any other kind of adjustments, competitive or technological, that we are forced to make. We consider it our job to make these adjustments on our own.

In the last quarter century of its greatest growth, America's industry did not become great by being pampered or shelterd. It achieved greatness because of the intelligence, energy, and enterprising spirit of its people. It became great through huge expenditures for research and development, new and imaginative ideas in manufacturing and merchandising.

It is great because it firmly believes that there is one way to succeed, to give the consumer the best possible product for the lowest possible cost. This, and this alone, will keep American industry vigorous and healthy in the years to come.

In closing, I would like to say that any kind of adjustments require some measure of sacrifice. Trade adjustment is the kind of sacrifice we should be best equipped to make. We are going to be called in the challenging years ahead to reorient our thinking in a fast-changing world. We may be called upon to show our strength, our courage, our determination, our patience, and our perseverance in a thousand different ways. If we shirk from this responsibility now in an area of our greatest strength, our trade and commerce, we may shrink before even greater tests of our courage. Thank you.

(The prepared statement of Mr. Percy follows:)

STATEMENT BY CHARLES H. PERCY

My name is Charles H. Percy. I am chairman of the board, Bell & Howell Co., with headquarters in Chicago.

Through the years, I have been privileged to testify on the subject of our foreign trade policy before not only this committee but the House Ways and Means Committee and the Subcommittee on Foreign Economic Policy of the Joint Economic Committee of the Congress. I have long advocated a freer trade policy for the United States and for the entire free world.

Though your committee has recently heard considerable testimony from trade associations opposed to one provision or another in the proposed Trade Expansion Act, I am sure that it cannot help but be impressed, as I have been, with the change in sentiment of business, labor, and the general public on this subject. We have moved as a country from an era conditioned by an attitude of protectionism into a period of skeptical but decisive action in freeing trade barriers—into a stage where the Nation is no longer debating whether we should or should not expand imports and exports but rather how it should be accomplished.

I will deal today primarily with the relationship that should exist between Government, industry, and labor when the latter are adversely affected by increasing imports.

In 1949, Bell & Howell had total sales of $13 million, net earnings of approximately half-a-million dollars and about 1,800 employees. In that year, the National Association of Photographic Manufacturers reported that because of the continuation of a 25-percent wartime-imposed Federal excise tax on photographic products, sales of equipment had declined 40.1 percent below the preceding year.

But the photographic industry was experiencing another difficulty—increasing imports. Bell & Howell Co., for instance, had spent many years engineering and tooling a precision, high-quality 35 mm. still camera. It was the company's first entry into the still camera field. It was soon apparent, however, that the tremendous investment we had made in this new product was in jeopardy because the German Leica camera and other foreign imports were able to sell at substantially lower prices. Our camera could not be mass-produced because the way it had been designed and tooled required many hand operations.

The temptation to turn to Government for a solution to our problem through higher tariff protection was very great. We decided then to resist this temptation. We felt that we had no right to ask the American people to pay a higher price for this type of camera simply because we found it difficult to compete in this particular field. Not only would it be a disservice to the American consumer, but it would have made our company dependent upon an uncertain crutch. In 1952, we decided to discontinue production of this camera and as a result wrote off a loss of one-and-a-quarter million dollars.

In subsequent years, competition from abroad has not lessened. It has increased substantially. Today, the U.S. photographic industry competes with manufacturers in Japan, Germany, Switzerland, Austria, Belgium, Italy, the United Kingdom, and other countries. Germany alone has sold into the United

States, in a single year, more than 150 different models and brands of still cameras. Japan has become even more competitive.

I have attached several charts to illustrate this competition. Chart No. 1 indicates trends in photographic imports, exports, and domestic manufacturers' shipments since 1950. Note that total domestic manufacturers' shipments have increased a little over 2½ times since 1950. Exports have about kept pace with this trend. Imports, however, are up almost tenfold and have gained at a rate nearly four times the rate of both domestic and export shipments of photographic products.

You might be interested in how this trend compares with imports of total U.S. merchandise. Chart No. 2 shows that since 1950 photographic imports have increased at a rate more than 5½ times that of total U.S. merchandise imports.

Charts Nos. 3 and 4 show imports of 8 mm. motion picture cameras. These charts indicate that imports have increased from a very small amount in 1950 to just over 200,000 8 mm. movie cameras in 1961, a year in which they achieved 25 percent of the total domestic market, or 2½ times the share of market they had reached just 2 years before.

I present these figures not to elicit sympathy, but to suggest that perhaps few industries have received the severe impact that imports have had on the photographic industry. I believe too, that no industry should be subjected to the severe and abrupt tariff reduction of 40 percent that portions of the photographic industry experienced in a single year. I have always advocated gradual and moderate tariff reductions and today, I reiterate with considerable feeling that gradualness and moderation is imperative for orderly adjustment.

In 1949 Bell & Howell was almost 100 percent dependent upon the photographic market, largely in the amateur motion picture equipment field. Because of this dependence, we decided as a matter of policy that we should broaden the character of the company. The threat of imports was but one of many factors that contributed to this decision.

We decided upon a three-part program. First, we possessed highly developed skills in the photographic field and felt they could be used for future growth within this field if we placed greater emphasis upon research and development and improved manufacturing processes, and concurrently expanded and strengthened our marketing effort.

Secondly, we recognized that we possessed capital facilities and certain management skills that might have general application to other fields of endeavor. We asked ourselves, What other fields could we enter profitably to diversify our company program? How could we chart our future business development to meet the changing needs of our economy and our society? We recognized that our environment is in constant flux as the result of shifts in the very structure of our society, economy, and Government; in the state of technology; in the needs of the market; and as a result of changes in the world economic order.

Third, we decided that greater emphasis should be placed on the development of oversea markets.

As a result, Bell & Howell has evolved in the last dozen years from a company engaged primarily in the manufacture of a limited line of motion picture equipment to a company manufacturing not only an expanded line of photographic products, but a broad line of electronic instrumentation, data-processing systems, high-vacuum products, and business machines equipment and supplies.

For example, Polaris, Atlas, Minuteman, Courier, Mercury, Telstar, and virtually every other major missile and satellite program rely to some degree on our instrumentation developed to measure, analyze, record, play back, process, or in some other way evaluate the performance of men and equipment responsible for carrying out vital missions.

In the business machines field, Bell & Howell is providing new equipment to accelerate information handling, increase efficiency and reduce costs as business industry, and Government seek new methods with which to penetrate the "paperwork curtain."

Through the creation of an international division we are making a more significant penetration into foreign markets.

During this dozen years of increasing foreign competition, as a result of acquisition and internal growth, Bell & Howell's sales have expanded from an annual total of $18 million to $150 million. Of this total, photography represents approximately $50 million for a four-fold increase—electronic instrumentation and business equipment sales $100 million. Total annual earnings have increased from $447,000 to approximately nine times this amount. In 1949

Bell & Howell employed 1,800 people and today nearly 9,000. The value of our securities on the New York Stock Exchange has increased during this period from approximately $7 million to almost $100 million. This transition has not been easy nor has it been without financial as well as personal disappointment. Nor is it even complete. We believe, however, that we have been able to respond to a changing environment rather than being controlled or defeated by it. We believe we have been partly successful in analyzing changing needs and marshaling our resources of capital, labor, management, and technology to provide fundamentally new products and services for an ever-changing society.

Others might have done a substantially better job than we in achieving our objectives. We have gained some experience, however, and I pass along to you for whatever value you may find in them the following observations:

The adverse effect of tariff reductions on photographic goods would not have been as severe, if reductions had been made on a more gradual basis. But the photographic industry has absorbed these reductions, without requesting tariff increases, though I would judge it has earned a "pause" without further tariff reductions for a number of years while we more fully absorb those that have been made.

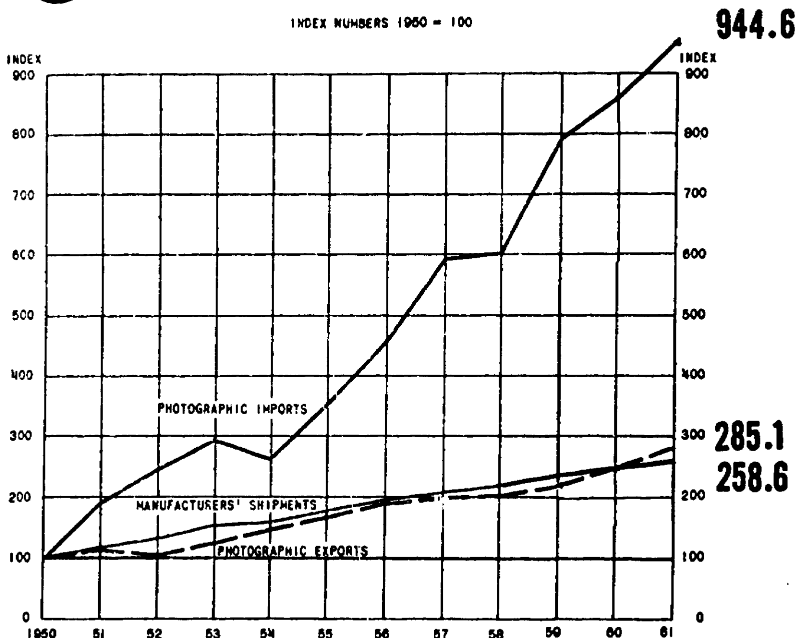
Insofar as the photographic industry is concerned, bargaining by our own negotiators has not been effective in removing restrictions to American photographic exports into other markets. To illustrate this point, I will take a product not manufactured in any volume by Bell & Howell, namely film.

Chart No. 5 shows that the United States, United Kingdom, Belgium, and Italy, all film producing countries, started out in 1930 with tariffs of approximately 25 percent. Other countries have maintained their rates virtually unchanged whereas the United States tariff has been reduced to 6¼ percent. This is not reciprocity and I cannot emphasize too strongly the need for hardheaded bargaining by American negotiators under any new authority granted to the administration by Congress. Nor should we underestimate the skill and ability of European negotiators, particularly in Common Market countries, with whom we will be reaching new agreements. They are exceptionally able people and more frequently drawn from the fields of economics, commerce, and business than from diplomacy. We do have in this country, in government and private life, people with comparable ability. We should enlist the ablest talent possible to represent our interests.

The United States has every moral and economic right to bargain hard and to insist that restrictions against American goods be removed to even a greater degree than we reduce tariff barriers against other countries. The relative position of the United States today has changed. We have contributed billions of dollars to the rebuilding of Western Europe, as well as certain other developed nations such as Japan. We have unused resources in the United States, both in the form of unemployment and idle productive facilities. To the extent that these resources are not fully utilized, the relative strength of the free world is diminished. We are now, for the most part, a low tariff country. Many countries, particularly in Western Europe, have a condition of overemployment. Their currencies are now convertible. They are pledged in international organization, such as the GATT, to remove restrictions against imports whenever the balance of payments reasons for such restrictions disappear.

Our Government must take a hardheaded approach in administering the trade adjustment provisions of the Trade Expansion Act now under consideration. This act provides for technical and financial assistance to companies and industries adversely affected by imports. It also provides generous unemployment compensation as well as moving expenses anywhere within the United States for workers adversely affected. Without administration guidelines this act could end up a political boondoggle where companies, industry trade associations, labor unions, and workers might spend thousands of man-hours preparing hardship requests, putting political pressure upon Members of Congress, and creating mountains of paperwork for Government administrators. Even worse, necessary adjustments on the part of industry might be delayed and unwarranted further Government controls imposed.

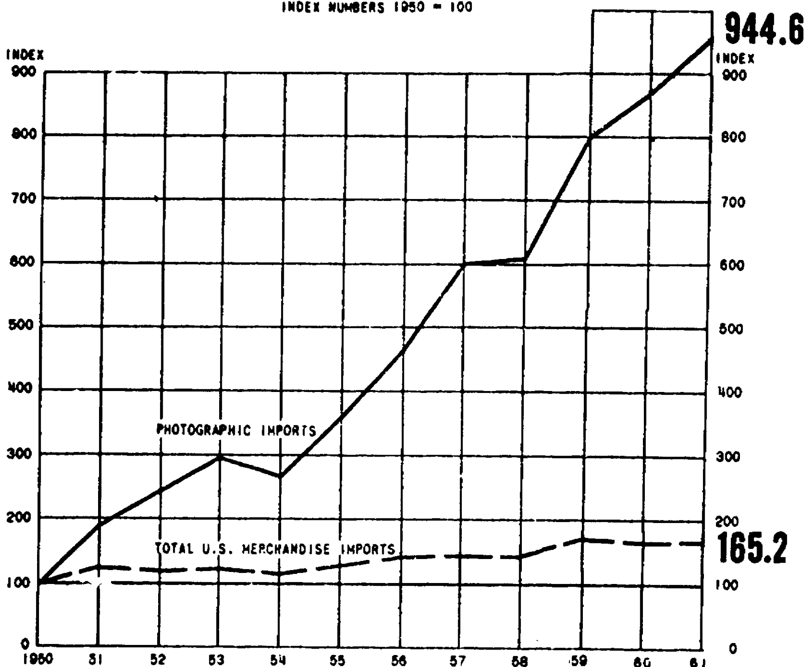
The pressures today of domestic competition and technological change on American industry are very great indeed. Very few industries would have difficulty in finding some degree of adjustment required by imports although I feel that if past history is an example of the future, the claims made will be grossly exaggerated. Hard and fast administrative lines should be laid down promptly as to what truly constitutes a hardship. Government assistance can only be extended to small minorities. Even then it should be only a temporary last



- 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.

resort. Of necessity, it is available only as it is taken from the more productive and diverted to those in trouble. Government assistance is not manna which falls from heaven. It must always be paid for by the toil of others.

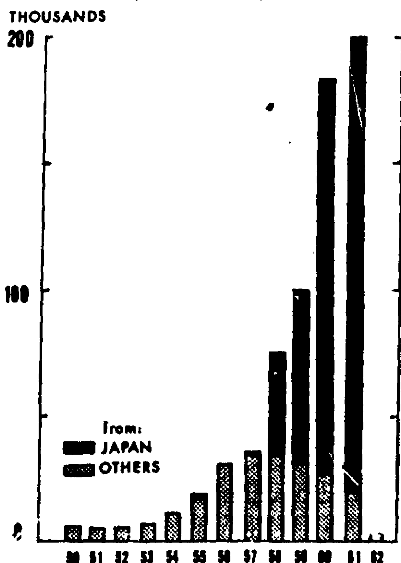
In our own case, at Bell & Howell we would have no difficult in finding departments, divisions and subsidiaries that could unfold a remarkable tale of woe. But we have no intention of asking for any kind of governmental assistance. We regard adjustments required by imports to be no different from any other kind of adjustment, competitive or technological, that we are forced to make. We consider it our job to make these adjustments on our own.

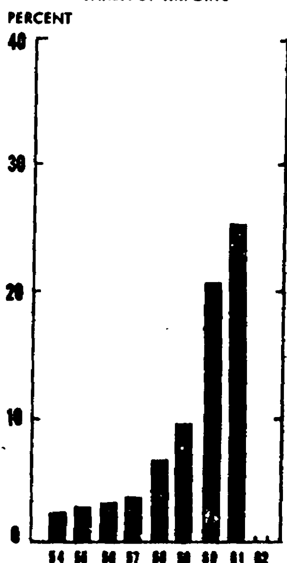
In the last quarter century of its greatest growth, America's industry did not become great by being pampered or sheltered. It achieved greatness because of the intelligence, energy, and enterprising spirit of its people. It became great through huge expenditures for research and development, new and imaginative ideas in manufacturing and merchandising. It is great because it firmly believes that there is one way to succeed; to give the consumer the best possible product for the lowest possible cost. This, and this alone, will keep American industry vigorous and healthy in the years to come.

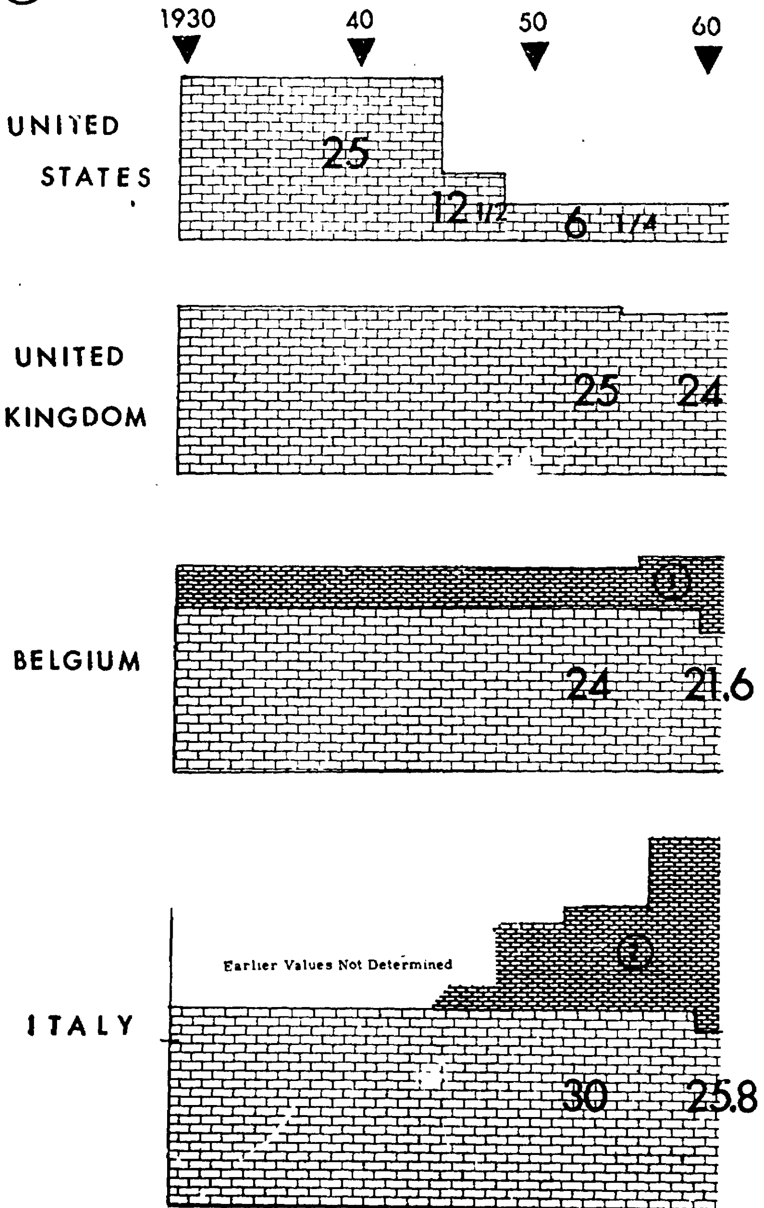
I do not believe that either free trade or protectionism are sacred watchwords. I believe that the sanest form of consistency is to be had by taking the national safety as the watchword and judiciously combining freer trade with necessary adjustment regulations to suit the conditions. But I strongly believe that the common good can best be served when labor and management take the initiative in making all adjustments necessary that are within their power to make. We must look upon Government assistance only as a last resort, supplemental to our own determined efforts to keep our trading positions strong. This trading position must be solidly established on economic, rather than political foundations.

Any kind of adjustment requires some measure of sacrifice. Trade adjustment is the kind of sacrifice we should be best equipped to make. We are going to be called upon in the challenging years ahead to reorient our thinking in a fast-changing world. We may be called upon to show our strength, our courage, our determination, our patience and perseverance in a thousand different ways. If we shirk from this responsibility now in an area of our greatest strength, our trade and commerce, we may shrink before even greater tests of our courage.

Imports of 8mm Motion Picture Cameras






Producing Country Tariff Barriers on Film Categories — is this reciprocity?
5
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

Senator DOUGLAS (presiding). Thank you very much.
Senator Carlson.

Senator CARLSON. Mr. Chairman, just this: Mr. Percy, as one member of this committee, I always appreciate your very excellent statements before our committee.

You are one of the younger businessmen who have really got the vision and courage to act upon it, and I compliment you.

Mr. PERCY. Thank you, Senator.

Senator DOUGLAS. I, too, want to compliment you, Mr. Percy. In view of the decreases in tariffs which your industry has taken, we might expect you to take a hostile attitude toward this bill. I am greatly pleased that you have adopted a statesmanlike position.

Do you have time to answer a couple of questions?

Mr. PERCY. Yes, sir.

Senator DOUGLAS. One question I would like to ask. You speak of the necessity for tough bargaining. Do you think that it would be well to include a provision in the act that the American representatives should have the power to impose increases in tariffs if they were not able to obtain changes in the quota restrictions and discriminatory treatment of American products by members of the Common Market, subject, of course, to decisions by GATT?

Mr. PERCY. I think that as a bargaining provision it is probably a good thing. I think it gives another tool to our negotiators, because these countries do depend upon our country taking a large body of imports from them. I think we have to be exceedingly careful in the way we use it.

Senator DOUGLAS. That is right.

Mr. PERCY. Every time we use this authority we find other countires will give us no monopoly of ingenuity. They will find ways to retaliate, and this has been the long history of tariff increases.

Senator DOUGLAS I quite agree.

Mr. PERCY. Every time we reduce something on carpets or textiles or something like that, they will increase it on someone else.

Senator DOUGLAS. I quite agree, and I have made it clear I think it was a mistake to increase the tariffs on glass and carpets.

Now, the second question I would like to ask is this: Do I infer that you are opposed to the trade adjustment provision contained in the act or that you just do not want the provisions abused?

Mr. PERCY. I am not opposed to them, Senator. But, taking our own experience, it would have been so easy for us to say "Well, it is the Government's responsibility to now help us and bail us out."

The greatest weapon that I think we have had in our management group is the knowledge that we would not be going to the Government for help. That has required and forced our management group to find ways to compete, and I think there is no limit to the ingenuity of people when they know that you have to do something. I think an undue amount of time in any industry goes in to asking for Government help, which is only a temporary measure.

Economically we must put the foundation under an economy, an economic basis, not a political basis.

Senator DOUGLAS. I compliment you on the ingenuity you have shown. I am not certain that all industry would have as heroic an attitude as you mentioned, and certainly it is true, is it not, that such

assistance as the Government gives to employers tends to be nonfinancial in nature, that is advice on loans, but not outright compensation; isn't that true?

Mr. PERCY. By the wording of this act it would be possible for a company to submit a proposal where they would hire management engineers to come in and study and there is encouragement in the act really to hire outside technical assistance and present a proposal, and it says that the company—it would hope that the company—would pay a share in the cost, which is an implication that the Government will share in its costs.

There are certain circumstances where such action might be warranted. I would hope that one of the guidelines the administration would lay down so that it would discourage applications coming in which are costly to process, would be simply there would be a test first to see whether the industry or the company has done everything on its own that it possibly can.

We have had some 26 years' notice now that the national policy of this country is going to be lower trade barriers around the free world.

Senator DOUGLAS. Have you suggested language which might guide the administration?

Mr. PERCY. I have not, Senator, but I intend to talk with members of the administration, and already have in the Department of Commerce, to see whether or not this is to be their attitude, because I might have opposed this particular provision in the act as a crutch that I do not think American labor or business ought to have if it would be abused.

Senator DOUGLAS. Well, now, the next question I have to ask is directed to allowances for labor. There are very few workmen who have the resources of the average corporation.

Now, if by decision of the Government they suffer a severe and a substantial financial loss, don't you think it undermines their independence if they get a fraction of the pay which they would earn if the governmental policy had not been put into effect?

Mr. PERCY. I believe the provisions of the act are very generous in this respect. It does pay 65 percent of their salary for a period of 52 weeks or more in order to readjust and to train, and so forth.

Senator DOUGLAS. Are you opposed to that?

Mr. PERCY. I think emphasis on training and retraining and gaining new skills is an important——

Senator DOUGLAS. Are you opposed to that?

Mr. F CY. I would be opposed to its abuse. I think it is highly possible for a powerful group to come in before the Department of Labor and lay their case down, whether it is imports or whether it is technological change, and we are never really sure about that. It is extremely hard to prove these points out.

Again, if it is done judiciously, if it is done for the rare exception, not the general rule, because if we start to protect the millions of businesses of this country from the different types of adversity that they can come up against, there is no end to where this could go, and I think it requires administrative controls which I would oppose, and I think it requires much more intervention than I would like to see happen.

Again it is the way in which, the spirit in which, it will be administered, and if it is a hardheaded approach, if we are as hardheaded in administering that as we are in our bargaining, I would be satisfied.

Senator DOUGLAS. In other words, you are not opposed to the principle, but you are fearful of the dangers in lax administration.

Mr. PERCY. Yes; that is right.

Senator DOUGLAS. Thank you very much.

Mr. PERCY. Thank you, Senator.

Senator DOUGLAS. We are working on a tight schedule because various Members of the Senate will testify. The chairman has been compelled to leave, but he requested me to serve as chairman in his absence.

I am very glad to welcome Mr. James M. Ashley of the Trade Relations Council. Is Mr. Ashley here?

I am sorry that there are not more members of the committee, to listen to your testimony, but the members of the committee will read your statement, and we are very glad to have you, Mr. Ashley.

STATEMENT OF JAMES M. ASHLEY, PRESIDENT, TRADE RELATIONS COUNCIL OF THE UNITED STATES, INC.

Mr. ASHLEY. Thank you very much, Senator. I am just as impressed with you as when Jane Adams introduced us in 1929, and you seem quite adequate to me.

Senator DOUGLAS. That is a very kind thing for you to say.

Mr. ASHLEY. My name is James M. Ashley. I am president of the Trade Relations Council of the United States, Inc., and vice president of the Libbey-Owens-Ford Glass Co. The council is an organization of individual companies and trade and agricultural associations. The membership represents approximately 140 major industrial categories.

Some producer members are large companies, but 80 percent or more are classified as small businesses. Many council members have, or did have and hope to regain, an export business. Many import raw materials, and some have oversea operations.

It is this familiarity with the practical aspects of world trade that causes the council membership to oppose certain features of the Trade Expansion Act of 1962. None of us is unaware of the benefits of free trade when the prerequisites to the successful operation of free trade are in force. All of our businesses have profited by the absence of tariff barriers between the States of this Union.

We hold it to be self-evident, however, that if the States were to erect other barriers to trade—quotas, embargos, import license controls, or the like—the advantage of having no internal tariffs would be nullified. Nor would it be possible to realize the benefits if currencies in all parts of the country were not convertible; or if cartels were allowed to flourish in Pennsylvania but not in Ohio; or if major tax advantages favored producers in some States; or if there were not approximate equality of wage productivity. The application of uniform national laws to interstate commerce, and the unrestricted flow of labor and capital across State borders, preclude any disparity which would make free trade between the States an advantage to some and a calamity to others.

In view of the importance which proponents of this legislation attach to the formation of another large trade bloc—the European Common Market—it may serve a useful purpose to recall steps taken by member countries of this bloc prior to their formation of a customs union. Little more than 5 years ago, the separate economic courses charted by France and Germany would have made a customs union between them dangerous in the extreme.

I suggest that the German Government, determined to avoid the disastrous inflation that followed World War I, had imposed a strict anti-inflationary policy on its disceplined people. The French, on the other hand, either recalling the great depression or for reasons of political expediency, tolerated deficit spending for the sake of promoting full employment and the objectives of the welfare state.

In 1958, France in effect adjusted her internal policies to those of the EEC's most disciplined member, West Germany. Had France not done so, the opening of the Common Market in 1959, even with the relatively modest tariff reductions which then occurred, might well have precipitated a business crisis.

The fact that France did take such corrective action was no accident. The most respected economists in Europe knew that such steps were prerequisite to the successful operation of a Common Market, said so and were heeded. Wilhelm Roepke, the internationally known German-Swiss authority on European trade problems said so, forcefully, in 1957. He was not one to put the cart of tariff reduction before the horse of economic reform. The return of France to fiscal discipline made possible the EEC and tariff reductions that benefit both sides of the Rhine without destroying the livelihood of either.

The former French travel-now-and-pay-later fiscal policy, if offsetting tariffs had then been reduced or eliminated, was calculated to affect the French balance of trade adversely. It was plain to European economists in 1957 that, if tariffs between France and Germany had been lowered at that time, Frenchmen with their inflated incomes and prices would have rushed to buy German goods. But Germans, with their relatively lower incomes and prices, would have had no urge to buy French goods, despite the lower tariffs. The balance of trade would have swung sharply in Germany's favor to the detriment of French industry and French employment. These economists were realists, and fortunately for France, their Government had the wisdom to heed them and the political courage to set their house in order.

I suggest that there is a greater disparity of incomes and prices as between the United States and the EEC than there was in 1957 between France and Germany. And I suggest that a further lowering of our tariffs, until that disparity is eliminated, will have precisely the same effect on our balance of trade which was predicted for pre-De Gaulle France.

There were other economic factors which did not prejudice competition between French and German firms to the extent that they do prejudice competition between United States and Common Market firms.

I refer to the disparity between the tax allowable depreciation on foreign and domestic industrial plants and equipment. I refer to subsidies paid European firms in the form of tax rebates on exported goods. And I refer to differences in corporate income tax rates.

In the EEC, France has the corporate income tax rate closest to ours—50 percent. An advantage of 2 percent may seem a pinch of dust in the wind, but in free trade competition, it is highly significant. An example would be two companies of equal efficiency, one American, the other French. Let's say that the American firm can sell $1 million worth of units, earn 10 percent before taxes or $100,000, pay $52,000 in Federal income taxes, and wind up with net earnings of $48,000. Now suppose the French company quotes $996,000 for the same number of units. By problem definition, the two plants are equally efficient. Thus the production, administrative and selling costs are the same—$900,000. The French profit before taxes would be $996,000 less $900,000 or $96,000. At a 50-percent tax rate the French company would pay $48,000 in taxes and realize a net profit of $48,000.

In other words, because of a tax rate of 50 percent instead of 52 percent, the French company, even with costs that are no lower, can undersell the American company by four-tenths of 1 percent without sacrificing $1 of net profit. In any basic commodity—steel plate, aluminum bars, cement, plywood, ceramic tile, electric wire, and cable—four-tenths of 1 percent will take the business.

Unless Government fiscal and taxing policies lay equal burden on firms competing in the absence of offsetting tariffs, the competitive advantage will always lie with the less burdened firm—a factor to consider in estimating the extent of this bill's probable injury to domestic industry.

In the area of wage productivity also, the U.S. manufacturers are at a serious disadvantage.

This was documented in a study wherein all the exports of the year 1951 were segregated as to high and low labor content items. Imports and exports of all categories were added together to get the dollar volume total of foreign trade in those items, and the export percentages calculated. The idential process was repeated for 1960. The product-by-product share of market measures the strength of each domestic industry against that of its foreign competitors in a given year. A comparison of these share-of-market figures indicates that while the United States gained in that decade in share of market in products with low labor content, we lost in share of market in products with high labor content. Because this study indicates that this country is at serious disadvantage because of the relative wage productivity, here and abroad, I respectfully ask the chairman's permission to include it as part of my testimony.

Senator DOUGLAS. That will be done, Mr. Ashley.

Mr. ASHLEY. Proponents of the Trade Expansion Act have asserted that superior productivity in this country offsets the wage rate differential between the United States and the EEC. Companies which produce like products in both places have some definite ideas about this which are not based on assertion.

Mr. Geyer, president of Cincinnati Milling Machine Co., has stated that they can make an exact duplicate of their domestic machine in their British factory, crate it for export, ship it by sea to New York, pay the import duty, ship it by rail to the Queen City, and unload it on their own factory dock at less cost than they can make the machine in that beautifully efficient Cincinnati plant.

Mr. Douglas, president of Otis Elevator, reports that his company pays an average hourly wage of 46 cents in Brazil, 76 cents in Japan, $1 in France, and $2.89 in Yonkers. Even with the present 14-percent import duty, Mr. Douglas says that experimental imports of parts made in their foreign plants have proved profitable.

Mr. Feldmann, president of Worthington Corp., cited the comparative costs of making a large size centrifugal pump in the United States and in one of their five European plants. These are identical products with the same tolerances and materials. The figures include direct labor, fringe benefits, indirect labor, and all other engineering and manufacturing costs. They do not include selling or administrative costs. The U.S. cost was $719, and the European cost $384. Five years later, the U.S. cost was $1,072 and the European cost was $376.

In other words, while U.S. costs increased 49 percent, European costs were reduced 2 percent—small comfort for those who profess to believe that the manufacturing cost gap is being narrowed.

My purpose in mentioning these examples is to point up a fact that, in all the debate on this vital question, may have been overlooked.

Proponents of the Trade Expansion Act have chided American business with "not trying" to develop export business—of being blind to sales opportunities in foreign markets. The truth is, as Department of Commerce figures show, the realities of competitive conditions have caused American business to realize foreign sales opportunities more often out of foreign-based plants than out of U.S.-based plants. In 1957, exports of U.S.-made manufactures were $10.8 billion, including those for which we were not paid, while sales of U.S.-owned, foreign-based manufacturing plants were $18.3 billion. In 1960, exports of U.S.-made manufactures had grown to $11.3 billion, including those for which we were not paid, but sales of U.S.-owned, foreign-based plants had ballooned to $23.6 billion.

Investment in U.S.-owned, foreign-based plants continues to increase, and in 1961 amounted to a startling 13 percent of the investment in U.S.-based plants. Today, the dollar value of manufactured products made in U.S.-owned, foreign-based plants is very substantially greater than the total exports of all commodities from the United States, including those we give away.

The capacity of these U.S.-owned, foreign-based factories has, however, an implication other than its answer to a charge of American business neglect of foreign market opportunities. It has a direct bearing on the tariff reductions proposed under the Trade Expansion Act.

If U.S. tariff reductions make it significantly more profitable to export to the United States, our presently favorable balance of trade could easily be reversed, even if foreign-owned companies did not increase their sales here by $1. Using the 1960 figures, the diversion of just 12 percent of the production of U.S.-owned, foreign-based factories to this market would have more than wiped out our true favorable balance of trade of $2.8 billion in that year.

Most American manufacturers have preferred to serve the domestic market from U.S.-based factories. They are by no means insensitive to the impact of payroll loss on their plant communities. Most U.S.-owned, foreign-based factories were acquired to serve foreign markets and are thought of as potential suppliers to this market only in the

same way a sailor thinks of a sheet anchor to windward—a last resort in a gale. The tariff reductions proposed under this bill may release just such a wind.

Proponents of the Trade Expansion Act admit that damage will be done to American industry if this bill is passed. We agree. We disagree only as to the extent of the damage, which they see as involving only some 18,000 jobs per year. We believe that the damage will be much greater, tearing at the very fabric of domestic industrial employment.

Further, the failure of England to reach an agreement with the EEC in the matter of Commonwealth foodstuffs points up the difficulty of trying to negotiate an increase of U.S. agricultural sales in the Common Market. On the one hand, if England finally persuades the EEC to admit Commonwealth foodstuffs on a preferential basis, and joins the EEC on the basis of that concession, England cannot then be expected to favor an agreement on U.S. agricultural products which would nullify the advantage to the Commonwealth. On the other hand, if the present EEC nations remain adamant on the issue of agricultural protection, it seems improbable that U.S. negotiators could succeed when the English failed. In either case, without increased agricultural exports to offset increased manufactured imports, the tariff reductions contemplated under the Trade Expansion Act could only result in a worsening of our overall trade balance.

In view of the uncertainty which surrounds the question of the United Kingdom's membership in the EEC, and the overriding importance which attaches to England's membership in view of the Trade Expansion Act's 80-percent formula, an extension of the present Trade Agreements Act, while this question is being resolved, would seem prudent and wise. If a new trade bill is to be fashioned now, the Trade Relations Council wishes to go on record as favoring the following amendments. We urge that—

1. The definition of "industry" in the Trade Agreements Act be retained, and
2. The peril point and escape clause procedures of the Trade Agreements Act be retained, and
3. That title III of the Trade Expansion Act be deleted, thus eliminating all "adjustment assistance" subsidies for labor and business.

Present provisions of the Trade Expansion Act, to remedy the injury this bill is expected to cause, would in our opinion fall with devastating impact on those affected companies which are small and have lacked the resources to diversify their product lines. As we understand it, they would be phased out of their existing businesses with the financial and technical assistance of the Government. Larger, diversified companies, able to withstand financial loss in one product line, would be left in sole possession of the domestic field when their undiversified competitors were phased out of their existing businesses.

We believe that technical assistance to establish injured companies in new businesses has no application in most fields. No amount of technical assistance can persuade a lead and zinc mine, for example, to yield up anything but lead and zinc.

We believe that a policy of paying workers more money for unemployment due to imports than for some other reason is inequitable.

If the workers in a glass factory lose their jobs because of import competition, are service workers who are displaced by reason of the disappearance of the glass factory payroll less deserving of consideration?

If the proponents of this bill are correct in their assumption that injury will not be significant, there would be few hearings or findings of injury under Escape Clause procedures. But if injury is extensive, the way would be open, with no blind alleys to cost precious time, to keep industry and workers in fields where both have experience and in which their lives and fortunes are invested.

(The attachment to Mr. Ashley's statement follows:)

(The research resulting in the attached material was done by the Libbey-Owens-Ford Glass Co., Toledo, Ohio, under the direction of James M. Ashley, vice president.)

IS THE U.S. REALLY BEING PRICED OUT OF WORLD MARKETS?

During the past few years there has been bitter argument as to whether U.S.-manufactured products were being priced out of world markets, and are unable to defend their home markets. Some industry leaders have said that, as far as their products were concerned, their labor costs, compared to those abroad, made it impossible for them to match the prices of foreign competitors. Others, notably State Department personnel, have disputed this. They admit that hourly wage rates in the United States are substantially higher, but assert that superior U.S. productivity—the amount of goods each worker can produce in an hour—more than offsets the higher wage rates. They deny that labor cost per dollar of product produced is higher in the United States. This is the hub of the argument.

There should be evidence in annual export-import statistics to show which point of view is correct. If it is true that labor costs per dollar of product—as opposed to hourly wage rates—are really handicapping U.S. industry, then U.S. commodities with high labor content should be falling behind in the international race for sales, as compared to U.S. commodities with low labor content. That is the subject of this study.

By comparing statistics on imports and exports, product by product, in years separated by enough time to allow economic factors to come into play, trend lines should become evident to show which industries are moving ahead by capturing a larger share of market, and which are falling behind by capturing a smaller share of market.

If there is substance to the industry contention that the United States is being "priced out of the market" by reason of high labor costs, then the share of market in most products with high labor content should, after the passage of time, show a loss in share of market.

It is obvious that a steel beam has higher labor content than the same number of dollars worth of pig iron from which steel is made. It is obvious that plywood has higher labor content than logs. If U.S. labor costs are pricing us out of the international market, U.S. steel beams and other products with substantial labor content should show greater losses (or smaller gains) in share of market than pig iron and other products with lesser labor content.

Between the years 1951 and 1960, U.S. foreign trade—the sum of all that we buy from foreign countries, and all that we sell to foreign countries—increased from $25,679,760,000 to $34,951,674,000. In 1951, the United States export share of that trade was 57.9 percent. In 1960, the U.S. share of this trade was 58.1 percent. Not a significant change—two-tenths of 1 percent.

What is significant, and what the official figures of the Bureau of Census show, is that the character of our exports has changed. U.S. exports have registered large gains in share of market in raw materials and manufacturers with relatively low labor content. Live animals. Hides and skins. Furs. Fodders and feeds. Nuts. Crude synthetic rubber. Natural gums, resins, and balsams. Oilseeds. Raw cotton. Goat hair. Manmade fibers. Logs. Paper base stocks. Pig iron. Scrap iron. Aluminum and other nonferrous ores.

We have registered large losses in share of market in exports of manufactures with relatively high labor content. Leather manufacturers. Fur manufactures. Grain manufacturers. Rubber manufacturers. Cotton manufacturers. Products made from manmade fibers. Food manufactures. Steel mill products. Metal manufacturers. All kinds of machinery except agricultural. All kinds of vehicles except aircraft. Photographic goods. Scientific apparatus. Toys. Firearms.

This is true in small industries as well as large, as the footnotes to the main product groups amply show. 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.

The kind of exports in which we are gaining ground are those ordinarily associated with underdeveloped countries. The kind of exports in which we are losing ground are ordinarily associated with highly developed countries. The common denominator of the difference is labor cost. Not hourly wage rates. Labor cost.

The low tariff policies followed by the United States under the Trade Agreements Act have finally caught up with us. Foreign manufacturers, paying wages far below even the U.S. legal minimum wage, and insuring high productivity by using the latest, most efficient machinery in many cases provided by the Marshall plan and subsequent giveaway programs, are able to best American manufacturers in our home market as well as abroad—wherever there is enough labor employed to make a significant difference in the cost of the finished product. There is no other conclusion to draw from these data.

Now the administration proposes drastically to accelerate this frightening trend by the immediate further reduction and eventual elimination of import duties on most manufactured products. To accomplish this, various arguments are used—some uninformed, some purposefully misleading.

The inclusion of $181 million of goods paid for by private U.S. charity (see the final footnote in the tables that follow) points up the incorrectness of using total U.S. "export" figures to sell the public on the importance of export trade. Used in that manner, the totals become an annual report of goods sold. The Securities Exchange Commission would take a dim view of a corporation which falsely reported its annual sales in order to push up the price of its stock on the New York Stock Exchange. Yet by failing to point out that the reported export figures contain very substantial amounts for which the United States is not paid, highly placed administration officials have done precisely that.

Under Public Law 480, the Government "sells" agricultural products to other governments for currency which is not convertible. In other words, we are paid in wooden nickels. Yet these exports are included in the official figures and should not be referred to by politicians as if they made a contribution to the economy of the United States. To our military security, perhaps. To our reputation as a charitable people, perhaps. But not to our economy.

The Government buys what domestic cotton manufacturers cannot consume at a price which guarantees the cotton planter a floor to his prices. This support price in 1960 was 6 cents per pound above the world market price. Every pound of cotton reported as exported in 1960 was sold at the world market price. Consequently, we lost 6 cents per pound on every pound sold. In 1960, we sold 7,816,899 bales of cotton weighing 500 pounds per bale. This adds up to a loss of $234,506,970. Perhaps it is proper for the taxpayers of New York and Pennsylvania and Ohio and other States where cotton does not grow to make this contribution to the prosperity of southern cotton planters. But it is not proper for administration officials to fail to mention this fact when they speak of the economic importance of U.S. exports. "Stockholders" are entitled to know when merchandise is such quantity is sold at distress prices and below cost.

It has recently been admitted by administration officials that "a substantial part" of the $1,262,152,770 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.

We pay cash for what we import. When we discuss the balance of trade, it is proper to compare the value of imports and exports only if just those exports are included for which we are paid for in cash. Real cash. Convertible

currency. Certainly not those items paid for by U.S. citizens either out of tax money or by private charity.

The falsely inflated export figures are being used by the administration to urge upon Congress a trade program which looks to the drastic further reduction and eventual elimination of import duties in most manufactures. From this study of U.S. exports and imports of all commodities, 1960 versus 1951, we see that U.S. industries are already losing their share of market in the export of virtually every product which has high labor content. Demonstrably, our import duties are already too low to compensate for the foreign labor cost advantage. Without any import duties to partially offset this cost advantage, the downward trend in share of market for U.S. manufactures will be further accelerated.

This country cannot live on the productivity of its farmers. It cannot survive for long by exporting the raw materials which are its natural resources. It cannot "retrain" workers displaced by their foreign counterparts if all manufacturing industry is losing share of market. It cannot look for "growth" to provide employment for the million new workers who enter the labor market each year if the growth is absorbed by foreign competitors.

Capital is resourceful and flexible. Capital can survive by following the billions already invested overseas where cost factors make it possible to compete. As long as the cost of relocation can be amortized in a relatively short time because of manufacturing cost advantages, it will continue to move abroad. Management may regret the resulting loss of U.S. employment. But management is compelled as a last resort to make such moves.

Labor must stand and fight in this country. Two choices are open to labor. Labor must either accept lower wages so that foreign workers with high productivity and low wages cannot take their jobs, or it must insist that the advantage which accrues to foreign products in this market because of lower labor costs be offset by import duties which neutralize that cost advantage. There is no other choice.

No political realist believes that labor will willingly surrender the wage scales for which they have fought so long. Nor is it in this country's interest to have workers receive the marginal wages paid abroad which allow them to buy little more than the necessities of life. The great market in the United States for consumer goods has been created by workers' ability to buy. Homes. Cars. Television sets. Washing machines. Vacations in Yellowstone Park. Our domestic economy would collapse, and our financial institutions would fail if the average wage of U.S. production workers—$2.96 per hour—were reduced to 75 cents.

The alternative is within labor's power. Labor has the strength to demand that their jobs and the wage scales be preserved. Few politicians would fail to heed such a demand.

The figures cited in the following tables tell a complete and accurate story. They are not as pleasant to read as some of the glib propaganda put out by the professional apologists for free trade. They are not based on economic theory drawn from a college text book. They are the record of what has actually happened. They tell a story whose implications are as plain to any knowledgeable business man as are the symptoms of cancer to a medical diagnostician. They mean that the administration's trade program is based on fallacy and misunderstanding and must be so modified as to provide real safeguards for American jobs which now stand in serious jeopardy.

The figures in the following tables are taken from the official export and import data published by the U.S. Department of Commerce, Bureau of Census. Exports of military defense items are omitted as not being pertinent to the study. The figures should speak for themselves.

Foreign trade in any commodity is the sum of what the U.S. buys and what the U.S. sells. For example, if U.S. cattlemen sell $5,753,000 worth of live animals abroad in a given year, and if U.S. packers buy $52,887,000 worth of live animals abroad, the sum of those figures, or $58,640,000, is the total U.S. foreign trade in live animals during that year. In that case, the U.S. cattlemen's share of market would be 9.8 percent as is shown in the first item in the following table.

If, a decade later, U.S. cattlemen sell $19,130,000 worth of live animals, and U.S. packers buy $62,623,000 worth of live animals abroad, for a total of $81,753,000, the U.S. cattlemen have a share of market of 23.4 percent. As compared to a decade earlier, they have gained 13.6 percent in share of market.

Commodity	1951 export-import trade in commodity	1951 export share	1960 export-import trade in commodity	1960 export share	U.S. export gain or loss (−)
GROUP 00	*Thousands*	*Percent*	*Thousands*	*Percent*	*Percent*
Live animals	$58,640	9.8	$81,753	23.4	13.6
Meat and meat products	289,225	20.7	449,441	27.9	7.2
Dairy products [1]	145,926	81.4	118,784	73.1	−8.3
Fish, shellfish and products [2]	185,208	14.6	329,995	7.7	−6.9
Other edible animal products [3]	43,108	84.0	35,440	79.0	−5.0

[1] Exports of fresh milk and cream increased 64 percent 1951-60; exports of manufactured dairy products decreased 29 percent.
[2] Exports of fresh and frozen fish increased 223 percent 1951-60; exports of canned, boned, filleted fish decreased 22 percent; imports of fresh and frozen fish decreased 9 percent; imports of canned, boned, filleted fish increased 258 percent.
[3] Exports of eggs in the shell decreased 15 percent; exports of processed eggs decreased 65 percent.

It appears from the foregoing table and footnotes that exports with lower labor content show greater gains in share of market. Live animals registered a gain, 1960 over 1951, of 13.6 percent. There is, of course, labor in raising live animals and in getting them to the point of sale, whether that be at a dock or at a slaughterhouse. But in order to turn live animals into meat or meat products, more labor must be added. The fact that meat and meat products did not show as large a gain in share of market, 1960 over 1951, as Live animals supports the thesis that "the more labor content, the less chance the United States has of competing successfully."

The footnotes, dealing with divisions of the major categories, also support that idea. What is the difference between fresh milk or cream and evaporated canned milk? More labor is required to change the former into the latter. Fresh milk exports increased while manufactured dairy products exports declined.

Fresh and frozen fish require less labor than boned, filleted, and canned fish. During the decade, U.S. exports of fish increased where there was less labor content and declined where there was more labor content. Exactly the reverse was true in imports. We bought less fresh and frozen fish from foreign sources and more boned, filleted, and canned fish.

Eggs in the shell are a chore to collect, to clean, to pack and ship. But still more labor is required to process them further. It is true that U.S. exports of eggs in the shell declined over the period. But the export of processed eggs, with higher labor content, declined more than four times as rapidly.

An examination of one product group does not provide enough evidence for any conclusion. All product groups must be subjected to the same scrutiny. If the difference between hides and skins and leather is value added by additional labor, then industry people would expect hides and skins to show a greater gain (or smaller loss) in share of market as a decade passed. And if leather becomes leather manufactures, like shoes, through the addition of still more labor, leather should show a greater gain (or smaller loss) in share of market than leather manufactures.

Commodity	1951 export-import trade in commodity	1951 export share	1960 export-import trade in commodity	1960 export share	U.S. export gain or loss (−)
GROUP 0	*Thousands*	*Percent*	*Thousands*	*Percent*	*Percent*
Hides and skins, raw	$145,491	8.8	$147,041	52.0	43.2
Leather	44,259	44.4	73,247	43.4	−1.0
Leather manufactures	41,682	50.3	121,918	17.8	−32.5
Furs	135,972	20.9	147,058	30.2	9.3
Fur manufactures	9,181	42.8	9,041	28.3	−14.5
Animal and fish oils and greases	100,072	85.9	130,302	95.7	9.8
Other inedible animals and products [1]	109,990	8.1	100,761	19.3	11.2

[1] Exports of animals for breeding increased 63 percent 1951-60; exports of feathers, crude, undressed, increased 121 percent; exports of feathers, manufactures, decreased 100 percent; imports of feathers, crude, undressed, decreased 78 percent; imports of feathers manufactures, increased 491 percent; imports of shells, not processed, decreased 77 percent; imports of shells manufactures, in creased 584 percent; exports of shells, not processed, increased 808 percent; imports of ivory, crude, decreased 43 percent; imports of ivory manufactures, increased 158 percent.

Commodity	1951 export-import trade in commodity	1951 export share	1960 export-import trade in commodity	1960 export share	U.S. export gain or loss (−)
GROUP 1	*Thousands*	*Percent*	*Thousands*	*Percent*	*Percent*
Grains, unprocessed	$1,275,871	90.4	$1,302,911	97.2	6.8
Grains, manufactures (malt, meal, hominy, sorghums)	348,505	97.1	392,295	95.2	−1.9
Fodders and feeds	75,978	44.6	91,109	82.2	37.6
Vegetables, fresh, frozen, dried [1]	87,636	64.2	135,128	66.6	2.4
Vegetables, canned	48,582	55.4	55,032	34.0	−21.4
Fruits, fresh	134,574	43.1	217,196	51.1	8.0
Fruits, canned, concentrate and juice	93,081	62.1	197,073	72.5	10.4
Nuts	67,815	15.6	89,927	22.8	7.2
Vegetable oils and fats, edible	78,799	81.6	108,868	69.9	−11.7
Cocoa, coffee, tea [2]	1,619,359	.4	1,260,145	1.6	1.2
Spices	59,350	1.6	53,740	4.3	2.7
Sugar and related products [3]	483,409	8.1	590,625	3.4	−4.7
Beverages	138,240	7.2	277,993	6.0	−1.2

[1] Of the $13,663,000 gain in fresh vegetable imports, $10,197,000 is in tomatoes which have the largest labor content of any garden vegetable.

[2] Imports of cocoa beans declined 27 percent; imports of processed cocoa increased 100 percent; imports of coffee beans declined 35 percent; imports of processed coffee increased 13 percent; exports of green coffee increased 3,037 percent; exports of roasted coffee declined 4 percent.

[3] Exports of honey increased 32 percent; exports of candy declined 10 percent; imports of candy increased 186 percent.

Commodity	1951 export-import trade in commodity	1951 export share	1960 export-import trade in commodity	1960 export share	U.S. export gain or loss (−)
GROUP 2	*Thousands*	*Percent*	*Thousands*	*Percent*	*Percent*
Crude rubber, natural and synthetic	$836,925	1.7	$652,911	33.8	32.1
Rubber manufactures [1]	134,133	94.8	284,143	52.2	−42.6
Gums, resins, and balsams, crude [2]	83,753	57.3	96,689	70.4	13.1
Herbs, barks, leaves, roots, crude [3]	31,916	10.2	30,036	15.1	4.9
Oilseeds and expressed and essential oils	416,750	23.3	632,433	57.1	33.8
Dyeing and tanning extracts	32,007	2.9	12,686	2.1	−.8
Seeds, except oilseeds	28,673	28.1	32,475	58.4	30.3
Nursery and floral stock	11,290	10.1	20,698	26.0	15.9
Tobacco	410,952	79.2	493,899	76.6	−2.6
Tobacco manufactures	59,407	95.5	103,501	94.3	−1.2
Miscellaneous vegetable manufactures [4]	42,379	62.8	28,365	55.6	−7.2

[1] Exports of tires and tubes increased 13 percent 1951–60; imports of tires and tubes increased 921 percent; imports of rubber boots, rubber-soled shoes, etc., increased 1,8460 percent.

[2] Exports of chicle and chewing gum bases increased 132 percent; exports of chewing gum, manufactured, declined 8 percent.

[3] Imports of crude drugs declined 32 percent; imports of finished drug manufactures increased 6 percent.

[4] Imports of rice, wheat, and potatoes (excluding seed potatoes) declined 75 percent; imports of rice, wheat, and potato starch increased 5,768 percent; imports of broom corn declined 95 percent; imports of brooms ncreased 693 percent.

Commodity	1951 export-import trade in commodity	1951 export share	1960 export-import trade in commodity	1960 export share	U.S. export gain or loss (−)
GROUP 3	*Thousands*	*Percent*	*Thousands*	*Percent*	*Percent*
Cotton, raw	$1,188,956	96.4	$1,014,324	97.4	1.0
Cotton, semimanufactured	107,589	88.9	66,768	80.4	−8.5
Cotton, manufactures [1]	453,899	84.0	482,062	47.8	−36.2
Vegetable figer (jute, flax, hemp, ramie, and manufactures) [2]	376,523	4.7	236,757	2.6	−2.1
Wool (U.S. comparable export goat hair)	743,885	.1	212,756	7.4	7.3
Wool, semimanufactured	46,446	37.8	79,944	27.5	−10.3
Wool, manufactures	111,268	16.7	217,177	4.1	−12.6
Hair and manufactures [3]	20,313	23.0	12,496	40.1	17.1
Silk and manufactures [4]	58,002	3.7	102,922	3.6	−.1
Manmade fibers, semimanufactured (yarn, tow, etc.)	86,868	47.9	149,009	86.8	38.9
Manmade fibers, manufactures	191,683	96.4	216,131	75.3	−21.1
Miscellaneous textile manufactures [5]	76,724	71.6	122,417	43.6	−28.0

[1] Imports of cotton manufactures as a whole increased 247 percent; imports of cotton wearing apparel increased 744 percent.
[2] Imports of raw jute, hemp, ramie, sisal, etc., decreased 70 percent; imports of jute, hemp, ramie, sisal, etc., manufactures decreased 7 percent.
[3] Imports of hair, not manufactured, decreased 56 percent; imports of hair, manufactures, increased 17 percent.
[4] Imports of raw silk increased only 30 percent; imports of silk manufactures increased 106 percent.
[5] Imports of partly finished straw and natural fiber hats decreased 26 percent; imports of fully finished straw and natural fiber hats increased 2,342 percent; exports of linoleum decreased 24 percent; exports of impregnated cloth decreased 6 percent; exports of nonrubber waterproof outer garments decreased 50 percent; exports of elastic webbing increased 642 percent; exports of garters decreased 60 percent; exports of absorbent cotton and sterilized bandages decreased 40 percent.

Commodity	1951 export-import trade in commodity	1951 export share	1960 export-import trade in commodity	1960 export share	U.S. export gain or loss (−)
GROUP 4	*Thousands*	*Percent*	*Thousands*	*Percent*	*Percent*
Wood, not manufactured	$40,439	27.3	$60,197	57.7	30.4
Wood, sawmill products	308,971	31.2	413,621	24.9	−6.3
Wood, manufactures [1]	119,641	30.6	252,685	20.3	−10.3
Cork and cork manufactures [2]	25,352	17.9	12,305	23.9	6.0
Paper base stocks (pulp, waste paper, etc.)	465,793	11.2	500,063	32.7	21.5
Paper and paper products	723,029	24.6	1,018,308	25.1	.5

[1] Imports of furniture increased by 254 percent; imports of plywood increased by 760 percent.
[2] Imports of cork, not manufactured, decreased 72 percent; imports of cork manufactures increased 19 percent.

Commodity	1951 export-import trade in commodity	1951 export share	1960 export-import trade in commodity	1960 export share	U.S. export gain or loss (−)
GROUP 5	*Thousands*	*Percent*	*Thousands*	*Percent*	*Percent*
Coal and related fuels	601,161	99.2	$361,463	98.8	−0.4
Petroleum products [1]	1,384,167	56.6	1,543,078	23.7	−32.9
Stone and products (cement, lime, gypsum, etc.[2]	26,093	47.5	37,507	13.6	−33.9
Glass and glass products	85,421	74.7	165,628	50.8	−23.9
Clay and clay products [3]	59,602	58.3	169,972	31.0	−27.3
Other nonmetallic minerals [4]	232,068	49.2	597,410	26.8	−22.4

[1] Imports of crude oil increased 139 percent; imports of refined oil products increased 187 percent.

[2] Exports of stone and gypsum, not manufactured increased 113 percent; exports of stone and gypsum, manufactures decreased 67 percent; imports of stone and gypsum, not manufactured, increased 50 percent; imports of stone and gypsum, manufactures increased 292 percent.

[3] Exports of clay, not manfactured, increased 86 percent; exports of clay, manufactures increased 4 percent; imports of household china increased 76 percent; imports of restaurant china increased 7,288 percent; imports of tile increased 719 percent.

[4] Exports of asbestos manufactures declined 18 percent; exports of crude gypsum increased 13 percent; exports of gypsum manufactures decreased 38 percent; exports of mica, not manufactured, increased 70 percent; exports of mica manufactures increased 1 percent; exports of sulfur, crude, increased 29 percent; exports of sulfur, crushed, refined, decreased 27 percent; exports of quartz crystal, not manufactured, increased 2,113 percent; exports of quartz crystal, manufactures increased 17 percent; exports of talc, crude, increased 195 percent; exports of talc manufactures decreased 37 percent; Imports of talc, crude, decreased 85 percent; imports of talc manufactures increased 30 percent; imports of corundum ore decreased 72 percent; imports of corundum refined and manufactures, increased 572 percent; imports of pumice, crude, decreased 69 percent; imports of pumice manufactures increased 30 percent.

Commodity	1951 export-import trade in commodity	1951 export share	1960 export-import trade in commodity	1960 export share	U.S. export gain or loss (−)
GROUP 6	*Thousands*	*Percent*	*Thousands*	*Percent*	*Percent*
Iron ore and concentrates [1]	$9,250	33.9	$379,268	15.2	−18.7
Pig iron	51,473	.7	24,214	21.4	20.7
Iron and steel scrap	22,275	40.8	247,179	97.9	57.1
Steel mill products [2]	898,385	69.4	1,116,151	54.7	−14.7
Metal manufactures (including nonferrous mill products) [3]	383,403	69.2	784,196	53.9	−15.3
Aluminum ores, scrap, billets, etc., crude	68,820	4.0	336,664	53.1	49.1
Copper ores, scrap, billets, etc., crude	346,365	21.9	669,388	47.7	25.8
Brass and bronze, scrap, billets, etc., crude	5,485	61.8	66,154	89.7	27.9
Lead ores, scrap, billets, etc., crude	75,545	1.1	76,028	2.3	1.2
Nickel ores, scrap, billets, etc., crude	101,050	5.1	178,341	17.7	12.6
Tin ores,[4] scrap, billets, etc., crude	162,397	1.8	121,605	2.2	.4
Zinc ores, scrap, billets, etc., crude	83,851	20.6	96,983	24.1	3.5
Other nonferrous ores, billets	139,502	6.4	244,597	35.4	29.0
Precious and semiprecious metal ores	38,609	6.0	37,852	9.8	3.8
Jewelry and similar manufactures [5]	16,832	24.1	43,728	11.4	−12.7

[1] Since iron ore is one of very few raw materials in which our export sales show a loss in share of market, 1960 versus 1951, it may be pointed out that this reflects the partial exhaustion of the Mesabi Range and the development, by U.S. companies, of new iron ore mines in Labrador and Venezuela.

[2] Imports of steel beams increased 62 percent; imports of steel beams machined increased 3,947 percent; imports of pipe, tubes, and fittings increased 97 percent; imports of nails increased 439 percent.

[3] Imports of hand tools increased 320 percent; imports of cutlery increased 554 percent; imports of builders hardware increased 368 percent; imports of copper tubing increased 6,000 percent.

[4] Imports of tin ore for smelting decreased 62 percent; imports of tin pigs and bars increased 41 percent.

[5] Imports of precious and semiprecious metal ores declined 6 percent; imports of jewelry increased 201 percent.

Commodity	1951 export-import trade in commodity	1951 export share	1960 export-import trade in commodity	1960 export share	U.S. export gain or loss (−)
GROUP 7. MACHINERY AND VEHICLES	*Thousands*	*Percent*	*Thousands*	*Percent*	*Percent*
Electrical machinery and apparatus [1]	$543, 384	96.7	$1, 061, 698	74.7	−22.0
Power-generating machinery	196, 992	99.1	236, 612	96.3	−2.8
Metal-working machinery	206, 015	93.7	405, 071	90.9	−2.8
Textile, sewing, and shoe machinery	165, 789	86.9	216, 678	71.6	−15.3
Other industrial machinery (including U.S. construction, mining, and oilfield machinery) [2]	857, 947	96.7	1, 886, 657	93.0	−3.7
Office, accounting, and computing machines	125, 463	95.3	277, 083	75.3	−20.0
Agricultural machinery	228, 091	61.7	233, 243	62.2	.5
Tractors and parts	328, 054	97.2	433, 387	89.3	−7.9
Automobiles, trucks, buses, trailers, and parts [3]	1, 197, 111	99.2	1, 843, 353	66.0	−33.2
Aircraft and parts	28, 529	67.0	613, 565	89.8	22.8
Other vehicles including watercraft	83, 288	88.0	255, 181	75.2	−12.8

[1] Imports of Christmas tree light bulbs were enough for 5 for each house in the United States (243,000,000). This year General Electric closed down and abandoned its plant making Christmas lights. New invention kept the U.S. exports of electric apparatus from a worse performance. Between 1951 and 1960, exports of electronic parts increased 2,100 percent, and television sets even more. By contrast, telephone instruments increased 10 percent, household appliances 2 percent, X-ray and therapeutic devices declined 18 percent, batteries declined 56 percent, radio receiving sets declined 81 percent. By contrast, imports of radio sets and parts increased 1,900 percent.

[2] Sales to foreign factories of $77,000,000 worth of industrial indicating instruments, $26,000,000 worth of physical properties testing and inspecting machines, $21,000,000 worth of packaging and wrapping machines disputes the idea that the foreign plants are backward.

[3] Exports of trucks and buses declined 2.1 percent; exports of passenger cars declined 30.3 percent; exports of parts to be assembled in foreign countries increased 40.8 percent.

Commodity	1951 export-import trade in commodity	1951 export share	1960 export-import trade in commodity	1960 export share	U.S. export gain or loss (−)
GROUP 8	*Thousands*	*Percent*	*Thousands*	*Percent*	*Percent*
Coal tar and other cyclic chemical products (note 1)	$133, 424	59.6	$225, 688	69.6	10.0
Medicinal and pharmaceutical preparations	293, 202	96.0	300, 402	91.1	−4.9
Chemical specialties and industrial chemistry	562, 914	78.9	1, 091, 932	89.1	10.2
Pigments, paint, and varnish (note 2)	108, 498	95.1	123, 135	87.7	−7.4
Fertilizers and fertilizer products	148, 007	31.1	227, 019	50.4	19.3
Explosives	1, 628	0	8, 437	46.2	46.2
Soap and toilet preparations	26, 600	74.3	37, 599	66.1	−8.2

It is difficult for anyone but a chemical engineer to reach an accurate conclusion with respect to the effect of labor content in chemical products on their import-export trade. There are too many products in each major category, many are byproducts of others, and presumably the labor content of individual products in any category would vary widely. This suggests that to advocate sweeping across-the-board tariff changes is the approach of an economic dilettante.

However, it would appear logical to a layman that coal tar products, as a group, would have less labor content than medicinal products, as a group, and that fertilizers would have less labor content than paint and varnish. If this is true, the above statistics support the thesis that the more labor content, the worse off American industry is in international competition.

Further, the following notes seem to reinforce that conclusion:

NOTE 1.—Exports of crude coal tar products increased 746 percent; exports of coal tar dyes and stains declined 32 percent; imports of coal tar dyes and stains increased 51 percent.

NOTE 2.—Exports of ready-mixed paints declined 14 percent, although exports of the paints and varnish category as a whole showed a slight increase—5 percent.

Commodity	1951 export-import trade in commodity	1951 export share	1960 export-import trade in commodity	1960 export share	U.S. export gain or loss (–)
GROUP 9	*Thousands*	*Percent*	*Thousands*	*Percent*	*Percent*
Photographic and projection goods [1]	$77,075	77.9	$185,279	70.0	–7.9
Scientific and professional instruments	73,677	86.7	153,158	72.4	–14.3
Musical instruments and parts	36,065	61.7	69,094	61.0	–.7
Toys, athletic and sporting goods [2]	24,312	64.4	107,975	39.2	–25.2
Firearms, ammunition, and accessories	8,364	51.0	20,612	31.3	–19.7
Books, maps, pictures, and other printing	87,062	77.4	183,823	74.2	–3.2
Miscellaneous commodities [3]	566,247	61.4	1,095,177	50.1	–11.3

[1] Imports of cameras maintained in 1960 the 2-to-1 dollar advantage over U.S. camera exports they enjoyed in 1951. Exports of ophthalmic goods declined 21 percent; imports of ophthalmic goods increased 1,800 percent; exports of optical instruments increased 51 percent; imports of optical instruments increased 245 percent.

[2] Imports of dolls and toys increased 640 percent; exports of dolls and toys increased 86 percent; imports of baseballs (not rubber, used in sport) increased 2,100 percent; imports of footballs (not rubber, used in sport) increased 3,215 percent; imports of baseballs gloves increased from less than $4,000 to more than $4,000,000.

[3] Imports of watches and parts had already wrecked the U.S. industry in 1951. Imports actually declined 7 percent between 1951 and 1960 (from $64,000,000 to $60,000,000). However, imports of clocks and movements increased 288 percent; imports of clockwork mechanisms (time switches, devices to measure electrical current, taximeter, etc.) increased 1,057 percent. Imports of ink increased 1,060 percent; exports of ink declined 3 percent; imports of buttons increased 149 percent; exports of buttons declined 61 percent; imports of pencils increased 570 percent; exports of pencils declined 41 percent; imports of umbrellas increased 721 percent; exports of umbrellas declined 31 percent; imports of brushes increased 186 percent; exports of brushes declines 10 percent. Exports of food, clothing, bedding, and similar products, paid for by private U.S. charity (not by the Government) increased 175 percent (from $65,000,000 in 1951 to $181,000,000 in 1960).

There is no comparable import figure.

Senator DOUGLAS. Thank you very much, Mr. Ashley.

If I may make a few comment, first with regard to your statement on page 3 which implies that the level of prices in the United States puts American exporters at a disadvantage compared with Europeans. I think it should be noted that the level of wholesale prices in the United States has been virtually constant since 1957.

The BLS index shows an increase of only 3 percent, and a major portion of this has been caused by increase in prices of so-called services; isn't that true?

Mr. ASHLEY. I think that that is not only true but I think it is reflected, sir, in the so-called profit squeeze about which we are hearing so much.

Senator DOUGLAS. But I am referring to disparities between American price levels and European price levels.

Mr. ASHLEY. Yes, sir.

Senator DOUGLAS. And throughout the period the American increase in price levels with 1947–49 as a base has been less than in the European countries, with the exception of the Netherlands, and until the last year or two, West Germany. That is, the French increase was more than the American increase; and the British, and the Italian increase were more.

Mr. ASHLEY. If you are speaking of percentages, sir, that is one thing, or are you speaking of actual prices?

Senator DOUGLAS. Percentages.

Mr. ASHLEY. Yes, sir.

Senator DOUGLAS. Now, until last year or 2 years ago, the West German increase had been less than the American increase. I think this was the only major industrial country which had a smaller increase than ours. But in the last 2 years this has not been true. The

American price level has been steady, and German price level has been rising quite markedly; isn't that true?

Mr. ASHLEY. I cannot deny we have had some pretty dramatic evidences in the American firms holding the price line.

Senator DOUGLAS. Yes. And in Germany the price levels have been rising; isn't that true, in the last few years?

Mr. ASHLEY. I understand that is true, although I have no expert knowledge on it.

Senator DOUGLAS. Yes, that is true. So that so far as comparative prices are concerned, American price levels, I think, can now be shown to have gone up less than the price levels of every major industrial country in the world.

Therefore, a lot of talk about American inflation pricing American goods out of the market, in comparison with the past does not seem to me to be correct.

Mr. ASHLEY. Senator, I might only want to make this observation to your certainly well-informed statistical analysis. If our prices are very substantially higher at any given period, and we add a small increase, and if other prices are very low and they add a large percentage increase, it does take quite a long time for these prices actually to level off regardless of the percentage.

Senator DOUGLAS. I understand. But I am simply pointing out that, on the whole, if we take a base of 1947–49 our price levels have increased less than the European price levels and, therefore, in relative terms——

Mr. ASHLEY. In relative terms; yes, sir.

Senator DOUGLAS. Now, you have the statement "in the area of wage productivity also, U.S. manufacturers are at a serious disadvantage," and I want to remind you that real wages are involved here, and the labor costs that you developed have played a part in that.

But the National Industrial Conference Board, an association of employers, has published a very interesting bulletin—they published it last year—in which they pointed out that raw material prices were lower in this country than abroad.

For instance, the price of coal is very much lower in the United States than it is in continental Europe or in England; isn't that correct?

Mr. ASHLEY. Yes. I think the point of this study, if I can just summarize it, in every commodity, it begins with an intrinsic value. The tree as it stands in the forest has intrinsic value, and the value is added by the labor in transporting it and delivering it to the mill. But the price at the mill still reflects a very substantial percentage of the value of the tree.

As it goes on through subsequent processes of board, and into chairs, and so on, the intrinsic value of the tree becomes a somewhat less factor in the final price of the product, and it is in these high intensive labor products where we have lost ground, according to these figures.

Senator DOUGLAS. Is it not also true that even if you take account of the processing costs as they move on to final fabrication, so far as raw materials are concerned, American manufacturers, in the main, have lower prices to pay for the raw materials which they use than Europeans?

This is markedly true in the case of coal. The price of wheat is lower in the United States than it is in Europe. The price of wheat is about $1.80, so that the processing of food starts at a lower point than it starts in Europe.

Similarly, and I have not looked up the lumber figures, but it is my understanding that the price of lumber is lower in this country than in Europe, because the European forest resources are still relatively more limited than American forestry resources.

I am not taking into question the Canadian resources, but I think you will find the same thing to be true on iron ore and a number of other products.

But the NICB, which is an employers group, in their report issued, I think, in September of last year stressed that these advantages which we have in raw material partially offset disadvantages which we might have in higher labor costs per unit of output.

Mr. ASHLEY. I would have to agree on the basis of the study I did myself where our share of the market in raw materials and in what I would call first step manufacturers has increased, while the share of the market in highly intensive labor products has not.

Senator DOUGLAS. I want to commend you for your honesty in this matter.

As a final question I want to ask this question: You are representing not merely your company but the Trade Relations Council. The President made some concessions to the glass industry in raising the tariffs on imported glass.

Do I understand that despite those concessions you are not satisfied and are opposed to this bill?

Mr. ASHLEY. You raise a very nice question.

Senator DOUGLAS. It occurred to me.

Mr. ASHLEY. I was never under the impression, and I had something to do with that case, that there was any quid pro quo in the President's decision in the matter of window glass tariffs wherein he sought to persuade us to support his trade bill and its objectives.

Certainly nobody has implied that except a trade magazine which I consider irresponsible, and I consider such a thing, when they brought it up, not very complimentary to the President's administration of his functions.

My feeling about that goes deeper than that, however. We brought an escape clause action under the trade agreements section which resulted from—which was automatically triggered by a peril point investigation undtertaken by the Commission itself.

Now, under the definition of industry as it was defined in the Trade Agreements Act, producers of window glass in this country would bring that action and could hope for relief, but if industry is to be considered as it is in this bill, the effects on the company, on its overall statement then we, because we are a highly diversified company could not have applied for an escape clause.

The manufacturers of window glass who have that as their only business could have applied for adjustment assistance, and if some way could be found to make some other product in their factories, perhaps they would be now making some other product and we would have been left in sole possession of the domestic market. But I do

not think that is—I really think what the Trade Agreements Act permitted us to do was in essence quite fair and quite fair to our smaller competitors, but I do not think we could have come here after this bill is passed, if it is passed, and had any reaction at all under the law.

Senator DOUGLAS. Now, may I ask you another question?

I suppose the glass manufacturers, both window and bottle and other forms of glass, have a trade association.

Mr. ASHLEY. No, sir; that is not true.

Senator DOUGLAS. Are you representing any other glass companies in this statement of yours?

Mr. ASHLEY. There is one glass—either one or two flat glass manufacturers who belong to the Trade Relations Council.

Senator DOUGLAS. What company is that?

Mr. ASHLEY. Pittsburgh Plate is a member of the Trade Relations Council, and I am not sure, sir, whether American Sangobain is or not.

Senator DOUGLAS. Owens-Illinois?

Mr. ASHLEY. Owens-Illinois makes a product which is quite different than ours. We have no real knowledge of their business. I do not think they are members——

Senator DOUGLAS. So you are not representing them in this statement.

Mr. ASHLEY. As far as I know, no. My own feeling, sir, is that there is no such thing as a glass industry—Owens-Illinois and we, for example, use silica sand and limestone and melted usually with gas, and they——

Senator DOUGLAS. You use very good Illinois sand, too; the best sand in the country.

Mr. ASHLEY. It certainly is.

Senator DOUGLAS. Thank you very much, Mr. Ashley.

Mr. ASHLEY. Surely.

Senator DOUGLAS. Mr. Bahr, would you be willing to testify at this time? We are sorry to have come to you so late.

Before you start, may I ask Mr. Arnot if he would prefer to testify this afternoon, or would he like to testify now?

Mr. ARNOT. At your convenience.

Senator DOUGLAS. Well, if Mr. Bahr does not take too great a time, then you can testify when he is through. But if it is too long, we will hold off until this afternoon.

STATEMENT OF HENRY BAHR, VICE PRESIDENT AND GENERAL MANAGER, NATIONAL LUMBER MANUFACTURERS ASSOCIATION

Mr. BAHR. My name is Henry Bahr. I am vice president and general manager of the National Lumber Manufacturers Association, with headquarters in Washington, D.C.

If the committee has no objection, I would like to summarize my statement.

Senator DOUGLAS. Very well. And the full text will be included in the hearings.

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Hr. BAHR. Our association is a federation of 16 regional, species, and products associations representing the lumber manufacturing industry in all parts of the United States.

The lumber industry ranks fourth among the American manufacturing industries in the number of people employed. Employment in the forest products manufacturing industries and occupations directly relating to the distribution of forest products totals over 3 million employees. This includes furniture and all forest products.

Our industry currently is faced with a very serious import problem. The principal reason for our current plight is not absence of a market for our products. An unduly sharp increase in softwood lumber imports the past few years has driven U.S. lumber prices down, curtailed U.S. production, which in turn has eliminated thousands of jobs in the U.S. lumber industry.

In a report just issued by the Bureau of Employment Security of the U.S. Department of Labor covering the month of July 1962 the Bureau classified 495 cities as "areas of substantial and persistent unemployment." In 109 of these, unemployment in the lumber industry was listed as a major factor.

Canada is the major source of U.S. lumber imports supplying on the average about 93 percent of all softwood imports. Total Canadian softwood lumber imports for the first 6 months of 1962 were reported at 2.2 billion board feet, or 300 million board feet above Canadian shipments for the first 6 months of 1961, an increase of 16 percent.

The shipment last year of over 4 billion board feet of lumber from Canada into our markets has been the most serious aspect of this problem. Huge Canadian forest reserves, some of which heretofore have been largely inaccessible but which now are opening up, raise increased fears as to the future.

Our problems, however, cannot be limited to Canadian softwood lumber alone.

Hardwood plywood imports from Japan and other countries, where wages are 30 cents an hour and less, have taken far more than half of our American market for these products and caused a large number of companies to operate at a loss, others to close down, and, of course, have thrown thousands of American workers out of jobs.

Proposed lower duties on tropical hardwoods will hurt our industry further. Our tariff on tropical hardwoods, generally only $1.50 per thousand board feet, is already so small as to be inconsequential. We see no reason to further reduce the tariff on hardwoods and we urge you to eliminate the references to tropical hardwoods in section 213 of the bill.

Senator DOUGLAS. I have section 213 before me, Mr. Bahr, but——

Mr. BAHR. It refers to tropical forest products—unless they changed the number.

Senator DOUGLAS. I see it—

(b) "tropical agricultural or forestry commodity product" is an agricultural forestry product 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° north latitude and 20° south latitude—

in other words, in the tropical zone.

Mr. BAHR. Yes, sir.

As part of its program to alleviate the serious economic problems created by excessive imports of Canadian lumber, we have proposed that representatives from our industry and their Canadian counterparts meet together under Government supervision and negotiate an arrangement with which both countries would be able to live.

We have further proposed that existing U.S. tariffs on softwood lumber—which average about 75 cents per thousand board feet—be completely eliminated, and Canadian softwood lumber in an amount equal to 10 percent of total U.S. consumption of softwood lumber be permitted to enter this country duty-free. Then, when, this 10-percent quota is reached, we do not propose to close the door. Additional lumber would be permitted entry upon the payment of a 10-percent duty, the rate which Canada assesses against the principal species we export to Canada.

We further suggested that Canada give U.S. softwood lumber the same treatment when it enters Canada.

We were encouraged and gratified that President Kennedy in his program for resolving the lumber industry's problems—which he announced July 26—endorsed our position, also proposing that the United States seek to negotiate with Canada on a limitation of Canadian softwood lumber imports.

Senator DOUGLAS. Mr. Bahr, the next paragraph is very interesting. I wonder if you would be willing to read it? You just omitted a paragraph from your prepared statement.

Mr. BAHR. Excuse me, sir.

Senator DOUGLAS. It is page 6, the paragraph near the bottom.

Mr. BAHR. In attempting to treat with the Canadians during the past few months, our industry has seen that the worst fears of American industry and labor with respect to foreign trade can become stark reality. Canada, by her recent unilateral actions restricting trade, has clearly demonstrated that she is not concerned with employment and economic opportunity in other nations of the world. She has, on the other hand, impressed upon American lumbermen that she can be a particularly stubborn nation with which to resolve a trade problem.

Senator DOUGLAS. What do you refer to?

Mr. BAHR. We made known our position on Canadian lumber imports some 6 months ago. Our only answer from the Canadians has been maintenance of an "icy calm," which term they use themselves.

Senator DOUGLAS. But what action has Canada taken to make importations of American lumber into Canada more difficult?

Mr. BAHR. I was not referring particularly to lumber there. I was referring to the Canadian trade position generally. However, while lumber was not directly affected, several manufacturers of wood specialty items were to one degree or another.

Senator DOUGLAS. You mean the depreciation of the Canadian dollar?

Mr. BAHR. The depreciation of the dollar, and their recent application of several new taxes to a large list of American commodities.

Senator DOUGLAS. Could you furnish us with a statement of these Canadian increases?

Mr. BAHR. Yes, I can.

Senator DOUGLAS. Thank you very much.

(The material referred to follows:)

NATIONAL LUMBER MANUFACTURERS ASSOCIATION,
Washington, D.C., August 15, 1962.

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

DEAR SENATOR BYRD: During our appearance before your committee, August 13, relative to the President's foreign trade bill, Senator Douglas requested that we supply the committee with a list of the items imported into Canada on which the Canadian Government applied a surcharge, effective June 25, 1962.

In general, the Order in Council issued on June 24 by the Governor General of Canada provides for surcharges ranging from 5 percent to 15 percent on a number of items imported by Canada. We explained to Senator Douglas that while our industry was not directly affected by the Canadian Government's action, that some manufacturers of wood, such as specialty wood products were, and that the Canadian Government's actions were indicative of the serious problems which our Nation faces in seeking to resolve an import issue with Canada.

As requested by Senator Douglas, we are enclosing a copy of the Order in Council issued June 24, containing the actions taken by the Canadian Government with respect to these surcharges which the Canadian Embassy made available to us, together with additional material supplied by the U.S. Department of Commerce concerning the surcharges.

A copy of this letter is also being sent Senator Douglas.

If we can be of further assistance, please let us know.

Sincerely,

HENRY BAHR,
Vice President and General Manager.

His Excellency, the Governor General in Council:

His Excellency the Governor General in Council, pursuant to subsection (1) of section 4 of the customs tariff, is pleased hereby to make the order set forth in section 1 of the order annexed hereto.

His Excellency in Council, on the recommendation of the Treasury Board pursuant to section 22 of the Financial Administration Act, is hereby further pleased to make the order set forth in section 2 of the order annexed hereto.

ORDER

1. Effective from and after June 25, 1962, all rates of customs duties more favorable than those of the general tariff and the benefit of any tariff more favorable than the general tariff are withdrawn from all countries, colonies, protectorates, and territories to which such rates have been extended or that have received such benefit before such date, with respect to all goods specified in the tariff items listed in schedules A, B, and C to this order, the growth, produce, or manufacture of such countries, colonies, protectorates, and territories; and from and after June 25, 1962, the general tariff and the rates of customs duties set forth in the general tariff shall apply to all such goods.

2. All customs duties on the goods mentioned in section 1 of this order are remitted to the extent necessary to insure that the amount of any customs duty levied, collected, and paid thereon is not increased by virtue of section 1 of this order by more than—

(*a*) Fifteen percent ad valorem, in the case of goods specified in the tariff items listed in schedule A to this order,

(*b*) Ten percent ad valorem, in the case of goods specified in the tariff items listed in schedule B to this order, and

(*c*) Five percent ad valorem, in the case of goods specified in the tariff items listed in schedule C to this order.

SCHEDULE A

Tariff item:
8c
8d
23
66b
79b
79c
85a
85b
103
104
141
143
143a
144
147
156(a)
156(b)
156(c)
Tariff item—Con.
156(d)
156(e)
157d
160
161
162(a)
162(b)
163
163a
164
165
234
362
362b
362c
415a(i)
441e
450
Tariff item—Con.
462b
463a
463b
463c
511c
511d
511e
572
622
623
623a
624a(1)
624a(3)
624a(4)
624a(5)
647
656(a)

SCHEDULE B

Tariff Item:
66a
105g
142
159
178
179
181
181a
187
187d
187e
195
199
199d
199f
228
252
284a
284c
285
286
287
288
289
307
307a
307b
307c
308a
323a
326
326g
Tariff item—Con.
415a(ii)
415b
415g
415h
425a
433
438a
438h
440j
445d
445j
462a
462c
462g
462h
463
511
512
515
518
519
523a
533a
548
553
563
565
568
568a
568b
568c
569
Tariff item—Con.
569a(1)
569a(4)
569a(5)
569a(6)
595
595a
597a(2)
611
611a(1)
611a(2)
611a(3)
624
624a(2)
624b
625
628
629
651
651a
652
656(b)
656(c)
656(d)
657a
658a
908
915
918(b)
918(c)
920

SCHEDULE C

Tariff item:
5
6
7(a)
(b)
(c)
(d)
(e)
8
8a
8b
Tariff item—Con.
8e
8f
8g
9a
9b
9e
9f
9g
10
12b
Tariff item—Con.
13
13a
16
16a
16b
17
18
18a
20
20a

SCHEDULE C—continued

Tariff item—Con.
20b
22
24
25
31
34
36
37
38
42a
43
43a
45
45a
46
47
47a
47b
47c
47d
47e
48
49
50
51
52
53
54
54b
55
56
57
58
59
60
61
63
64
65
66
67
78
79
79h
79i
83a
83c
83d
83e
84
85
87(1)
87(13)
87(14)
87(16)
87(18)
87(23)
87(25)
87(26)
87(27)
89
90
90a
90b
90c
90d

Tariff item—Con.
90e
90f
90h
91
92(9)
92(12)
93
94(a)
95b
95c
96
99
99a
99b
99c
99d
99e
99f
99g
104a
105
105b
105c
105d
105e
105f
105h
105j
105k
106
107(1)
107(3)
107(4)
108
109
109a
110
113
113a
115
116
119
120
121
122
123
124
124a
125
125a
127
128
128a
129
130
133
137
137a
140
142c
153a
167
167a
168
168a
181b

Tariff item—Con.
187a
187b
187c
192
192b
192c
193
194
197b
198
198b
199b
199c
200
207d
226
230
231
232a
232c
232f
235
235a
235b
247
247a
248
249
253
255a
257
271(b)
272a
275
276b(4)
276d(3)
276e(5)
276f(6)
276g
277
281b
282
282a
284b
287a
287b
288a
305c
305d
305e
305f
306a
306b
308
312
312a
318
319
320
321
322
323
326a
326c(2)
326c(3)
326f

SCHEDULE C—continued

Tariff item—Con.
326m
326n
327
328
339
339a
339b
346
350
350a
351
351b
351c
352
352b
352c
353(a)
(b)
(c)
(d)
353(e)
354
354a
354d
357
366
367
368
379
379a
379b
379c
379d
380(1)
380(2)
380(3)
380a
381
381a
381b
382(1)
382(2)
382(3)
382(4)
382(5)
382(7)
382(8)
382a
382b
382c
382d
383
383a
384
385
387
387a
387c
390
390a
392
392a
392c
394
396
397

Tariff item—Con.
397a
397b
397c
398
398a
398b
398c
399
399a
401(f)
401(g)
402a
407
407a
410a
410l
410o(ii)
410o(iii)
410w
411
411a
411b
412b
412d
414
414b
414c
414d
414f
415
415c
415d
415f
420
422
422a
422b
424
424a
426a
426b
426c
427
427a
427d
427e
427f
427k
428c
428e
429(b)
429(c)
429(d)
429(e)
429(f)
429(g)
429(h)
430
430a
430b
430c
430d
430e
431
431b
432

Tariff item—Con.
432a
432b
432d
434
434a
435
438
439
439b
439f
Ex. 440a
440c
440d(1)
440m
440n
441
443
443a
444
444b
445
445a
445b
445c
445e
445f
445g
445h
445i
445k
445n
445o(2)
445r
446
446a
446g
447
449
450a
461(1)
462
465
494
494a
506
506e
511a
516
517
518a
522(1)
522(2)
522(3)
522(4)
522(5)
522(6)
522(7)
522(8)
523b
532a
532b
532c
532f
532g
533b
534a

SCHEDULE C—continued

Tariff item—Con.	Tariff item—Con.	Tariff item—Con.
538d	589	680a
538i	597(1)	680b
540	597(2)	684
542	597(a)(7)	711
542a	597a(3)	901
546	597d	902
Ex. 547	598(1)	903
547a	598(2)	904
548a	605(2)	904a
549d	611b	905
549f	612	906
552a	612a	907
552b	613	909
562a	615	910
562b	618	911
565b	618b(2)	912
566b	619	913
569a(3)	619a	914
570	653	916
573	655	917
573a	655a	918(a)
576	655b	919
578	655c	922
580	670	925

HIS EXCELLENCY THE GOVERNOR GENERAL IN COUNCIL

Whereas for the purpose of implementing the commitments of Canada under the agreement respecting the International Monetary Fund set out in the First Schedule to the Bretton Woods Agreement Act, it is necessary to control the import of the goods hereinafter set out;

Therefore, His Excellency the Governor General in Council, pursuant to section 5 of the Export and Import Permits Act, is pleased hereby to amend the Import Control List established by Order in Council P.C. 1954-793 of 27th May, 1954, as amended, by adding thereto the following items, effective the 25th day of June, 1962:

1. Goods valued at more than twenty-five dollars entered for consumption under part (1) of Tariff Item 703b, except any such goods included in the baggage accompanying residents of Canada returning from abroad after an absence from Canada that commenced before June 25th, 1962.
2. Goods valued at more than seventy-five dollars entered for consumption under part (2) of Tariff Item 703b, except any such goods acquired by residents of Canada returning from abroad after an absence from Canada that commenced before June 25th, 1962.

CANADIAN TARIFF SURCHARGE, EFFECTIVE JUNE 25, 1962

SUMMARY

A serious loss of foreign exchange reserves, following the announcement of a new parity for the Canadian dollar and the results of the June 18 general election led the Canadian Government to take emergency measures to strengthen the country's international financial position on June 24.

Of prime importance to U.S. exporters, these measures included the application of a surcharge of 15 percent, 10 percent, or 5 percent, respectively, to 3 import schedules covering some 650 items of the Canadian tariff.

The surcharge took effect at 12:01 a.m. on June 25 on all entries for consumption, including releases from warehouses. It applies to imports from all countries entitled by trade agreements to tariffs lower than the general column of Canada's 3-column tariff structure. All but a very few countries are in this category.

The U.S. trade affected by the surcharge is listed hereafter by tariff and statistical number, with Canadian total imports also shown. The surcharge for the three schedules, viz., A, 15 percent; B, 10 percent; and C, 5 percent; raised the most-favored-nation or GATT rate of the tariff by that amount. For example, in schedule A (cf. p. 1), the 20 percent ad valorem GATT rate hitherto applicable to cocoa and chocolate preparations (tariff item 23), was

advanced by 15 percent to 35 percent. In the first item of the trade covered in schedule B, the 20 percent rate applicable to sweetened and unsweetened biscuits valued at not less than 20 cents per pound (cf. p. 4) was advanced by 10 percent to make the new rate 30 percent; in the first item of schedule C, the tariff rate applicable to cattle, not for breeding (c. p. 12), acquired an ad valorem supplement of 5 percent to make the new rate 1½ cents per pound plus 5 percent ad valorem.

However, the general tariff is the legal instrument for application of the surcharge and where the advanced tariff, including the surcharge, exceeds the general tariff rate, only the general tariff will be applied.

The trade listing hereafter is intended to be a close approximation but it cannot be taken as precise because the trade classification in many instances does not exactly parallel the tariff. Footnotes explain some material differences in coverage where it was deemed advisable to show trade only partially affected; in other instances trade statistics have not been available or were available in such a broad category as to suggest omission. The abbreviation "n.a." has been used for not available; the abbreviation "n.o.p." for not otherwise provided for; the abbreviation "ex" means that the tariff item to which the surcharge applies forms only part of the trade in the statistical number to which the "ex' is attached.

The surcharge was announced as a temporary emergency measure. Because the GATT concession rates are invalidated, a GATT waiver is required. Canada has given notice in GATT of the circumstances in which the surcharge was imposed and her situation with respect to continuance will be considered formally in the GATT session which will be convened in October.

Any and all indications of the impact of the surcharges reported by exporters should be forwarded promptly to the Department. It is expected to vary among commodities, depending on the competitive status of the import vis-a-vis Canadian production and the extent and rapidity of the anticipated rise in Canadian prices.

Schedule A is officially termed a list of nonessential or luxury imports; schedule B a list, mostly consumer goods, purchases of which could either be deferred or shifted to Canadian producing sources; schedule C is a list similar to B but of industrial components. Schedule C is the largest in point of coverage of imports and also largest from the viewpoint of U.S. participation which is about three-fourths of the total imports. In schedule B the indicated U.S. contribution is about 55 percent; in schedule A, about 48 percent.

The schedule A coverage of identifiable total imports shown in this list amounts to about 82 percent of the announced Canadian estimate of $150 million of "current trade" affected by that list; the schedule B coverage to 94 percent of the Canadian estimate of $650 million by that list; and schedule C coverage to 87 percent of the Canadian estimate of $2,300 million by that list. The "current trade" concept reflects not only the increase in the physical volume of the import which occurred in early 1962 because of improving economic activity but also the increase in the Canadian dollar value of the trade which resulted from depreciation of the currency. During 1961, the exchange value of the Canadian dollar in New York fell from an average of 100.69 U.S. cents for January to an average of 95.89 U.S. cents for December. In 1962 there was further fractional depreciation in the first 4 months to an average of 95.23 U.S. cents in April.

Stabilization at 92.5 U.S. cents was announced May 3 with a margin of 1 percent up or down beyond which official support would operate, but the actual market rate averaged 92.39 U.S. cents for the month and 91.91 U.S. cents for June, including higher values for the last week of the months after the surcharge and other emergency measures announced on June 24 had firmed the market.

Canadian imports covered in the surcharges; total and from the United States, 1961

[Money in millions of Canadian dollars]

	Schedule A	Schedule B	Schedule C
Canadian imports—			
From all countries	$123	$613	$2,001
From the United States	$59	$332	$1,488
U.S. share (percent)	48	54	74

CANADA — Schedule A - 15% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	C$000 1961 Imports From US	MFN/GATT Tariff before Surcharge
23	277	cocoa and chocolate preparations	1,934	308	20%
	239	chocolates in retail packages	1,377	194	
	240	chocolate coated confectionery, n.o.p.	3,480	783	
66b	n.a.	pretzels	n. a.		15% 12½% from July 1
79b	1666	orchids natural cut	2,245	2,195	25%
79c		cut flowers and foliage			12½%
85(a)	121	mushrooms, dried or preserved	148	55	12½%
85(b)	144	truffles, fresh, dried or preserved			10%
103	n.a.	brandied fruits	n. a.		$2 Imp.gal) +15%
104					$3 Imp.gal)
141	242	confections sweetened, n.o.p.	2,666	2,142	22½%
	246	sugar candy and confectionery, n.o.p.	6,260	1,012	
	247	bubble gum	502	192	
	249	chewing gum, n.o.p.	78	51	
143a	1785	cigarettes	928	890	$2 lb.+15%
143(1)	1784	cigars	327	68	$1.75) +15% + $1 per M
(2)		" valued at more than $6 per lb.			$1.50)
144	1787	cut tobacco	1,131	376	80¢ lb.
147	1501	ale, beer, porter	515	17	53¢ Imp.gal.
156(a)	1515	whiskey	7,645	707	$14 Imp.proof gal.
156(b)	1513	gin	1,086	25	$14 Imp.proof gal.
156(c)	1514	rum	3,316	-	$15 Imp.proof gal.
156(d)	1511	brandy	2,912	2	$13 Imp.proof gal.
156(e)	1512	liqueur	1,327	3	$13.50 Imp.proof gal.
	1516	absinthe, etc.	73	-	

CANADA — Schedule A — 15% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	C$000 1961 Imports From US	MFN/GATT Tariff before Surcharge
160	(8221	perfumes alcoholic, 4 oz. bot.	678	207	20%
	(8222	" " over 4 oz. ..	164	75	$4 Imp. gal. + 22½%
161	8221	(perfumed spirits, cologne, etc.	n. a.		) 4 oz. 30%) other $2 - $3) + 20%
162(a))		(wines, aperitif, 32% or less			) 20¢ to 50¢
162(b))		(" " more than 32% ..			) Imp. gal.
163)	1530	(	6,867	386	) plus supplement
163a)		(wines, other, non-sparkling .			) for high proof
164)		(			) wines
165	1560	wines, sparkling, incl. champagne	626	6	$2 doz. bottles +$1.75 Imp. gal.
234	8224	perfumes, non-alcoholic and toilet preparations	2,207	1,623	22½%
362	(6094	silverware articles	786	273)	27½%
	(6086	gold manufactures	202	166)	
	(6260	cigarette lighters	1,020	65)	
362b	6093	sterling toilet articles ..	25	11	25%
362c	(6082	electro plated ware	14,320	11,415)	22½%
	(6077	nickel plated ware*	2,175	1,[illegible]31)	
	(6037	plumber brass goods	4,913	3,[illegible]1)	
415a(1)	(9078	refrigerators, electric ..	10,506	10,173)	20%
	(9092	freezers, electric	2,898	2,8[illegible])	
441a	5699	guns and rifles, not made in Canada class	4,587	2,749	7½%
450	5426	roller skates	57	45	15%
462b	9134	cameras, not made in Canada class	n. a.		15%
463a)		motion picture apparatus incl. sound projection ..)			(15%
)	5551		3,910	3,297	
463c)		motion and still picture screens ....)			(10%
463b	5700	still film projectors combined with sound	2,117	1,988	15%

*surcharge does not apply to kitchen or household hollowware which not segregated in trade.

CANADA - Schedule A - 15% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	C$000 1961 Imports From US	MFN/GATT Tariff before Surcharge
511c, 511d, 511e	ex 4154	skis, ski fittings, ski poles	n.	a.	20%
572	3301, 3310, 3554	carpets and rugs, except straw, paper, sisal, cocoa fibre	10,509	1,374	25% + 5¢ per sq.ft.
622	9087	trunks, valises, carpet bags	1,624	1,076	22½%
	9243	baskets, etc.	613	216	
623	9077	portfolios, musical instrument cases	2,553	1,142	22½%
	9086	toilet and manicure sets	430	162	
	9067	cases, boxes, desks, fancy	1,979	1,168	
623a	9077	handbags of straw, sisal, etc.	included in stat. 9077		12½%
624a(1)	9009	dolls	563	129	25%
(3)	9016	mechanical toys	2,504	1,077	25%
(5)		toy train sets and accessories			20%
(4)	9017	juvenile construction sets	172	17	25% metal; 20% rubber
647	9073	jewelry, n.o.p.	5,557	2,390	30%
656(a)	9084	tobacco pipes	589	96	17½%

CANADA - Schedule B - 10% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
66a	203*	biscuits, sweetened and unsweetened, valued at	1,566	1,003	20%
	204*	not less than 20¢ lb	4,911	499	
105g	243	fruits & peels, glazed and flavored	401	53	25%
142		tobacco, unmanufactured			
	1779	cigar leaf, unstemmed ...	2,425	2,230	12½¢ lb
	1782	cigar leaf, unstemmed ...	1,214	886	20¢ lb
	1776	Turkish, unstemmed	302	28	22¢ lb
	1778	light flue cured, unstemmed	-	-	20¢ lb
	1780	n.o.p., unstemmed	16	4	20¢ lb
	1783	n.o.p., stemmed	22	22	30¢ lb
159	367	spirit essences, fruit extracts	134	69	$5 plus 30% Imp. gal.
178	4291	advertising & printed matter	8,831	7,647	10¢ lb but not less than 25' ad valorem
179	4295	labels, printed	1,458	1,311	22½%
181	4292	bank notes, commercial blank forms	4,343	4,005	22½%
181a	4296	post cards, greeting cards	1,999	1,818	25%
187	(4211	sensitized photo paper	6,375	4,438)	20%
	(9010	" camera film	6,954	5,619)	
	(ex3573	albumenised textile fabrics	n.	a.)	
187d	4211	polaroid film ....included with 187			15%
187e	9020	sensitized 16mm m.p. film .	1,357	779	20%
			trade includes 35 mm		
195	4218	wall paper	613	555	22½%
199		papeteries, envelopes & paper manufactures n.o.p.		)	25%) 22½% from July 1
	4302	blank books	90	48	
	4202	envelopes	323	310	
	4252	manufactures n.o.p.	7,972	7,368	
	4216	crepe paper	6,612	4,720	
	4235	paper napkins n.o.p.	273	206	
	4253	paper cores	251	251	
	4254	paper dishes	330	321	

*trade not segregated by value; includes that valued at less than 20¢ per lb. subject to 5% surcharge in Schedule C.

CANADA - Schedule B - 10% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	1961 Imports C$000 Total	1961 Imports C$000 From U.S.	MFN/GATT Tariff before Surcharge
	4255	doilies and lace paper........	266	212	
	4256	paper novelties..............	673	453	
	4257	paper patterns	574	572	
	4200	wrapper sheets	309	309	
	4260	paper matches................	336	298	15%
199d	4215	cigarette papers.............	188	21	15%
197f	4201	bond and ledger papers........	538	537	22½%
228(1)	8234	toilet soap (not castile).....	384	170	22½%
228(1)	8234	liquid soap..................	293	289	20%
(11)	8235	soap powder	839	840	20%
	8238	soap n.o.p. (not laundry).....	193	184	20%
252	(8413	knife composition............	706	665)	17½%
	(8392	shoe blacking................	1,317	1,096)	
284a	7033	earthenware tiles for roofing.	4	3	17½%
284c	7034	earthenware tiles n.o.p.......	10	3	22½%
285	7032	stone or earthenware tiles for mosaic....................	1	-	20%
286	7045	earthenware crocks, demijohns.	41	39	20%
287	7046	tableware of china, porcelain, etc......................	14,089	1,009	25%
288	(7047	earthenware n.o.p............	2,931	841)	25%
	(7048	china and porcelain n.o.p......	122	30)	
289	7052	sanitary ware, clay, etc.	5,139	2,061	22½%
307) 307a)	7234	marble n.o.p.) manufactures of marble)... ...	172	35	from 22½%
307b) 307c)	7235	granite n.o.p.) granite manufactures).........	442	267	25%
323	7114	mirrors of glass..............	1,828	902	20%

CANADA - Schedule B - 10% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	C$000 1961 Imports From U.S.	MFN/GATT Tariff before Surcharge
326(1)	7079)	glass decanters and tumblers			
	)	machine made	614	555)	20%
	7080)	lamp chimneys, n.o.p.	45	40)	
	7082)	carboys, bottles, jars	7,137	6,320)	
326(2)	7083)	glass tableware, including			
326(4)	)	cut	5,610	2,341	22½%
326(3)	7085	opal glassware, illuminating			
		glassware	221	221	22½%
326g	7089	thermal glassware	6,902	6,753	15%
415(ii)	9079	refrigerators other than			
		electric	342	248	20%
415(b)	5450)	washing machines, electric ..	5,130	5,109)	22½%
	5453)	washing machines, parts	5,542	5,446)	
	5451)	washing machines, other	2	2)	
415g	5448	clothes driers	3,427	3,320	22½%
415h	5451	combination washer-driers ..	(Cf. 415b)		22½%
425a	5538)	lawn mowers, power	4,405	4,343	20%
	5539)	lawn mowers, n.o.p.	470	106	22½%
433	5600)	baths, bath tubs of steel ..	604	592)	20%
	5601)	basins, closets, sinks	1,087	999)	
438a		autos and trucks, finished			17½%
	5641	freight	22,335	17,528)	
	5642	passenger up to 1200 ..	46,482	1)	
	5643	passenger 1200-2100 ..	62,303	9,156)	
	5644	passenger, n.o.p.	45,551	38,796)	
	5645	motor omnibuses	2,668	2,531)	
	5671	motor vehicles, n.o.p. ..	4,157	3,270)	
	5672	factory warehouse trucks		)	
		(not fork lift)	997	886)	
438h	5660	motor cycles	1,592	576	12½%
440j	9019)	sport fishing tackle	3,988	2,460)	20%
	9013)	fishing rods and parts ...	395	271)	
445d	6167	radio, wireless apparatus, n.o.p.	41,322	28,696)	20%
	6166	tubes, radio & television	8,482	6,791)	
	6150	transistors	2,451	2,330)	
	6173	receivers, radio	13,788	2,480)	
	6174	receivers, television	3,076	3,072)	
	6148	television picture tubes	52	51)	

CANADA - Schedule B - 10% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	C$000 1961 Imports From U. S.	MFN/GATT Tariff before Surcharge
445j	6168	shaving machines, electric ..	3,504	2,212	free
462a	9134*	cameras of a class or kind made in Canada; parts n.o.p.	8,020	3,460	20%
462c	9134	cameras for pictures 3¼ x 4¼, or larger	included with 462b		free
462g 462h	9128))	photographic equipment and accessories	8,908	7,448	5½%
463	5702	still picture projectors and slides	2,117	1,988	15%
511	4154	skis., racquets, frames, etc.	2,226	378	30% but skis [illegible]
	9005	balls for sports	742	525	25% in Schedule [illegible]
	9014	golf clubs & finished parts .	988	914	25%
	9004	tennis balls	110	1	25%
	1707	golf balls	953	533	25%
512	9076	picture and photo frames	721	596	20%
515	9265	show cases and metal parts ..	342	341	25%
518	9001	game boards	1,092	942	22½%
519(1)	4151	house, office and store furniture wood	11,539	8,151	25%
(2)	5692	metal	9,670	9,047	25%
523		clothing and miscellaneous textile mfrs., n.o.p.	77,099	33,221	
523a		wholly cotton			25%
523e		wholly or partly wool or hair and not more than 50% silk by weight			27½%
548		wholly or partly vegetable fibres except wool			25-22½%
553		more than 50% silk by weight			30%
563		50% or more by weight of man-made fibres but not containing wool or hair ...			27½%
	3900	underwear, woven	321	215	
	3906	underwear, n.o.p.	1,538	528	
	3909	sleepwear	1,943	325	
	3910	bathing suits, ex knitted ..	218	116	
	3911	blouses, cotton except knitted	826	260	
	3912	blouses except knitted, n.o.p.	458	133	
	3913	overcoats and windbreakers .	2,532	336	
	3914	dresses and jumpers, cotton, ex knitted	1,394	1,213	

CANADA - Schedule B - 10% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
	3915	dresses and jumpers, synthetic fibre, ex knitted	1718	1,515	
	3916	dresses and jumpers n.o.p. ex knitted	1,777	1,219	
	3917	Jackets, separate............	521	153	
	3918	overalls.....................	104	100	
	3919	pants and breeches, wool, men's and boys'............	546	38	
	3920	pants, and breeches, cotton, men's and boys'............	2,338	437	
	3921	pants and breeches, n.o.p. men's and boys'............	1,454	121	
	3922	raincoats, coated or impregnated textile..........	600	80	
	3924	shirts, cotton, except knitted	3,946	721	
	3925	shirts, synthetic fibre, ex knitted..................	1,271	173	
	3926	shirts, except knitted, n.o.p.	520	191	
	3992	foundation garments..........	1,245	786	
	3927	shorts, outerwear, ex knitted	487	639	
	3928	shorts, except knitted	527	172	
	3929	suits, fine, slack and sport, ex knitted..................	1,099	425	
	3930	outerwear sets, women's and girls', ex knitted.........	920	179	
	3931	pants and slacks, women's & children, ex knitted.......	1,769	199	
	3932	scarves, shawls and stoles, women's....................	855	78	
	3939	outerwear except knitted n.o.p.	2,735	874	
	3082	new cotton bags	124	110	
	3084	blankets, cotton, ex steamer rugs.........................	1,307	120	
	3087	curtains, cotton..............	153	139	
	3090	tray cloths, doilies, cotton..	989	219	
	3096	quilts, cotton................	30	24	
	3095	sheets, cotton................	1,585	1,143	
	3096	towels, cotton................	2,046	1,655	
	3097	cotton manufactures n.o.p.....	2,735	2,041	
	3098	wash cloths, bath mats, etc. cotton......................	516	407	
	3100	pillow cases, cotton	1,079	142	

CANADA - Schedule B - 10% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
	3345	wool manufactures n.o.p..........	502	477	
	3390	curtains, synthetic fibre.........	962	886	
	3392	manufactures, synthetic fibre n.o.p.	7,175	6,165	
	3550	bags, used........................	23	16	
	3557	curtains, n.o.p..................	207	181	
	3577	bedspreads, textile..............	3,146	2,063	
568		Outerwear, knitted fibre			
	3940	suits and dresses................	2,585	453	
	3942	sweaters & cardigans, synthetic.	420	301	
	3943	sweaters & cardigans, n.o.p.....	280	44	
	3941	sweaters & cardigans, wool, n.o.p.	4,486	165	
	3945	sweaters & cardigans, wool, women's......................			
	3946	sweaters & cardigans, wool, children's....................			
	3944	shirts & sweat shirts, cotton...) shirts & sweat shirts, n.o.p....)	1,965	372	
	3949	outerwear, knitted..............	3,389	1,109	
	3524	knitted goods, n.o.p............	1,149	1,096	
	3968	headsquares and kerchiefs.........	1,414	8	
	3178	sheets, tablecloths, etc., linen..	1,330	105	
	3180	vegetable fibre manufactures n.o.p.	3,760	2,554	
		Socks and stockings			
568a(1)	3950	men's and boys' wool............	1,202	9	27½% ≠ $1.20 doz prs
568a(2)	3951	men's and boys' synthetic.......	744	405)	17½% ≠ 75¢ doz prs
	3952	men's and boys' n.o.p...........	249	210)	
568a(1) or 568a(2)	3953	women's full fashioned or seamless.......	1,037	814)	27½% ≠ $1.20 or
	3954	women's and girls' n.o.p........	177	38)	
	3959	childrens' and infants'.........	545	280)	17½% ≠ 75¢ doz prs
		Gloves			
	(3970	gloves & mittens, knitted.......	1,672	100)	
568b(2)	(3971	gloves & mittens, women's synthetic fibre................	1,404	67)	25%
	(3972	gloves & mittens, women's n.o.p.	870	105)	
568b(1)	3973	gloves & mittens, leather.......	2,374	26	20% or 10%
568b(2)	3974	gloves & mittens, rubber........	739	531)	
	3975	gloves & mittens, work and special purpose...............	493	305)	25%

CANADA - Schedule B - 10% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	$000 1961 Imports Total	From U.S.	MFN/GATT Tariff Before Surcharge
569	3561	hoods & shapes of fur felt or wool and fur felt	1,019	[illegible]	22½%
[illegible](1)	3564	hoods & shapes not knitted	153	77(	25% + $1 doz
(4)	3960	women's hats	2,121	1,348(	27½% + 90¢ doz
(5)	3969	headwear, n.o.p.	1,581	659)	27½%
595 595a	9015	recording tape	171	169	10%
597a(2)	9120	phonographs	3,304	1,211)	
	9121	cylinders & records	2,271	1,721)	20%
	9124	phonographs, coin-operated	566	566	
		boots and shoes			
611a(1)	2232	leather uppers, men's	5,024	447	25% and 27½%
	2233	leather uppers, women's	4,751	1,425)	
	2234	leather uppers, children's	537	56)	27½%
	9072	insoles	74	53)	
	9059	felt uppers	79	3)	
611a(3)	2060	boots & shoes n.o.p.	4,121	384	20%
611a(2)	1702	canvas with rubber soles	2,748	63	27½%
624	9055	bead ornaments	25	18)	
	9183	statues & statuettes n.o.p.	321	93)	17½%
	9255	alabaster, amber & composition ornaments	2,524	457)	
	9071	fans			
624a (2)	9018	toys, n.o.p. (not dolls, mechanical or juvenile construction sets)	9,255	3,879	30%
624b	9184	porcelain statuettes & statues	[illegible]	28	17½%
625	2181	caps, hats, tippets of fur	745	521)	25%
	3780	fur manufactures n.o.p.	470	418)	
[illegible]	N.A.	braces or suspenders	N.A.		
[illegible]	[illegible]	umbrellas	[illegible]	339	25%
651	9065	buttons, collar and cuff	365	272	25% + 5¢ gross
651a	9066	n.o.p. covered or not	1,628	249	25% + 10¢ gross
[illegible]	[illegible]	toilet or dressing combs	188	81	20% but not less than $1.44 gross
656(b)		cigar and cigarette holders	N.A.		25%
(c)	(9085	cigar & cigarette cases, smokers' sets)	77	9	22½%
(d)	(	tobacco pouches)			25%

CANADA - Schedule B - 10% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
657c	9011	moving picture film, exposed.......	5,950	4,702	1¼¢ ft. but not less than 20%
658a	N.A.	filmed and taped video commercials.	N/A		20%
908) 920)	8950	manufactures of synthetic plastics including protein...............	28,080	25,473	20%
915 (a) (b) (c)	8700	manufactures of cellulose plastics.	1,80[illegible]	[illegible],635	20%
918(b) (c)	8720	regenerated cellulose manufactures.	2,503 in part	1,603	20%

CANADA - Schedule C - 5% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
5(a)	2032	Cattle, not for breeding......	163	163	per lb 1½¢
5(a)	2037	livestock, N.O.P.............	1	1	per lb 1½¢
5(b)	2030	sheep........................	734	734	per head $2.00
5(b)	2046	animals, other, live.........	667	359	per head $2.00
5(c)	2047	mink.........................	136	135	20%
5(d)ex.	2046	fur bearing animals, n.o.p....	n.a.	n.a.	5%
6 ex	2037	live hogs	n.a.	n.a.	per lb. 1¢
7(a)	2251	beef and veal, fresh..........	6,446	2,949	per lb. 3¢
(b)	2252	mutton and lamb, fresh........	7,078	287	per lb 1¢ but not less than 5%
7(c)	2253	pork, fresh..................	9,364	9,352	per lb 5¢
(d)	2257	other meats, fresh...........	84	63	per lb. 1¼¢
(e)	2258	edible offal of beef & veal...	826	536	per lb 2½¢
8	(2273	canned beef..................	339	6	30%
	(2274	corned beef, canned	4,642	84	30%
8a)	2264	canned meats, poultry or game, n.o.p................	1,933	678)	25%
8b)		(includes canned pork 25%,		)	20%
8e)		canned ham 20%)		)	20%
8f)				)	15%
8g	.265	extracts of meats, fluid, beef.......................	553	7	25%
9a	2 03	poultry, live, n.o.p..........	181	181	per lb. 2¢
9b ex	2046	quails, partridges, squabs....	n.a.	n.a.	12½%
9e	2256	dead poultry, n.o.p...........	n.a.	n.a.	12½%
9f	(2247	chickens & fowl, eviscerated..	647	647)	12½% but not less
	(2248	turkeys, eviscerated.........	492	492)	than per lb 5¢ or
	(2249	poultry, eviscerated.........	298	298)	more than per lb
				)	10¢
9g ex	2257	game, n.o.p..................	n.a.	n.a.	12½%
10(a)	2261	pork, prepared or preserved...	3,842	3,842	per lb 1-3/4¢ or/ free
10(b)	2263	beef, pickled	3,897	3,897	per lb 2¢
10(b)	2266	meats,(not canned) prepared or preserved...............	829	829	per lb 2¢ or free
10(b)	2269	sausage......................	146	146	per lb 2¢
12b	ex 4252	sausage casings..............	n.a.	n.a.	15%
13) 13a)	2307	lard & compounds, stearine....	2,573	2,570))	per lb. 1-3/4¢
16	2325	eggs in the shell.............	3,863	3,807	per doz. 3½¢
16a	.326	eggs, egg yolk, egg albumen... frozen or otherwise prepared	29	29	per lb. 10¢

CANADA - Schedule C - 5% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
16b	2315	egg albumen, dried..........	136	135)	
	2316	eggs, dried, powdered.......	-	-)	25%
	2317	eggs, whole, dried, powdered, etc.....................	66	59)	
17	2284	cheese.....................	7,550	1,143	per lb 3½¢ or 3¢
18	2282	butter.....................	-	-	per lb 12¢
18a	ex 390	peanut butter..............	n.a.	n.a.	per lb 5¢
20	274	cocoa paste or liquor, chocolate paste or liquor, unsweetened...............	651	18	per lb 3¢
20a	273	cocoa butter...............	5,171	94	per lb 2¼¢
20b	390	Illipe butter..............	n.a.	n.a.	10%
21	275	cocoa or chocolate paste or liquor, sweetened..........	51	44	per lb 4¢
22	276	cocoa or chocolate in powder form.....................	977	446	22½%
24)	282	chicory, raw or green.......)	56	23	per lb 2¼¢
25)		chicory, dried, roasted or) ground ....)			per lb 3¢
31	ex 298	chili pepper, ground........	n.a.	n.a.	free
34	293	mustard ground..............	319	86	15%
36	353	compressed yeast in bulk....	50	25	per lb 2½¢
37)	352	compressed yeast in packages)	89	72	per lb 5¢
38)		yeast cakes in packages)			
42a	7296	table salt.................	122	122	10%
43)	2287	condensed milk.............	192	187	(per lb 3¢
43a)		powdered milk..............			(per lb 4 or 3½¢
45	209	milk foods, n.o.p...........	901	341	17½%
45a	206	prepared cereal foods, under 25 lbs..................	1,336	1,257	20%
	205	Matzo products.............	365	351	
46	207	prepared cereal foods.......	383	370	15%
47	ex 163	castor beans, n.o.p.	n.a.	n.a.	free
47a	162	soya beans, n.o.p. (not for crushing)	n.a.	n.a.	free

CANADA - Schedule C - 5% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
47b	ex 163	lima & Madagascar beans......)			per lb ½¢
47c	ex 163	red kidney beans............)	900	628	per lb 1¢
47d	ex 163	calabar beans...............)			free
47e	ex 163	beans, n.o.p................)			per lb 1½¢
48	170	peas, n.o.p.................	120	68	per lb 3/4¢
49	ex 175	buckwheat, barley, rye......	see item 52		per bu. 12½¢
50	ex 195	buckwheat meal or flour.....	see item 61		per 100 lb 45¢
51	ex 195	pot, pearl, rolled, roasted or ground................	see item 61		20%
52	ex 175	barley, n.o.p(trade includes 49 & 58)................	22	7	per bu. 7½¢
53	184	cornmeal....................	661	660	per bbl 50¢
54)	185	hominy grits...............)	575	576	(10%
54b)	185	corn grits.................)			(7½%
*55	167	Indian corn.................	27,402	27,400	per bu. 8¢
56	168	oats........................	4,227	4,200	per bu. 4¢
57	188	oatmeal & rolled oats.......	-	-	per 100 lb 50¢
58	ex 175	rye.........................	see item 5		per bu. 6¢
59	ex 195	rye, flour..................	see item 61		per bbl.45¢
60	174	wheat.......................	11	11	per bu. 12¢
61	ex 195	wheat flour & semolina (trade includes 50, 51, 59).	37	34	per bbl. 50¢
63	172	rice, cleaned...............	2,658	2,173	per 100 lb 70¢
64	225	sago & tapioca...	223	187	17½%
65	203	biscuits, not sweetened.....Trade included in Schedule B			17½%
65/711	2347	dog and pet food...........	356	347	17½%/15%
66	204	biscuits, sweetened....Trade included in Schedule B			25%
67	208	macaroni & vermicelli.......	403	341	per 100 lb $1.25
78	1663	florist stock, ferns, palms, etc................	113	54	17½%
78	1665	florist stock, gladioli bulbs	104	13	17½%
79	1662	florist stock, azaleas, etc..	2,103	963	12½%
79	1664	florist stock, tulip bulbs...	613	15	12½%
79h)	1646	rose bushes (multiflora).....	589	425	(12½%
79i)		(rose bushes n.o.p.)..........			(ea 3½¢
83a	125	potatoes, n.o.p..............	4,874	4,874	per 100 lb 37½¢
83c	124	potatoes, sweet & yam........	666	659	free
83d) 83e)	133	potatoes, dried, and sweet potatoes n.o.p......	662	662	per lb 1-3/4¢

* Corn for agricultural purposes including the production of feed for poultry and farm animals is exempt.

CANADA - Schedule C - 5% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
84	122	Onions, shallots	1,914	1,466	20%
85	121	mushrooms, fresh	67	66	per lb 4½¢
87(1) ex 128		artichokes, fresh)			(free
87(13)ex 128		eggplant)			(10%
87(14)ex128		horseradish)			(free
87(16)ex 128		okra)	2,820	2,690	(free
87(18)ex 128		parsley)			(10%
87(25)ex 128		watercress)			(10%
87(26)ex 128		whitloaf or endive)			(10%
87(27)ex 128		vegetables, fresh, n.o.p.)			(10%
87(23)	126	spinach	578	569	10%
89(1)	141	canned asparagus	359	353	22½%
89(2)	149	canned beans, green or wax	89	35	per lb 1¢
89(3)	143	canned corn	184	184	per lb 1½¢
89(4)	145	canned peas	79	60	per lb 1½¢
89(5)	137	canned tomatoes	1,424	259	per lb 2¢
89(2)	150	canned, baked beans	412	389	per lb 1¢
89 ex(5)	138	tomato paste, canned	3,017	1,571	per lb 1½¢
89(6)	147	vegetables, n.o.p., canned	854	538	15%
90(1)	ex 135	asparagus, frozen)			(22½%
90(2)	& 136	Brussel sprouts, frozen)			(22½%
90(3)		vegetables, frozen, n.o.p.)	2,437	2,392	(15%
		beans, green, wax, frozen)			(15%
90(3)		beans, lima, frozen)			(15%
		broccoli, frozen)			(15%
		peas, frozen)			(15%
90a	134	vegetables, dried	1,678	1,417	20%
ex 90a	1595	soya bean flour	249	248	17½%
90	1843	vegetable flour	807	807	20%
90b)	151	pickles, packaged	625	466	20%
90h)		(includes okra, sliced & salted)			5%
90b)	152	pickles, n.o.p.	1,116	520	20%
90h)		(includes okra, sliced & salted)			
	(153	sauces, n.o.p.	1,187	1,057	5%
90c	(155	sauces, soy	156	52	20%
	(154	ketchup	520	520	20%
	(131	mustard, liquid	71	25	20%

CANADA - Schedule C - 5% Tariff Surcharge Imposed from June 25, 1962

Tariff No.		Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
90d	ex	(2264	Canned meats, poultry & game..	see items 8, 8a, et al		20%
		(132	pastes, hash, etc. of			
		(	vegetables & meat or fish...	594	462	
		(	or both (includes pate de foie with truffles at			10%)
		(2271	meat pies, frozen	755	755	20%
		(2272	complete dinners, frozen.....	959	959	20%
	ex	(2347	dog food & pet food..........	see item 65		20%
90e	ex	133	potatoes, precooked	see item 83d et al		17½%
90f		(1839	vegetable colorings..........	377	352	10%
		(1845	vegetable flavorings.........	1,064	906	
90h	ex	152)	okra, sliced or salted......	see item 90b		5%
	ex	151)				
91		2270	soups, soup rolls, tablets, etc.	921	475	20%
92(9)		26	nectarines, fresh............	282	267	10%
92(9)	ex	20	quinces, fresh...............	n.a.	n.a.	
92(12)		29	blueberries..................	228	228	10%
92(12)		18	berries, n.o.p...............	14	12	10%
93		1	apples, fresh................	4,262	4,039	per lb 1/4¢
94(a)		25	grapes, vitis vinifera.......	13,273	12,925	free
95b		12	melons.......................	2,614	2,268	free
95c	ex	20	passion fruit................	see item 96		15%
96		20	fruits, fresh, n.o.p.........	400	382	free
99	ex	42	bananas, dried, evaporated...	see item 99b		free
99a		39	plums or prunes, dried.......	2,844	2,810	free
99b		42	dried fruits, n.o.p..........	254	236	10%
99b		31	apples, dried................	309	296	10%
99c		41	raisins......................	8,342	2,633	per lb 3¢
99d)		)	dates........................	)	)	free
99e)		36)	except unpitted in packages weighing 10 lbs. or less ..	1,766	343)	1½¢ lb
99f		37	figs, dried.	636	472	free
99g		(32	apricots & nectarines, dried.	367	226	15%
		(40	pears, dried.................	26	26	15%

CANADA - Schedule C - 5% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
99g	ex 42	dried fruits, n.o.p........	See item 99b		15%
104a	(61	fruit pulp, unsweetened or sweetened................	1049	366)	per lb 1½¢
	(63	grapefruit, orange & lemon pulp....................	99	72)	
105	(ex 61	fruit pulp, unsweetened or sweetened)..	see item 104a		per lb 2¢
	(ex 63	grapefruit, orange & lemon pulp)			
105b	ex 60	olives, ripe, in brine.....	see item 105e		free
105c	52	olives, sulphured in brine, not bottled..............	2,690	539	15%
105d	51	cherries, sulphur or in brine, not bottled..............	1,301	13	15%
105e	60	fruits & nuts, pickled or preserved (includes melons, pineapples & papayas, pickled or preserved).....	625	120	15%, 10% or free
105f	(62	jellies, jams...............	777	95)	per lb 3¢
	(54	marmalades..................	430	5)	
105h	ex 63	oranges, grapefruit, lemons, sliced or in pulp........	see item 104a		5%
105j	ex 60	zucca melons, peeled, sliced, or sulphured............	see item 105e		10%
105k	ex 56	canned mint flavored pineapple................	see item 106		per lb 2¢
106(3)	50	peaches, canned...........	3,129	3,076	per lb 2¼¢
(1)	49	apricots, canned..........	664	291	per lb 2½¢
(4)	55	pears, canned	797	680	per lb 2¢
(5)	56	pineapples, canned.........	5,541	2,305	per lb 2¢
(8)	57	fruits in cans, n.o.p......	1,849	617	per lb 1¢
(7)	64	mixed fruits in cans	6,067	5,993	per lb 2¢
(2)	ex 57	cherries, canned..........	see item 106(8)		per lb 1½¢
(6)	ex 57	prunes, canned............	see item 106(8)		per lb 1-1/3¢
107(1))		(blueberries, frozen)			per lb 1-3/4¢
(3))	48	(peaches, frozen).....	396	349	per lb 2½¢
(4))		(fruits, n.o.p., frozen)			per lb 2¢

CANADA - Schedule C - 5% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
108	2337	honey & imitations..........	222	167	per lb 1½¢
109	(92	Brazil nuts, not shelled....	303	271)	per lb 1¢
	(93	filberts & hazel nuts,		)	
	(	unshelled.................	407	76)	
	(97	other nuts, not shelled, n.o.p.	327	317)	
	(102	peanuts, n.o.p..............	52	43)	
	(108	filberts, shelled..........	516	39)	
	(104	other nuts, shelled.........	178	159)	
	(105	Brazil nuts, shelled........	451	12)	
	(106	cashew nuts, shelled........	1,859	171)	
109 ex	(96	walnuts, not shelled........	752	593)	free
	(103	walnuts, shelled............	3,225	39)	
	(91	almonds, not shelled........	297	52)	
	(101	almonds, shelled............	1,609	462)	
	(95	pecans, not shelled.........	147	147)	
	(107	pecans, shelled.............	1,227	1,227)	
109a	94	peanuts, green, fresh, shelled or not............	8,477	3,474	free
110	81	cocoanuts..................	72	11	per 100 50¢
113	83	cocoanuts, desiccated.......	1,464	887	per lb 3¢
113a	84	copra, not prepared.........	-	-	free
115	(2091	cod, haddock, pollock, fresh	172	151)	per lb 1/2¢ or free
	(2094	herring, fresh..............	27	4)	
	(2101	salmon, fresh...............	231	224)	
	(2103	fish, all other, fresh......	1,106	364)	
	(2111	cod, haddock, pollock, dried	38	1)	
	(2120	fish, dried, n.o.p..........	30	4)	
	(2121	fish, other, pickled, salted	221	27)	
	(2122	fish, other, smoked, boneless	230	20)	
ex 115	2115	herring, pickled or salted..	494	10	free
116	(2092	halibut, fresh..............	480	475)	per lb 1/2¢
	ex (2121	halibut, pickled or salted...	see item 115)		
119	(2139	pilchards, canned...........	22	21	1½ to 3½¢
	(2140	anchovies, sardines, canned..	1,492	5	per box
120 ex	2140	anchovies, canned	see item 119		1¢ to 3¢ per box
121	(2143	tuna fish, canned...........	1,596	20)	20%
	(2144	fish, preserved in oil, n.o.p. (includes bonita)....	1,031	46)	17½%

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Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
122	2146	Herring, in sealed containers	200	1	25%
123(a)	2132	kippered herring in sealed containers..............	126	68	17½%
123(b)	2138	salmon, canned.............	1,112	1,093	15%
123(c)	2145	fish, prepared or preserved, n.o.p............	400	161	22½%
124	ex 2145	shell fish, fresh...........	see item 123(c)		17½%
124a	ex 2145	shell fish, preserved or prepared................	see item 123(c)		22½% or 17½%
125)	2100	oysters, shelled, in cans..	627	627	free
125a)		oysters, prepared or preserved or in shell.......			15%
127	ex 2145	crustaceans, fresh, prepared or preserved, n.o.p.......	see item 123(c)		17½%
128	2096	lobsters, fresh or boiled..	287	282	free
128a	2133	lobsters, canned, prepared, n.o.p..................	27	27	22½%
129	2131	crabs in sealed containers	382	8	30%
130	2090	shrimp, prawns, fresh or frozen	2,737	1,813	5%
133	2153	all other fishery produce..	882	607	17½%
137	255	molasses for home consumption	954	70	per gal. 1¢
137a	ex 390	molasses powder.............	see item 711		per 100 lb 45¢
140	256	syrups of cane or beet	48	7	per gal 6½¢
142c	n.a.	converted tobacco leaf for binders...................	n.a.	n.a.	per lb 75¢
153a	73	grape juice, in containers over 1 gallon.................	220	218	per gal 20¢ plus 3¢
167	224	malt, whole, crushed or ground	5	5	per lb 1/3¢
167a	187	malt flour, n.o.p...........	31	31	per lb 1/2¢
168	ex 187	malt flour with less than 50% malt.................	see item 167a		25% plus 5¢ lb
168a	365	malt syrup & extracts	272	174	22½%

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Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
181b	4290	processed paper for duplicating machines..............	704	695	7½%
187a	9012	films for aerial photography	72	72	10%
187b	ex9020	sensitized negative film for motion picture cameras....	see item 187e Schedule B		10%
187c	7125	photographic dry plates	149	114	15%
192	(4161	cardboard, bristol board, etc.	938	887)	20%
	(4162 (	chipboard, biscuit board, layer board	4,291	4,275)	
	(4164	millboard & binders board .	307	312)	
	(4212	blotting paper	102	100)	
	ex4227	tarred paper, roofings	see item 192c	)	
	(4170	pulpwood & other boards ...	2,342	2,308)	
	(4168 (	test board, jute board, kraft board,etc.	1,278	417)	
	(4169	wallboard, insulating board	1,281	1,019)	
	(4172	felt board	576	576)	
	(4173	press board	637	628)	
	(4174	shoe boards	677	394)	
	(4176	gypsum wallboard & lath....	19	19)	
	(ex7128	glass wool or fibre glass .	see item 326a	)	
	(ex4226	shingles of paper or felt .	see item 192c	)	
	(ex3485	oil cloth floor linoleum ..	see item 573a	)	
	(4159	playing card stock	0	0)	
192b	7202	coated abrasive paper or cloth	1,307	1,201	20%
192c	(4226	shingles of paper or felt .	10	10)	20%
	(4227 (	roofing sheathing paper prepared	738	733)	
193	4241	bags or sacks of paper	1,523	1,493	20%
194	4293	playing cards	149	95	per pack 7¢
197b	(4191 (	grease proof, parchmentine etc. paper	106	106)	22½%
	(4192	tissue wrapping paper	55	53)	
	(4193	vegetable parchment paper .	61	39)	
	(4197	wrapping paper, n.o.p.	554	421)	
	(4195	wrapping paper, kraft	440	433)	

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Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	C$000 1961 Imports From U.S.	MFN/GATT Tariff before Surcharge
198	(4183	book, printing & litho paper	1,913	1,903)	22½%
	(4186	cover papers	176	154)	
	(4187	surface coated paper, n.o.p.	1,936	1,504)	
	(4204	ruled, border & boxed papers	325	284)	
	(4220	pads, not printed	71	60)	
	(4217	gummed paper	1,004	938)	
	(4188	carbon paper	467	375)	
	(4190	wax paper	523	513)	
	(4196	wrapping paper, oiled n.o.p.	594	593)	
	(ex4191	grease proof & glassine paper	see item 197b)		
198b	ex4217	Cigarette paper, gummed	see item 198		15%
199b	(4243	fibreboard or paperboard containers	4,132	4,026)	per lb. 4/5¢ but not less than 20%
	(4258	shipping containers of fibre or paperboard	955	937)	
199c	4231	waxed stencil paper for duplicating machines	652	88	22½%
207d	ex8415	anti-freeze compounds	n.a.	n.a.	15%
226	(2303	candles, n.o.p.	131	85)	20%
	(7184	candles, paraffine wax	165	77)	
230	(ex8236	castile soap	384	170)	per lb. 1¢
		toilet soap,n.o.p.		)	
231	ex8366	baking powder	n.a.	n.a.	per lb. 5¢
232a	2331	gelatine, n.o.p.	104	16	22½%
232c	2329	gelatine, edible	1,032	807	22½% or free
232f	1824	mucilage & glue	121	104	20% and per lb. 2½¢
235	364	liquorice, not sweetened ..)	144	144	10%
235a	364	liquorice paste, not sweetened)			12½%
235b	364	liquorice in rolls or stacks)			15%
247	8213	liquid fillers, anti-corrosive and anti-fouling paints and ground liquid paints	3,334	3,255	20%

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Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	C$000 1961 Imports From U.S.	MFN/GATT Tariff before Surcharge
247a(1)	(8211	artists' & school children's colors and fitted boxes	1,242	623	15%
247a(2)	(9021	artists' brushes	181	38)	17½%
	(3475	artists' canvas	34	32)	
248	8214	spirits varnishes & lacquers	796	751	per gal. 85¢
249	8216	varnishes, lacquers, japans, n.o.p.	1,474	1,430	per gal. 15¢ and 15%
253	8202	putty	165	161	22½%
255a	1577	shellac, bleached	53	50	10%
257	8407	ink, writing	199	150	20%
271b	7167	petroleum lubricating oils, 25¢ per gal. or more	10,859	10,741	12½%
272a	7181	petroleum & lubricating greases, n.o.p.	2,255	2,233	15%
275	7186	liquified petroleum gases ..	813	808	12½%
276b (4)	1611)	palm oil, n.o.p.	(see item 277		20%
	)	palm kernel oil,n.o.p.	(		
276d(3)	1613	peanut oil n.o.p.	1,455	120	20%
276e(5)	1610	olive oil, n.o.p.	1,120	44	5%
276f(6)	1619	soya bean oil n.o.p.	2,751	2,751	20%
276g	1620	corn oil, crude or refined .	2,977	1,169	20%
277	(1628	oils, hydrogenated, blown ..	2,875	2,721)	20%
	(1613	peanut oil	see 276d(3)	)	
	(1601	castor oil.	710	25)	
	(1611	palm & palm kernel oil	5,205	13)	
	(1620	vegetable oil, n.o.p.	see item 276g	)	
	(1625	vegetable oil for textiles .	488	479)	
281b	7027	firebrick,n.o.p.	2,779	2,441	15%
282	(7021	building brick	2,074	2,067)	15%
	(7028	paving brick	12	12)	

CANADA - Schedule C - 5% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	C$000 1961 Imports From U.S.	MFN/GATT Tariff before Surcharge
282a	7029	building blocks, partition hollow & fireproof building tile	1,134	1,089	17½%
	7226	cement manufactures, n.o.p.	861	812	
	7056	manufactures of clay n.o.p.	1,043	985	
284b	ex7301	gypsum tile	n.a.	n.a.	20%
287a	ex7047	stoneware, Rockingham ware & earthenware, n.o.p. ..	n.a.	n.a.	17½%
287b	ex7046	undecorated tableware	see item 287, Schedule B		15%
288a	7048	chemical stoneware	203	189	17½%
305c	7232	marble sawn or sand rubbed (not polished) ...	859	359	5%
305d	7216	Granite, sawn	131	108	15%
305e	7210	building stone	927	741	15%
305f					15%
306a					per 100 lb. 20¢
306b					per 100 lb. 45¢
308	7270	manufactures of stone n.o.p.	171	115	30%
312	7001	asbestos packing	429	271	12½%
312a	7005	asbestos brake linings and clutch facings	188	181	
	7003	asbestos manufactures	3,553	2,296	
318	7091	sheet glass, in rectangles .	4,652	27	7½%
	7099	glass sheets, wired	640	25	
	7090	sheet glass, transparent ...	4,356	424	
319	7093	plate glass, not over 7 sq.ft.	288	100	5%
	7094	plate glass, over 7 sq.ft.	3,065	977	
	7095	plate glass n.o.p.	9,425	6,911	
	7099	glass sheets, wired	see item 318		
320	7099	plate glass n.o.p.	see item 319		5%
	7111	ornamental colored glass ...	226	61	
	7112	painted, obscured white glass	932	347	

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Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
321	(7099	plate glass n.o.p.	see item 319)		7½%
	(7095	plate glass, n.o.p.	see item 319)		
	(7111	ornamental colored glass ...	see item 320)		
	(7112	painted obscured white glass	see item 320)		
	(7100	sheet glass, n.o.p.	134	35)	
322	7097	laminated glass, sheet or plate	311	37	12½% or 25%
323	7127	manufactures of laminated glass	see item 326a		25%
326a	(7127	manufactures of glass n.o.p.	3,828	2,959)	17½%
	(7129	glass blocks	477	441)	
	(7128	glass wool or fibre glass ..	1,529	1,525)	
	(7086	lenses glass,n.o.p.	540	464)	
	(7119	insulating window units	674	135)	
326c(2)		glass shapes for Xmas tree ornaments	n.a.	n.a.	free
(3)		glass shapes for vacuum bottles	n.a.	n.a.	5%
326f	7088	moulded, illuminated shades & reflectors of glass or plastics	2,538	2,130	15%
326m	7079	decanters & machine made tumblers of glass, not cut or decorated	n.a.	n.a.	free
326n	7121	articles of glass or glass-ware to be cut or mounted	562	229	10%
327	7126	spectacles, eyeglasses, lenses	1,210	482	20%
328	9082	spectacle & eyeglass frames	3,344	2,785	15%

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Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
339	6068	manufactures of lead, n.o.p.	336	216	25%
339a	6065	lead capsules for bottles...	46	3	22½%
339b	6103	collapsible tubes of aluminum lead or zinc.....	348	342	25%
346	6116	Zinc manufactures, n.o.p....	2686	2552	17½%
350	(6050	copper wire..................	43	37	(20% or 7½
	(6033	brass wire..................	120	74	(
	(6250	wire non-ferrous n.o.p......	778	490	(
	(5200	welding rods and wires of all kinds.................	3476	3190	(
350a	n.a.	electrical resistance wire with alloys..............	n.a.	n.a.	Free
351	6247	wire, covered, non-ferrous..	6475	4003	20%
351b	(6051	wire cloth of copper........	20	17	(20%
	(6034	wire cloth of brass.........	138	116	(
351c	6033	brass wire, n.o.p...........	See item 350		15%
352	(6235	nails and tacks, brass or copper....................	15	12	(20%
	(6030	brass hand pumps, n.o.p.....	22	22	(
	(6031	brass valves................	5004	4102	(
	(6032	brass meters and parts......	340	322	(
	(6238	brass rivets, burrs, and washers...................	97	86	(
	(6035	brass manufactures, n.o.p...	12054	10537	(
	(6223	brass and copper bells and gongs....................	315	261	(
	(6052	copper manufactures, n.o.p..	1714	1620	(
	(6046	copper in bars, rods........	55	51	(
	(6047	copper in strips, sheets, or plates.................	168	136	(
	(6048	copper tubing...............	886	278	(
	(6023	brass in ingot bars or rods.	766	269	(
	(6024	brass in strips, sheets, or plates...................	345	164	(
	(6025	brass tubing................	693	632	(
	(5733	water heater parts..........	952	943	(
	(6037	plumbers brass goods........	4913	3860	(
	(6260	cigarette lighters..........	1020	65	(
352b	6240	screws of brass or copper...	156	92	30%
352c	6035	brass manufactures, n.o.p...	See item 352		30%

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Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From US	MFN/GATT Tariff before Surcharge
353a	6004	aluminum pigs, ingots, and blocks, etc.	484	478	(per lb. 1¼¢
353a	6007	aluminum bars, rods, and wirebars	711	530	(
353b	6007	aluminum bars, rods, sheets, strips, and circles	See item 353a		(per lb. 3¢
353b	6011	aluminum plates, sheets, and strips	7595	4346	(
353c	6006	aluminum angles, channels, beams, etc	355	276	22½%
353d	6013	aluminum wire and cable	183	165	22½%
353e	6010	aluminum pipes and tubes	580	419	22½%
354	(6015	aluminum manufactures, nop.	15375	14326	(22½%
	(6103	collapsible tubes of aluminum	See item 339b		(
	ex (5733	water heater parts of aluminum	n.a.	n.a.	(
354a	6014	aluminum kitchen or household holloware	1338	882	22½%
354i	6013	aluminum wire and cable	See item 353d		Free
357	(6123	Brittania metal and manufactures	13	5	(20%
	(6075	German nickel, Nevada silver, manufactures of, not plated	127	105	(
366	(6127	watches, more than one jewel	1433	33	(30% but not less
	(6128	watches with one or no jewels	520	35	(than 40¢ each
367	6136	watch cases and parts	1314	628	22½%
368	(6131	clocks	1361	795	(30% but not less
	(6132	clock movements	224	87	(than 40¢ each or
	(6134	time recorders	286	222	(25%
	(6135	alarm clocks	1115	160	(
379	(5070	concrete reinforcing bars, hot rolled	5074	13	(10%
	(5071	bars, carbon steel, hot rolled	5989	3238	(
	(5075	bars, alloy steel, hot rolled	2171	1526	(
	(5079	wire rods, steel, hot rolled.	See item 379c		(
379a	(5083	bars carbon steel, cold drawn	1069	401	(15%
	(5087	bars alloy steel, cold drawn.	495	390	(
379b	5091	bars or rods, steel, fabricated	983	659	15%
379c	5079	wire rods, steel, hot rolled.	4065	82	per ton $3.00
379d	5079	rods, coiled, of iron or steel for wire fencing	See item 379c		Free

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Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From US	MFN/GATT Tariff before Surcharge
380(1)	(5070	concrete reinforcing bars..	See item 379		(10%
	(5152	bearing pile carbon steel..	1086	873	(
	(5153	wide flange beams, carbon steel....................	See item 380(2)		(
	(5156	structural shapes, carbon steel.................... large sizes.............	See item 380(3)		(
	(5157	structural shapes, carbon steel, intermediate sizes	See item 380(3)		(
	(5159	structural shapes bar sizes carbon steel.............	4017	614	(
	(5161	sheet piling, carbon steel.	1450	412	(
	(5164	structural shapes, alloy steel..................	245	176	(
	(5169	structural shapes, fabricated n.o.p....................	See item 380a		(
380(2)	(5152	bearing pile...............	See item 380(1)		(per ton $5.00
	(5153	wide flange beams, carbon steel....................	20898	16218	(
380(3)	(5152	bearing pile...............	See item 380(1)		(Free
	(5153	wide flange beams..........	See item 380(2)		(
	(5156	structural shapes, carbon steel, large sizes, n.o.p	3949	2184	(
	(5157	structural shapes, carbon steel, intermediate sizes, n.o.p.............	3171	796	(
380a	5169	structural shapes, fabricated....................	2375	2085	22½%
381	(5101	plates, carbon steel 60" or less.....................	2346	606	(10%
	(5102	plates carbon steel, 60" to 100".....................	3279	993	(
	(5103	plates carbon steel, over 100".....................	913	810	(
	(5104	floor plate, carbon steel..	974	656	(
	(5106	plates fabricated or coated n.o.p....................	324	284	(
	(5108	plates stainless...........	2037	1453	(
	(5109	plates alloy steel, n.o.p..	1296	1277	(
381a	5107	plates, flanged or dished drilled or not...........	1138	1135	20%
381b	5106	plates fabricated or coated n.o.p....................	See item 381		15%

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Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From US	MFN/GATT Tariff before Surcharge
382(1)	(5124	sheet and strip, carbon steel, hotrolled, less than 24"..n.o.p..........	1776	1108	(10%
	(5125	sheet carbon hotrolled, 24" to 51"...................	776	602	(
	(5126	sheet carbon hotrolled over 51".....................	1357	1297	(
	(5131	sheet for porcelain enamelling....................	1324	1322	(
	(5144	sheet and strip stainless steel...................	10243	6877	(
	(5148	sheet and strip alloy steel...n.o.p...........	284	276	(
	(5149	sheet and strip corrugated or fabricated, n.o.p.....	504	449	(
382(2)	(5127	sheet carbon c.r. under 24"	2322	1547	(15%
	(5128	sheet carbon c.r. 24" to 51"	1145	795	(
	(5129	sheet carbon c.r. over 51"	1744	1744	(
	(5131	sheet for porcelain enameling......................	See item 382(1)		(
	(5144	sheet and strip stainless..	See item 382(1)		(
	(5148	sheet and strip alloy steel	See item 382(1)		(
	(5149	sheet and strip corrugated or fabricated, n.o.p.....	See item 382(1)		(
382(3)	(5132	sheet and strip tinplate...	591	187	(15%
	(5139	sheet and strip coated n.o.p.	See item 382(5)		(
382(4)	5133	sheet and strip galvanized.	1561	1416	15%
382(5)	(5133	sheet and strip galvanized.	See item 382(4)		15%
	(5139	sheet and strip coated n.o.p.	2526	2410	(
382(7)	5147	sheet and strip silicon steel......................	7044	6943	12½%
382(8)	5138	sheets coated with metal, n.o.p....................	1117	1079	10%
382a	5124	hoop steel, hotrolled, for use in the manufacture of hoops....................	See item 382(1)		Free
382b	5147	sheet and strip, silicon steel (for use in the manufacture of electrical apparatus)...............	See item 382(7)		Free

CANADA - Schedule C - 5% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat.No.	Trade Description	C$000 1961 Imports Total	From US	MFN/GATT Tariff before Surcharge
382c	n.a.	sheet iron or steel, c.r., over 51" wide, for use in the manufacture of bathtub body stampings...	n.a.	n.a.	Free
382d	n.a.	sheet or strip, with cutting edge, for use in the manufacture of cutting dies...	n.a.	n.a.	15%
383	5115	plate, sheet or strip, not tempered or ground, for saws....................	1549	1259	Free
383a	5116	plate, sheet or strip, tempered, for saws.......	325	211	7½%
384	(5119	carbon steel for pipes, hot-rolled over 60"..........	3237	2370	(7½%
	(5122	carbon steel for pipes, hot-rolled, not over 15 3/8".	141	0	(
	(5123	carbon steel for pipes, c.r.	10	10	(
385	5134	sheet and strip, carbon steel, terneplate..............	1391	1305	Free
387	5173	railway rails, iron or steel....................	591	502	10%
387a	5169	structural shapes, fabricated, n.o.p. (rails other than railway)...........	See item 380a		12½%
387c	5177	railway track materials, n.o.p.(intersections, switches, crossings).....	70	62	25%
390	(5047	castings, iron or steel, malleable n.o.p..........	698	693	(20%
	(5048	castings, iron or steel, non-malleable, nop.......	573	568	(
	(5049	castings, of steel, in the rough, n.o.p............	991	892	(
390a	5052	piston ring castings in the rough................	77	59	Free
392	5050	forgings of iron or steel, n.o.p....................	1509	1303	22½%
392a	5051	forgings, of iron or steel, hollow, not less than 12" inside diameter; forgings 20 tons or over.........	435	152	15 or 20%

CANADA - Schedule C - 5% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From US	MFN/GATT Tariff before Surcharge
392c	5058	forged golf club heads.....	45	45	10%
394a	5041	axles for railway vehicles.	48	30	(22½%
b	5042	axles for other vehicles...	257	254	(
c	5043	axles and parts, n.o.p.....	137	136	(
396	5181	pipes and tubes of cast iron	1412	235	12½%
397	5197	pipes and tubes iron or steel, n.o.p............	12217	7255	20%
397a	5196	pipes and tubes, seamless steel, cold drawn, nop...	4809	3818	5%
397b	5189	corrugated, metal culvert pipe....................	163	163	15%
397c	n.a.	tubes of iron or steel, welded, not more than ½" inside diameter for Canadian manufactures....	n.a.	n.a.	7½%
398	5191	pipes and tubes, steel, for pressure parts..........	2561	1336	5%
398a	5193	pipes and tubes, steel, plain ends, for rolls for paper making machinery...	120	83	15%
398b	5197	pipes and tubes, n.o.p. (hotrolled steel hollows for use in the manufacture of steel tubes)..	See item 397		Free
398c	5192	tubes, seamless steel, for bearings................	2748	2127	5%
399	5188	pipes and tubes more than 10½" diameter and fittings, steel, for the transmission of natural gas and crude oil...........	2238	761	15%
399a	5185	oil country goods, steel, nop.....................	6392	2680	10%
401f	5205	wire, coated or covered with any material, including cable n.o.p............	478	389	25%
401g	ex 5214	wire iron or steel, n.o.p..	2541	1115	15%
402a	(5216	woven or welded wire fencing n.o.p..................	42	16	(20%
	(5220	wire cloth or screen, iron or steel................	562	289	(
402a ex	5221	wire netting, n.o.p........	462	28	25%

Tariff No.	Import Stat.No.	Trade Description	C$000 1961 Imports Total	From US	MFN/GATT R. before Surch.
407	5235	silent chain and finished roller chain and parts, n.o.p.	3174	1807	15%
407a	5236	chains, n.o.p. and parts	813	653	22½%
410a(iii)		mine roof and wall support systems of metal	n.a.	n.a.	12½%
411	5564	saw mill machinery for use in sawing lumber	1053	793	12½%
411a	(5541	logging machinery, logging cars, cranes, block and tackle and parts, n.o.p. for use in logging	6484	6156	(12½%
	(5225	wire rope for logging	365	17	(
411b	5589	woodworking machinery, n.o.p. and parts	See item 427/427a		15%
412b	5514	flat bed cylinder printing presses to print sheets 25x38" or larger	94	78	10%

CANADA - Schedule C - 5% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat.No.	Trade Description	C$000 1961 Imports Total	From US	MFN/GATT Tariff before Surcharge
412d	(5515	offset presses; lithographic presses; print presses, n.o.p. and parts.........	14675	10808	(10%
	(5517	type making accessories and parts................	83	77	(
414	(5507	typewriters, electric......	1270	1183	(20%
	(5508	typewriters, portable......	1156	80	(
	(5509	typewriters, standard, non-electric................	941	94	(
414b	5504	dictating, transcribing and cylinder shaving machines and parts................	2324	1272	12½%
414c	(5501	bookkeeping, calculating, and invoicing machines, and parts, n.o.p.........	29589	26652	(10%
	(5510	electronic computers and parts....................	8505	8464	(
414d	ex 5500	adding machines............	3436	1776	15%
414f	5502	cash registers.............	3562	2416	22½%
415	(5442	electric vacuum cleaners...	3906	3555	(20%
	(5443	hand vacuum cleaners attachments and parts.........	2535	2040	(
415c	5444	clothes wringers and metal parts for domestic use...	106	106	22½%
415d	(5445	sewing machines, domestic..	5838	2250	(15%
	(5447	parts of domestic sewing machines.................	1198	721	(
415f	5441	carpet sweepers............	74	52	25%
420	5540	leather machinery and parts for tanning or embossing leather..................	342	334	5%
422	5561	rollers, street or road and parts....................	1821	1635	20%
422a	5560	road construction machinery and parts not made in Canada...................	6212	5932	7½%
422b	5561	trench and ditch excavating machines and parts.......	141	141	10%
424	5254	fire engines and other fire extinguishing machines and parts................	602	526	20%
424a	5534	hand fire extinguishers and automatic sprinkler heads	1678	1646	20%

CANADA - Schedule C - 5% Tariff Surcharge Imposed from June [illegible], 1962

Tariff No.	Import Stat.No.	Trade Description	C$000 1961 Imports Total	C$000 1961 Imports From US	MFN/GATT Tariff before Surcharge
426a	5512	machinery and apparatus listed in TI412a when for use in the manufacture of celluloso articles.......	86	61	5%
426b	5571	veneer drying machines and parts....................	464	464	5%
426c	5574	wire stitchers and staplers, not including power, and parts....................	1406	1209	5%
427 and 427a	ex(5280	outboard motors, except for use in construction of Canadian ships...........	n.a.	n.a.	(22½% or 7½%
	ex(5281	outboard motor parts.......	n.a.	n.a.	(
	(5293	milk clarifiers and parts..	15	10	(
	(5454	ironers, domestic, electric and parts................	6	6	(
	(5518	shovels power, n.o.p. not made in Canada...........	2316	2316	(
	(5519	shovels power, n.o.p. made in Canada................	1970	1894	(
	(5520	parts of power shovels.....	5171	5099	(
	(5521	air and gas compressing machinery and parts, nop.	10282	8604	(
	(5522	bakery machinery and apparatus of all kinds...	3359	3010	(
	(5523	chain saws and parts.......	3557	3200	(
	(5529	coal handling machinery, n.o.p. and parts.........	156	156	(
	(5530	concrete mixing machines, n.o.p. and parts.........	1001	931	(
	(5536	fish preparing machinery and parts................	196	59	(
	(5537	ice making and refrigerating machinery, n.o.p and parts	10901	10642	(
	(5548	rolling mill machines, n.o.p. and parts.................	2850	2252	(
	(55[illegible]	cranes, hoists, and derricks n.o.p. made in Canada....	2614	1747	(
	(5552	cranes, hoists, and derricks n.o.p. not made in Canada.....................	3519	2823	(
	(5554	parts of cranes, hoists and derricks, n.o.p..........	2961	2252	(
	(5556	paper mill machines, n.o.p. and parts................	10041	4882	(
	(5557	pulp mill machines, n.o.p. and parts................	2497	1315	(
	(5558	pumps, power n.o.p. and parts....................	12187	10417	(

CANADA - Schedule C - 5% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From US	MFN/GATT Tariff before Surcharge
427 and 427a (cont.)	(5566	shoe machinery n.o.p. and parts....................	1970	1619	(22½% or 7½%
	(5569	street cleaning machinery and parts................	1161	1149	(
	(5572	water meters n.o.p. and parts....................	86	70	(
	(5573	water turbines n.o.p. and parts....................	272	232	(
	(5582	air conditioning apparatus and parts................	13902	13373	(
	(5584	bottling machines and parts	2956	2863	(
	(5585	bulldozers, angledozers and similar equipment and parts....................	11395	10636	(
	(5586	conveying equipment and parts....................	6897	5068	(
	(5587	power jacks and parts......	1388	1209	(
	(5576	machinery of iron or steel n.o.p. and parts...........	159005	138709	(
	(5588	stone crushing machinery and parts................	3623	3340	(
	(5589	woodworking machinery n.o.p. and parts................	7486	6499	(
	(5590	air conditioners, room size, and parts................	3586	3586	(
	(5591	front end loaders, shovels, and parts................	15753	15460	(
	(5632	tools for use in machines...	11279	9826	(
	(5672	factory and warehouse trucks motor driven n.o.p. and parts.....................	See item 438a--Schedule B		(
	(5674	fork lift trucks and parts..	11042	10268	(
427d	5589	machines for making wood box ends......................	See item 427 and 427a		22½%
427e	5577	automatic machines for making and packaging cigars and cigarettes...........	3047	883	7½%
427f	5578	machines for the manufacture of veneers and plywoods..	435	339	7½%
427k	(5542	drilling and boring machines and parts for metal work..	2630	2095	(Free--7½% or 22½%
	(5543	grinding machines and parts for metal working.........	5580	4312	(
	(5544	lathes and parts for metal-working..................	4770	2843	(
	(5545	milling machines for metal-working..................	2926	1434	(

CANADA - Schedule C - 5% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From US	MFN/GATT Tariff before Surcharge
427 k (cont.)	(5546	planers and parts for metal working..................	136	81	(Free-7½% or 22½%
	(5547	presses and parts for metal working..................	4697	3956	(
	(5549	shapers, slotters and parts for metal working........	1121	873	(
	(5550	metal working machinery and parts, n.o.p.............	9702	7990	(
428c	(5274	power boilers..............	1098	1094	(20%
	(5275	power boiler parts.........	1462	1226	(
428e	(n.a.	diesel and semi-diesel engines and parts, n.o.p.	n.a.	n.a.	(20%
	(5267	engines locomotive, diesel.	622	560	(
429b	5371	table knives and forks, steel....................	1305	177	25%
429c	5372	pen knives, jack and pocket knives..................	551	94	17½%
429d	(5376	all other knives, n.o.p....	467	145	(20%
	(5378	butcher and kitchen knives.	596	185	(
429e	5377	spoons.....................	413	46	25%
429f	5375	scissors and shears, n.o.p.	1238	385	20%
429g	5373	razors and parts...........	503	440	25%
429h	5374	safety razor blades........	399	219	20%
430	5411	nuts, bolts, washers, rivets coated or not, n.o.p.; nut and bolt blanks...........	5775	4360	per 100 lbs. 50¢ and 17½%
430a	5381	hinges and butts, iron or steel, coated or not, n.o.p.; hinge and butt blanks..................	993	631	per 100 lbs. 75¢ and 20%
430b		screws of iron or steel, coated or not:			
(1)	5413	wood screws, iron or steel	314	132	20%
(2)	5412	machine and other screws, n.o.p....................	2778	2581	17½% and per 100 lbs. 50¢

CANADA - Schedule C - 5% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	C$000 1961 Imports From US	MFN/GATT Tariff before Surcharge
430c	5394	wire roofing nails of all sizes and wire nails one inch or more............	1738	190	per 100 lbs. $1.00
430d	5391	cut nails, iron or steel....	164	159	per 100 lbs. 45¢
430e	(5393	tacks of all kinds, n.o.p...	39	23	(22½%
	(5395	nails, brads, and spikes, n.o.p....................	100	69	(
431(1)	(5353	spades and shovels, iron or steel....................	160	29	(15%
	(5623	axes......................	252	15	(
(2)	n.a.	hoes, pronged forks, rakes, hand.....................	n.a.	n.a.	15%
431b	(5621	anvils and vises...........	376	138	(22½%
	(5622	augers, bits, and drills....	2693	825	(
	(5625	hacksaw blades.............	307	94	(
	(5627	wrenches...................	3169	2377	(
	(5628	adzes, cleavers, hatchets, screwdrivers, planes, etc.	1944	1036	(
	(5626	saws, n.o.p................	581	187	(
432	5605	hollow-ware, iron or steel, coated or not, n.o.p......	3740	3412	20%
432a	5606	kitchen and dairy hollow-ware, of iron or steel, coated with tin..........	160	51	20%
432b	5604	hollow-ware, of iron or steel, coated with vitreous enamel....................	439	307	22½%
432d	(5603	containers, tinplate, n.o.p..	4194	4136	(20%
	(5607	manufactures of tin and tin-plate, n.o.p.............	3223	3023	(
434(2)	5255	locomotives for railways, n.o.p....................	307	307	25%
(2)	5256	locomotive chassis, tops, wheels, and bodies.........	566	565	25%
(1)	5257	locomotives sawmill, mining motor cars and parts.......	1129	916	20%
434a	n.a.	motor rail cars and chassis for use on railways........	n.a.	n.a.	20%

CANADA - Schedule C - 5% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From US	MFN/GATT Tariff before Surcharge
435	(5257	locomotives sawmill, mining motor cars and parts.....	See item 434		(Free or 10%
	(5267	engines, locomotive diesel.	See item 428e		(
438		railway cars and parts, nop			
	(5653	railway cars, box and flat.	54	54	(22½%
	(5654	railway cars, passenger....	12	12	(
	(5655	railway cars, tank.........	211	211	(
	(5656	railway cars, n.o.p........	249	234	(
	(5657	railway cars, parts........	1830	1817	(
439	(5651	bicycles, n.o.p............	2536	24	(25%
	(5664	tricycles, n.o.p...........	140	111	(
439b	(5565	scrapers, railway or road..	2699	2597	(22½%
	(9160	truck trailers.............	2001	1999	(
	(9161	mobile homes...............	3753	3750	(
	(9168	wheel barrows, hand trucks, carts....................	1397	1275	(
	(9169	trucks and cars, n.o.p.....	787	722	(
439f	(9163	childrens carriages and parts....................	128	55	(22½%
	(9164	childrens sleds and other vehicles.................	526	508	(
440a ex	(9152	open pleasure boats; sail-boats, skiffs, and canoes....................	1625	1335	(20%
	(9153	launches, pleasure.........	1942	1910	(
440c	9152	racing shells exclusively for amateur rowing clubs.	See item 440a ex		20%
440d(1)	ex 5681	anchors for vessels weighing less than 40 lbs.........	n.a.	n.a.	15%
440m	(9171	aircraft, not including engines 1500 lbs. or under.....................	2481	2481	(Free or 15%
	(9172	aircraft, not including engines over 1500 lbs., not over 3000 lbs........	2963	2960	(
	(9173	aircraft, not including engines over 3000 lbs. but not over 7500 lbs....	1653	1645	(
	(9174	aircraft, not including engines, over 7500 lbs...	91030	58630	(

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Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From US	MFN/GATT Tariff before Surcharge
440n	(5258	engines for aircraft not over 200 h.p.	521	520	(Free or 15%
	(5259	engines for aircraft over 200 h.p. but not over 500 h.p.	1105	1104	(
	(5260	engines for aircraft over 500 h.p. but not over 1000 h.p.	163	163	(
	(5261	engines for aircraft over 1000 h.p.	43086	13529	(
441	(5687	bayonets, swords, foils....	30	13	(22½%
	(5698	guns and rifles, n.o.p.	847	629	(
	(6068	manufactures of lead n.o.p.	See item	339	(
	(9007	covers or cases, gun or pistol; game bags loading tools	179	170	(
	(9237	shot gun shells, cartridges	158	47	(
	(9239	cartridges, metallic	241	113	(
	(9246	cartridge cases, gun wads, percussion caps and primers	190	66	(
	(9247	ammunition, n.o.p.	2567	1908	(
443		apparatus for cooking or heating buildings, and parts			
	(5715	cooking stoves, coal or wood	8	8	(22½%
	(5716	cooking stoves, electric, valued at more than $25..	121	121	(
	(5717	cooking stoves, gas, valued at more than $10..	1107	1106	(
	(5718	cooking stoves, gasoline or oil, valued at more than $10	13	13	(
	(5719	boilers, domestic, (hot water furnaces)	247	247	(
	(5721	oil burners, for domestic furnaces	139	139	(
	(5723	electric space heating and cooking apparatus, nop...	4193	4016	(
	(5724	heating and cooking apparatus, n.o.p.	5843	5395	(
	(5728	space heaters, oil, value $20 each or over	508	494	(
	(5731	range oil burners	55	55	(
	(5734	water heaters, gas	693	661	(

CANADA - Schedule C - 5% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From US	MFN/GATT Tariff before Surcharge
443(cont.)	(5735	water heaters, electric....	313	298	(22½% (continued)
	(5736	water heaters, n.o.p.......	275	274	(
	(5739	furnaces domestic, gas.....	881	881	(
	(5740	furnaces domestic, n.o.p...	571	571	(
	(5725	parts for cooking and heating apparatus........	12861	12726	(
443a	5726	ovens for bakeries (commercial) and parts...	509	340	7½%
444	6333	gas meters and parts.......	1353	1181	22½%
444b	9081	lamp shades n.o.p. and shade holders...........	220	202	22½%
445	6325	electric light fixtures and appliances and parts.....	8163	7201	22½%
445a	(6315	lights, electric; head, side and tail, n.o.p..........	677	559	(22½%
	(6320	flashlights, penlights.....	916	430	(
445b	(6302	incandescent lamps, large..	1895	1754	(25%
	(6303	fluorescent lamps..........	1446	1394	(
	(6304	mercury lamps..............	484	429	(
	(6306	vapour lamps, n.o.p........	157	148	(
	(6307	sealed beam lamps..........	488	488	(
	(6309	christmas tree and colored lamps(bulbs)............	717	22	(
	(6310	miniature lamps, n.o.p.....	435	293	(
	(6311	photoflash bulbs...........	457	370	(
	(6312	photographic bulbs, n.o.p..	316	296	(
	(6325	electric light fixtures, n.o.p...................	See item 445		(
445c (i)	6163	telegraph apparatus, electric and parts...........	5095	3863	20%
(ii)	6164	telephone apparatus, electric and parts...........	11201	7409	22½%
445e	(6139	batteries for flashlights and parts................	299	165	(22½%
	(6141	batteries primary n.o.p. and parts................	1336	998	(
	(6142	storage batteries, n.o.p. and parts................	1924	1304	(
445f	(6144	dynamos or generators and parts, n.o.p.............	6439	5347	(22½%
	(6165	transformers and complete parts....................	7309	5981	(
445g	(6147	complete parts of electric motors..................	3980	3741	(22½%
	(6154	electric motors valued less than $30................	2710	2435	(
	(6155	electric motors valued more than $30................	6493	3839	(

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Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From US	MFN/GATT Tariff before Surcharge
445h	(7055	electric insulators porcelain and parts......	524	371	(22½%
	(7291	electric insulators, n.o.p.	654	545	(
445i	6157	electric sad irons and parts	1310	650	22½%
445k	·	electric apparatus and complete parts, n.o.p.			
	(5510	electronic computers and parts....................	See item 444c		(22½%
	(5598	passenger elevators, escalators and parts.....	1613	1562	(
	(5599	freight and sidewalk elevators................	772	757	(
	(5730	industrial furnaces and parts....................	2075	1811	(
	(5735	water heaters, electric....	See item 443		(
	(6145	electric fuses and fuse plugs and parts..........	1352	1039	(
	(6151	lightning arresters, choke coils, and other protective devices..............	263	164	(
	(6156	Rheostats, controllers and other starting devices and parts, n.o.p.........	12463	11697	(
	(6158	self contained lighting outfits and parts........	31	31	(
	(6159	sockets, outlets, and receptacles and parts....	2619	2603	(
	(6160	spark plugs, magnetos, and other ignition apparatus.	1436	1267	(
	(6161	switches, switchboards, and circuit breakers.........	13961	11930	(
	(6171	electric instruments and apparatus of precision...	See item 445n		(
	(6178	tape or wire recorders and parts....................	5026	2746	(
	(6179	electric meters, n.o.p.....	1779	1513	(
	(6180	complete parts of electric meters..................	1134	1099	(
	(6304	mercury lamps..............	See item 445b		(
	(6306	vapour lamps...............	See item 445b		(
	(6307	sealed beam lamps..........	See item 445b		(
	(6170	electric apparatus, n.o.p..	32830	30917	(
	(6143	electric heating apparatus.	2478	2315	(
	(6149	semi-conductors and parts..	2230	2032	(
445n	(6171	electrical instruments and apparatus of precision (not made in Canada).....	20774	18808	(7½%
	(5510	electronic computers and parts....................	See item 444c		(

CANADA - Schedule C - 5% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From US	MFN/GATT Tariff before Surcharge
445o(2)	n.a.	automatic record changers..	n.a.	n.a.	7½%
445r	n.a.	apparatus for receiving and transmitting photographs, weather maps and charts..	n.a.	n.a.	Free
		manufactures, articles or wares, of iron or steel, or of which iron or steel or both are the component materials of chief value, n.o.p..................			
446a	(5054	castings in the rough for railway stock...........	0	0	(22½%
	(5198	pipe fittings and couplings, steel, welding type, nop.	3830	1272	(
	(5224	welding wire fabric, for reinforcing.............	386	36	(
	(5422	builders, cabinet makers and other hardware, nop..	5827	4886	(
	(5423	locks of iron or steel and parts..................	1126	962	(
	(5689	galvanized range boilers...	17	7	(
	(5690	drums, cylinders, barrels.. and tanks, n.o.p.........	2144	2106	(
	(5709	lath of iron or steel......	96	75	(
	(5713	valves, iron or steel, nop.	13619	12240	(
	(5722	radiators cast iron........	0	0	(
	(5630	tools, n.o.p...............	10437	8228	(
	(5714	manufactures of iron or steel, n.o.p.............	61156	54123	(
	(5730	industrial furnaces and parts..................	2075	1811	(
446	6169	electric steam turbo generator sets 700 h.p. and greater(not made in Canada)..................	10347	35	20%
446g	6172	electric or gas welding apparatus................	6711	6320	20 or 10%
447	5449	water pumps, hand or power, domestic................	87	41	22½%
449	5708	steel wool................	66	49	15%
450a	5425	skates, ice, and parts.....	19	2	25%

CANADA - Schedule C - 5% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From US	MFN/GATT Tariff before Surcharge
461 (1)	(5706	safes; doors and door frames for safes..................	1746	1456	(20%
	(5737	household and person weighing scales and parts..........	574	560	(
	(5738	scales, balance, weighing beams and parts (parts not included in Tariff item)....................	3593	2986	(
462	(9129	thermometers, including clinical.................	1365	1096	(15%
	(9138	cyclometers, pedometers....	266	185	(
	(9146	optical, philosophical and mathematical instruments n.o.p. and parts.........	5901	3515	(
	(9147	microscopes and parts......	1540	293	(
465	9266	signs other than paper.....	1039	971	20%

CANADA - Schedule C - 5% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U. S.	MFN/GATT Tariff before Surcharge
494	4105	Manufacturers of cork.......	254	118	10%
494a	4101	Cork slabs, boards, planks, etc.	820	101	Free
	(4091	Barrels, empty.............	1,040	1,039)	
	(4097	Staves, n.o.p...............	78	78)	
	(4118	Handles of all kinds........	281	257)	20%
	(4120	Lasts of wood...............	21	20)	
506	(4141	Bobbins, etc................	239	225)	
	(4155	Window sash of wood.........	207	207)	20%
	(4156	Wood boxes, crates, shooks..	678	411)	20%
	(4152	Wood matches................	131	32	10%
	(4157	Manufacturers of wood, n.o.p.	6,551	4,983	20% or 17½%
506e	4147	Curtain stretchers..........	N.A.	N.A.	15%
511a	9008	Cricket bats, balls,gloves..	15	0	30%
516 ex.	9057	Blinds of wood, metal, etc..	See item 576		30% or 20%
517	5218	Wire screens, doors & windows...................	105	104	25%
518a	9002	Billiard balls, cues, etc...	86	20	30%
522(1)	(3031	Cotton fabric not bleached..	13,087	10,298	17½%
	(3036	Cotton cheese cloth & gauze.....................	2,752	2,733	17½%
	(3030	Handkerchief, bleached......	14	11)	
	(3032	Canton flannels, not colored.................	3,207	750)	
	(3033	Toweling in the web.........	75	27)	
522(2)	(3034	Voiles, scrims, not colored..................	555	308)	22½%
	(3035	Cotton fabrics, bleached, n.o.p.....................	671	353)	
	(3037	Poplin bleached, not colored..................	570	208)	
	(3566	Surgical dressing...........	1,255	724)	
	(3026	Colored cotton fabrics, n.o.p. over 80¢ per lb....	42,386	32,220)	22½%
522(3)	(3029	Cotton denims...............	1,308	1,306)	
	(3027	Colored cotton fabrics, n.o.p. 50¢ to 80¢ per lb..	2,120	634)	
	(3028	Colored cotton fabrics, n.o.p. under 50¢ lb.......	248	22)	

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Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
522(4)	3039	Cotton fabrics, count 100...	1,169	10	25%
522(5)	3043	Cotton fabrics, cut pile....	5,395	1,936	25%
522(6) ex.	3035	Cotton fabrics bleached.....	See item 522(2)		20%
522(7)	3030	Handkerchief, bleached......	See item 522(2)		20%
522(8)	N.A.	Woven cotton fabrics, weighing not more than 7½ lbs. per 100 sq. yds., not bleached or colored..................	See item 522(2)		Free
523(b)	3990	Cotton handkerchiefs.........	1,072	88	27½%
532a	(3284	Flannels.....................	2,665	28)	27½% and per lb. 38¢
	(3286	Overcoatings.................	3,489	40)	
	(3287	Tweeds.......................	2,865	29)	
	(3288	Worsteds & serges............	20,410	716)	
	(3289	Woven wool fabrics, n.o.p....	2,544	446)	
	(3292	Wool fabrics plush..........	127	12)	
532b ex.	(3284 (3286 (3287 (3288 (3289 (3292	Flannels et al, weighing not less than 12 ounces to the square yard)	See item 532a		27½% and per lb. 33¢
532c	(3284 (3286 (3287 (3288 (3289 (3292	Flannels et al, weighing not more than 9 ounces to the square yard)	See item 532a		27½% and per lb. 38¢
532f	3293	Billiard cloth, melton cloth.....................	182	4	20% and per lb. 25¢
532g	3483	Coated or impregnated fabrics of wool or hair...........	206	83	27½%
533b	3343	Felt, pressed in the web....	115	67	17½% and per lb. 12½¢

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Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
534a	(3084	Blankets, except wholly of cotton................	n.a.	n.a.)	20% and per lb. 15¢ not to exceed 37½%
	(3342	Blankets, wool.............	867	97)	
538d	(3472	Cotton fabrics rubberized...	453	402)	25%
	(3473	Cotton window shade cloth...	60	51)	
	(3474	Cotton fabrics coated,n.o.p.	6,355	5,974)	
	(3479	Fabrics, vegetable fibre coated..................	755	463)	
538i(1)	3481	Fabrics, silk, coated or impregnated.............	34	32	30%
538i(2)	3484	Fabrics, synthetic fibre, coated or impregnated.....	6,472	5,569	35%
540(a)	3132	Woven flax or hemp fabrics but not towelling, table-cloth or napkins of crash or huck..............	992	176	22½% plus 3¢ per lb.
540(b)	3178	Flax or hemp sheets, pillow cases, tablecloths, napkins, towels, handkerchiefs.....	1,330	105	20% and 3¢ per lb.
540(c)	3139	Flax or hemp, towelling, tablecloths, napkins of crash, with colored borders....................	255	15	20% and 3½¢ per lb.
540(d)	3177	Towels, tablecloths, napkins, wholly or in part of flax or hemp, with colored borders..................	508	6	20% and 3½¢ per lb.
542	3138	Woven fabrics, vegetable fibre, n.o.p.	133	34	20% or 12½%
542a	3137	Woven or braided fabrics of vegetable fibres 12 inches wide or less--no silk.............	444	249	25%
546	(3179	Articles of jute, n.o.p. ...	44	24)	22½%
	(3478	Fabrics of jute coated or backed with paper.........	100	95)	
ex547	(ex 3171	Bags or sacks of hemp, linen or jute..............	n.a. See item 547a	n.a.	15%
	(ex 3550	Bags or sacks, used.........	n.a. See item 547a	n.a.	n.a.

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Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
547a	3171	Bags or sacks of sisal......	56	18	17½%
548a	3132	Fabrics of flax, woven dress linens containing not more than 15% cotton....................	See item 540(c)		25% and per lb. 3½¢
549d	2195	Manufacturers of hair, n.o.p.	125	33	30%
549f	2195	Nets of hair	See item 549d		15%
552a	(3224	Silk fabrics n.o.p.	3,424	1,343)	22½%
	(3229	Silk fabrics for neckwear...	2,360	1,337)	
552b	ex 3224	Woven fabrics of silk and vegetable fibres..........	See item 552a		22½%
562a(1)) 562a(2))	ex 3372	Woven fabrics of synthetic and glass fibres..........	See item 562b		30% and per lb. 20¢ or 27½%
562b	ex 3372	Woven synthetic fabrics wholly or in part of synthetic fibres with cut pile of glass fibres, not containing wool or hair..........	24,496	18,398	30%
565b	(3137	Braided fabrics..............	See item 542a	)	25%
	(3553	Braid cords.................	415	337)	
	(3567	Elastic webbing.............	120	68)	
	(3505	Braids of all kinds n.o.p...	366	278)	
566b	(3053	Embroideries, cotton n.o.p..	419	25)	12½% or 22½%
	(3054 (	Lace bobbinet, netting, cotton	200	94)	
	(3501	Embroideries, lace, etc. ...	3,787	2,263)	
569a(3)	3564	Hoods & shapes, n.o.p.	153	77	30% and per doz. 50¢
570	N.A.	Mats, door, or carriage	N.A.	N.A.	30%

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Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
573	3486	Enamelled carriage, shelf and table oil-cloth, & cork matting or carpets..................	48	27	27½%
573a	3485	Linoleum: felt base floor coverings................	4,305	2,449	25%
576	9057	Windowshades on rollers	199	39	30%
578	N.A.	Belts of all kinds, n.o.p...	N.A.	N.A.)	27½%
	9080	Regalia & badges............	215	63)	
580	9075	Mattresses.................	657	79	25%
589	4443	Charcoal from wood..........	539	521	per ton $4.00
597(1)	(9114	Cabinet organs..............	0	0)	22½%
	(9117	Pianos......................	794	578)	
597(2)	9115	Pipe organs.................	108	28	15%
597a(1)	9122	Musical instruments n.o.p...	5,160	3,667	5, 7½ or 17½%
597a(1)	9110	Accordions, concertinas.....	816	29	5%
597a(3)	ex9122	Piano & organ players mechanical.................	See item 597a(1)		20%
597d	ex9122	Musical instruments.........	See item 597a(1)		Free
598(1))	9111	Brass band instruments (not made in Canada)	561	208	17½%
598(2))		Brass band instruments, n.o.p.	See item 598(1)		20%
605(2)	ex2215	Genuine reptile leathers....	N.A.	N.A.	7½%
611b	N.A.	Leather garments............	N.A.	N.A.	27½%
612	(2238	Leather harness & saddles...	669	479)	20%
	(2246	Bicycle saddles.............	195	21)	
612a	ex 2238	English type saddles........	See item 612		25%

CANADA - Schedule C - 5% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
613	(2241	Manufacturers of leather n.o.p.	801	552)	
	(2243	Soles & heels of leather....	123	106)	
	(2244	Shoe lifts & welting of leathers.................	96	94)	22½%
	(2245	Leather straps..............	130	67)	
615 ex	2238	Whips, thongs & lashes......	See item 612		22½%
618		Rubber manufactures n.o.p. including:			
	(1704	Rubber cement...............	823	808)	
	(1708	Rubber heels................	152	142)	
	(1710	Hot water bottles...........	67	8)	
	(1720	Manufacturers of rubber.....	7,389	6,673)	
	(1722	Gaskets & Washers...........	1,819	1,747)	
	(1723	Druggists sundries..........	921	810)	
	(1724	Tire repair material of rubber................	1,039	727)	
	(1725	Rubber nipples..............	117	116)	20%
	(1726	Rubber flooring except tiles.....................	571	562)	
	(1728	Rubber soles & soling material.................	547	522)	
	(1729	Automotive parts of rubber..	2,566	2,461)	
	(1730	Weather stripping of rubber....................	1,019	990)	
	(1697	Foam, rubber sheathing......	252	252)	
	(1698	Rubber sheathing, n.o.p. ...	529	262)	
618b(2)	(1715	Tires, bicycle & motorcycle.	445	20)	
	(1716	Tire casings n.o.p.	6,795	5,235)	
	(1717	Inner tubes, rubber, n.o.p..	292	188)	
	(1718	Tires, solid, automobile....	95	95)	
	(1719	Tires, solid rubber, n.o.p..	455	350)	
	(1721	Bicycle inner tubes, rubber......................	244	1)	22½%
	(1731	Rubber tire casings (used) and tires..................	482	251)	
	(1732	Rubber tires for tractors, etc.	1,600	1,567)	
619	(1709	Rubber hose	2,674	2,281)	
	(1712	Rubber mats & matting	1,544	1,485)	20%
	(1713	Rubber packing	352	322)	

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Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
619a	3923	Rubber clothing & clothing made from waterproofed cotton...................	390	25	27½%
653	(9022	Paint brushes...............	155	18)	25%
	(9023	Tooth brushes...............	113	68)	
	(9024	Toilet brushes..............	529	215)	
	(9025	Brushes, n.o.p.	1,153	824)	
655	(9259	Fountain pens...............	131	32)	22½%
	(9260	Pens n.o.p..................	381	285)	
	(9254	Ballpoint pens..............	2,793	2,696)	
655a	(9257	Lead pencils................	184	45)	27½%
	(9258	Pencils mechanical..........	91	70)	
	(7285	Crayons.....................	547	482)	
655b	7285	Crayons of chalk............	See item 655a		
655c	9260	Pen nibs of steel...........	See item 655		12½%
670	(7195	Grinding wheels.............	2,011	1,762)	20%
	(7196	Grinding stones.............	362	346)	
	(7203	Manufacturers of abrasives..	560	490)	
	(7202	Abrasive cloth..............	See item 192b	)	
680a	2152	Marine sponges..............	84	18	Free
680b	2073	Shells, fossils n.o.p.	20	13	5%
684	1690	Rubber thread...............	732	707	10%
901		(a) Synthetic resins without admixture, including scrap or waste:			
		1. Phenol - aldehyde type...............			7½%
		2. Amino - aldehyde type...............			Free
		3. Polyester type........			5%
		4. Polyamide type........			Free
		5. Polystyrene type......			7½%
		6. Vinyl type, except vinylidene..............			5%
		7. Resins derived from natural resin or tall oil, n.o.p.			Free

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Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
613	(2241	Manufacturers of leather n.o.p.	801	552)	
	(2243	Soles & heels of leather.....	123	106)	
	(2244	Shoe lifts & welting of leathers..................	96	94)	22½%
	(2245	Leather straps.............	130	67)	
615 ex	2238	Whips, thongs & lashes......	See item 612		22½%
618		Rubber manufactures n.o.p. including:			
	(1704	Rubber cement...............	823	808)	
	(1708	Rubber heels...............	152	142)	
	(1710	Hot water bottles..........	67	8)	
	(1720	Manufacturers of rubber.....	7,389	6,673)	
	(1722	Gaskets & Washers...........	1,819	1,747)	
	(1723	Druggists sundries..........	921	810)	
	(1724	Tire repair material of rubber................	1,039	727)	
	(1725	Rubber nipples.............	117	116)	
	(1726	Rubber flooring except tiles....................	571	562)	20%
	(1728	Rubber soles & soling material.................	547	522)	
	(1729	Automotive parts of rubber..	2,566	2,461)	
	(1730	Weather stripping of rubber....................	1,019	990)	
	(1697	Foam, rubber sheathing......	252	252)	
	(1698	Rubber sheathing, n.o.p. ...	529	262)	
618b(2)	(1715	Tires, bicycle & motorcycle.	445	20)	
	(1716	Tire casings n.o.p.	6,795	5,235)	
	(1717	Inner tubes, rubber, n.o.p..	272	188)	
	(1718	Tires, solid, automobile....	95	95)	
	(1719	Tires, solid rubber, n.o.p..	455	350)	
	(1721	Bicycle inner tubes, rubber....................	244	1)	22½%
	(1731	Rubber tire casings (used) and tires................	482	251)	
	(1732	Rubber tires for tractors, etc.	1,600	1,567)	
619	(1709	Rubber hose	2,674	2,281)	
	(1712	Rubber mats & matting	1,544	1,485)	20%
	(1713	Rubber packing	352	322)	

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Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
619a	3923	Rubber clothing & clothing made from waterproofed cotton..................	390	25	27½%
653	(9022	Paint brushes..............	155	18)	25%
	(9023	Tooth brushes..............	113	68)	
	(9024	Toilet brushes..............	529	215)	
	(9025	Brushes, n.o.p.	1,153	824)	
655	(9259	Fountain pens...............	131	32)	22½%
	(9260	Pens n.o.p.	381	285)	
	(9254	Ballpoint pens..............	2,793	2,696)	
655a	(9257	Lead pencils................	184	45)	27½%
	(9258	Pencils mechanical..........	91	70)	
	(7285	Crayons.....................	547	482)	
655b	7285	Crayons of chalk............	See item 655a		
655c	9260	Pen nibs of steel...........	See item 655		12½%
670	(7195	Grinding wheels.............	2,011	1,762)	20%
	(7196	Grinding stones.............	362	346)	
	(7203	Manufacturers of abrasives..	560	490)	
	(7202	Abrasive cloth..............	See item 192b	)	
680a	2152	Marine sponges..............	84	18	Free
680b	2073	Shells, fossils n.o.p.	20	13	5%
684	1690	Rubber thread...............	732	707	10%
901		(a) Synthetic resins without admixture, including scrap or waste:			
		1. Phenol - aldehyde type...............			7½%
		2. Amino - aldehyde type...............			Free
		3. Polyester type.......			5%
		4. Polyamide type.......			Free
		5. Polystyrene type.....			7½%
		6. Vinyl type, except vinylidene...............			5%
		7. Resins derived from natural resin or tall oil, n.o.p.			Free

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Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
901		(a) Cont.			
		8. Polyethylene type....			7½%
		9. Other type...........			Free
901(a) 1 to 9	8750	Synthetic resins without admixture.................	23,542	21,124	
901		(b) Synthetic resins in the form of aqueous emulsions, aqueous dispersions or aqueous solutions, without admixture:			
		1. Phenol - Aldehyde type................			7½%
		2. Amino - aldehyde type................			Free
		3. Polyester type.......			5%
		4. Polyamide type.......			Free
		5. Polystyrene type.....			7½%
		6. Vinyl type, except vinylidene.........			5%
		7. Resins derived from natural resin or tall oil, n.o.p. ..			Free
		8. Other type...........			Free

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Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
901(b) 1 to 8	8770	Synthetic resins in solution or solvents	6,989	6,659	
901		(c) Synthetic resins in organic solvents where the solvent is not more than 60% by weight, without admixture:			
		1. Phenol - aldehyde type...............			12½%
		2. Amino - aldehyde type...............			12½%
		3. Polyester type......			12½%
		4. Resins derived from natural resin or tall oil, n.o.p...			12½%
		5. Other type..........			10%
901(c) 1 to 5	8770	Synthetic resins in solutions or solvents...............	See item 901(b)		
901		(d) Synthetic resins, in powder or granular form, containing an ingredient to prevent caking in shipment, not in excess of 3% by weight, but without further admixture:			
		1. Amino - aldehyde type..............			Free
		2. Other type..........			10%
	8750	Synthetic resins without admixture.................	See item 901(a)		
902	8800	Synthetic resins, compounded with other materials in any form, including scrap or waste, for moulding casting, extruding, calendering, pressing, (moulding compositions or materials for processing into moulding compositions); synthetic resins compounded with	7,202	6,783	

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Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
902 Cont.		other materials in the form of not fully cured preforms or not fully cured blanks for compression mouldings:			
		(a) Phenol - aldehyde type................			15%
		(b) Polyester type.........			5%
		(c) Polystyrene type......			10%
		(d) Vinyl type, except vinylidene..........			10%
		(e) Polyethylene type.....			10%
		(f) Other type............			Free
903	8431	Synthetic resin glues.......	1,062	1,032	17½%
904	8850	Synthetic resin compositions, n.o.p.	2,967	2,943	15%
904a	8850	Compounds n.o.p. consisting in chief part of synthetic resins, for use in the manufacture of chewing gum......................	See item 904		5%
905		Synthetic resin plates, sheets, film, sheeting or strips, not less than 6 inches in width, n.o.p.; synthetic resin lay-flat tubing, not less than 6 inches in circumference, n.o.p.:--			
		(a) Phenol - aldehyde type, not further manufactured than cast.................			Free
		(b) Acrylic type, not further manufactured than moulded or cast.....			Free
		(c) Polyethylene type:			
		1. Plain, uncoated, undecorated........			12½%
		2. Other..............			15%
		(d) Vinyl type, except vinylidene:			
		1. Plain, uncoated, undecorated........			15%

CANADA - Schedule C - 5% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
905 Cont.		2. Other.............			20%
		(e) Vinyl type, vinylidene:			
		1. Plain, uncoated, undecorated.......			Free
		2. Other			Free
		(f) Other type:			
		1. Plain, uncoated, undecorated.......			Free
		2. Other.............			10%
905(a) thru (f)	8870	Synthetic resins or protein plastics in bars, rods, sheets, plates, strip, film, tubing or other primary shapes n.o.p. whether coated or decorated or not..........	15,545	13,212	
905(e)2	8423	Synthetic casings for meats.. See item 711			
906		Synthetic resin plates, sheets, film, sheeting or strips, less than 6 inches in width, lay-flat tubing less than 6 inches in circumference, other tubing, blocks, bars, rods, non-textile monofilament; synthetic resin profile shapes produced in uniform cross-section and imported in lengths: not further manufactured than moulded, cast, calendered, extruded or pressed, n.o.p.:			
		(a) Phenol - aldehyde type cast...........			Free
		(b) Acrylic type..........			Free
		(c) Vinyl type, except vinylidene..........			15%
		(d) Vinyl type, vinylidene			Free
		(e) Other type............			15%
906(a) to (e)	8870		See item 905		
907	8830	Foamed and expanded synthetic resins, in logs, sheets, blocks, boards, flakes, granules or powder	1,530	1,412	20%

CANADA - Schedule C - 5% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
909		(a) Esters or ethers, or combinations thereof, of cellulose (but not including water soluble cellulose esters or ethers), without admixture:--			
		1. Cellulose nitrate containing not more than 12.2 percent by weight of nitrogen..........			Free
		2. Cellulose acetate..			Free
		3. Cellulose acetate butyrate..........			Free
		4. Cellulose propionate			Free
		5. Ethyl cellulose....			Free
		6. Methyl cellulose, water insoluble....			Free
		7. Other..............			Free
		(b) Cellulose nitrate containing not more than 12.2 percent by weight of nitrogen, when wet with not more than 35 percent by weight of alcohol...........			Free
		(c) Esters or ethers, or combinations thereof, of cellulose, in organic solvents, where the solvent is not more than 60 percent by weight, without other admixture:--			
		1. Cellulose nitrate containing not more than 12.2 percent by weight of nitrogen, except as provided for under (b) above..........			10%
		2. Cellulose acetate..			10%
		3. Cellulose acetate butyrate..........			10%
		4. Cellulose propionate			10%

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CANADA - Schedule C. - 5% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
909		(c) Cont.			
		5. Ethyl cellulose.....			10%
		6. Methyl cellulose....			10%
		7. Other...............			10%
909(a) (b)&(c)	8500	Esters or ethers, or combinations thereof, of cellulose, without admixture..........	2,514	2,514	
910	8530	Esters or ethers, or combinations thereof, of cellulose compounded with other materials, in any form, including scrap or waste, for moulding, casting, extruding, calendering, pressing, (moulding compositions or materials for processing into moulding compositions)	1,360	1,326	Free
911		Compositions of esters or ethers of cellulose (except water soluble esters or ethers of cellulose) with other materials, n.o.p.	N.A.	N.A.	10%
912	8600	Cellulose plastics plates, sheets, film, sheeting or strips, not less than 6 inches in width, n.o.p.; cellulose plastics lay-flat tubing, not less than 6 inches in circumference, n.o.p.......	See item 913		Free
913		Cellulose plastics plates, sheets, film, sheeting or strips, less than 6 inches in width, lay-flat tubing less than 6 inches in circumference, other tubing, blocks, bars, rods, non-textile monofilament; cellulose plastics profile shapes			

CANADA - Schedule C - 5% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
913 cont.		produced in uniform cross-section and imported in lengths: not further manufactured than moulded, cast, calendered, extruded or pressed, n.o.p.:--			
		(a) Cellulose nitrate......			Free
		(b) Other.................			15%
	8600	Cellulose plastic plates, sheets, strip, film, blocks, bars, rods tubes or other primary shapes....	2,275	2,610	
914	8550	Foamed and expanded cellulose plastics in sheets, blocks, boards, granules or powder	312	312	20%
916	8650	Laminated moulded plastic products having cellulose plastics as the chief bonding agent..............	304	276	15%
	8930	Laminated moulded plastic products having synthetic resins as the chief bonding agents.............	1,247	1,105	15%
917	8630	Reinforced or supported	398	353	
	8900	synthetic resin or cellulose plastics plates, sheets, sheeting, strips, tubing, blocks, bars, rods, in which is incorporated a layer of paper, fibre-board, or textile fabric or a core fibres whether matted or otherwise arranged, n.o.p.:--	3,487	3,331	
		(a) Interlined sheet stock, composed of sheets of cellulose plastics cemented to cotton fabric.................			15%
		(b) Other.................			15%
918(a)		Regenerated cellulose, in sheets or strips...........	n.a.	n.a.	20%

CANADA - Schedule C - 5% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	C$000 1961 Imports From U.S.	MFN/GATT Tariff before Surcharge
919	8870	Protein plastic sheets, strips, tubing, blocks, bars, rods; other protein plastics profile shapes produced in uniform cross-section and imported in lengths; not further manufactured than moulded, extruded or pressed....................	See item 905		Free
922		Phenol for use only in the manufacture of synthetic resin glues................			Free
	8027	Carbolic acid or phenol......	585	585	
925	8770	Phenol - aldehyde resins without admixture or in the form of aqueous emulsions, aqueous dispersions or aqueous solutions, without admixture, for use in the manufacture of plywood....................	See item 901		Free
711		All goods not enumerated elsewhere. (Note: Some commodities in this classification are subject to lower duties, viz: 15% on roofing granules, talc or soapstone, manufactures of pumice, dead burned dolomite, lime, synthetic wax, ivory carvings, canned dog food and canned cat food: 10% on hydrolised animal matter for use as retarder for calcined gypsum, prune juice; cobalt metal; pots, wholly or in chief part of peat, for protecting plants while growing or transplanting: 7½% duty on tungsten carbide inserts for rock drills, copper beryllium alloys; 5% duty on peanut oil cake and meal, micronised talc, dolomite and mica, monoglyceride emulsifiers,			

CANADA - Schedule C - 5% Tariff Surcharge Imposed from June 25, 1962

Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
711 cont.		and wollastonite: and ½¢ per gallon duty on higher fatty alcohols, unsulphated for use in the manufacture of synthetic detergents.) Imports under tariff item 711 were as follows:			
711	70	Pectin......................	612	447	
	77	Fruit juice n.o.p.	617	493	
	182	Brand mill feed............	58	58	
	169	Split peas.................	96	72	
	180	Alfalfa or grass meal, dehydrated................	51	49	
	226	All other breadstuffs n.o.p.	80	64	
	380	Potatoes, frozen...........	179	179	
	381	Potatoe chips..............	753	753	
	1597	Oil cake and oil cake meal n.o.p.	144	20	
	1846	Sizing preparations n.o.p...	324	324	
	2075	Oyster shells..............	464	449	
	2281	Milk and cream fresh........	246	26	
	2283	Casein.....................	96	27	
	2288	Oleic acid or red oil.......	104	98	
	2293	Other animal oil n.o.p.	103	65	
	2336	Gut & manufactures n.o.p. ..	35	8	
	2344	Animal products n.o.p.	873	570	
	6251	Non-ferrous metals and products n.o.p.	10,170	8,810	
	7168	All other oils n.o.p.	1,411	1,407	
	7070	Benzol.....................	2,066	1,335	
	7183	Paraffin wax...............	2,681	2,649	
	7187	Naphtha....................	1,969	1,965	
	7223	Lime.......................	536	532	
	7268	Talc or soapstone..........	899	830	
	7292	Magnesia pipe covering......	22	22	
	7311	Asphalt tile for flooring...	97	97	
		Chemicals of a kind produced in Canada			
	8004	Acetylsalicylic acid........	729	112	
	8009	Lactic acid................	137	5	
	8010	Nicotinic acid.............	169	47	
	8015	Cresylic acid..............	89	81	
	8022	Other acids n.o.p.	2,742	1,699	
	8024	Ascorbic acid..............	514	377	

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Tariff No.	Import Stat. No.	Trade Description	C$000 1961 Imports Total	From U.S.	MFN/GATT Tariff before Surcharge
711 cont.	8082	Non-alcoholic extract of cascara....................	35	35	
	8083	Penicillin and products.....	1,406	1,147	
	8084	Streptomycin and products...	387	276	
	8085	Sulpha drugs................	733	302	
	8086	Antibiotics n.o.p.	5,983	5,231	
	8264	Ammonia compounds n.o.p. ...	717	613	
	8265	Ammonia, anhydrous..........	516	516	
	8291	Bismuth salts...............	40	7	
	8303	Chlorine, liquid or gas.....	1,714	1,714	
	8319	Calcium compounds n.o.p. ...	1,187	969	
	8332	Potash compounds n.o.p.	1,201	974	
	8337	Cleaning compounds, sodium base......................	3,583	3,581	
	8338	Sodium benzoate.............	4	3	
	8339	Sodium bromide..............	35	7	
	8340	Sodium citrate..............	2	1	
	8343	Salts glauber...............	29	8	
	8355	Sodium glutamate............	1,005	364	
	8359	Sodium phosphate n.o.p.	1,065	1,047	
	8368	Sodium phosphate, tri-sodium....................	131	119	
	8369	Sodium flouride.............	90	16	
	8377	Mercury salts...............	4	1	
	8388	Ethyl chloride..............	36	36	
	8396	Carbon tetrachloride........	40	7	
	8400	Ethylene glycol for the manufacture of explosives and n.o.p.	31	31	
	8404	Glycerine n.o.p.	113	113	
	8414	Vanillin....................	21	1	
	8423	Casings, synthetic, for meat	588	576	
	8435	Fatty alcohols..............	1,914	1,717	
	9103	Mineral, medicinal and aerated waters............	430	42	
	9271	Wax and manufactures of n.o.p.	862	579	
	9273	Prefabricated buildings, panels and structure......	7,113	3,720	

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Mr. BAHR. I would like to suggest, Senator, for the record, a copy of the President's program for the lumber industry, to which I want to make reference.

Senator DOUGLAS. That will be done. We will insert this at this point.

(The document referred to follows:)

THE WHITE HOUSE,
OFFICE OF THE WHITE HOUSE PRESS SECRETARY,
July 26, 1962.

The President today announced a program designed to assist the lumber industry and improve its competitive position. The announcement followed a meeting with Senators and Congressmen from the Northwest. The program included both immediate and long-range actions designed to increase employment, improve efficiency, and raise earnings.

The new steps outlined by the President called for—

(1) The initiation of negotiations with Canada concerning the amount of softwood lumber imported into the United States.

(2) The submission of a request to the Congress for additional funds for forest development roads and trails program to assure the prompt harvest of national forest timber.

(3) The amendment of the intercoastal shipping laws to permit use of foreign vessels when those conditions exist which indicate severe hardship to American shippers. This amendment will reduce the handicaps suffered by American producers in the intercoastal shipment of lumber.

(4) An immediate increase in allowable cuts which will make available 150 million board feet on the lands managed by the Department of the Interior.

(5) The establishment of a preference for American products in the purchase of lumber by the Department of Defense, the General Services Administration and other Federal departments and agencies. This could be particularly significant in connection with the various aspects of the AID program.

(6) Increased attention to loan applications filed with the Small Business Administratior and the Area Redevelopment Administration by lumber mills in order to enable them to upgrade their production and better compete with imported lumber products.

In addition, the President indicated that he was directing that there be a continuing review of the problems of the industry by an interagency committee in order that developments and problems might be anticipated and recommendations made to meet and overcome any difficulties or handicaps the industry might face. The Secretary of Agriculture would be specifically instructed to report to him by October 15 on both firm and interim increases in national forest allowable cuts to assure a continuation of timber sales at or beyond the record levels achieved in the most recent quarter of 1962.

The President was informed that west coast lumber interests had already filed a request with the Tariff Commission for an escape clause investigation on softwood lumber and that the Tariff Commission has instituted an investigation. The President indicated he would request the Commission to complete it as expeditiously as possible.

Mr. BAHR. The principal reason for our appearance here today is to urge that this committee include in the trade bill provisions that will effectively protect American industry and labor, and permit the carrying out of the President's program.

It is our suggestion that the legislation before you clearly indicate that it is the unequivocal policy of our Government that international trade is a "two-way street" and that our trade agreements are intended to be an "avenue of reciprocity" which should result in mutual benefit to all concerned.

We further urge that the legislation clearly indicate that our Government, where necessary, will affirmatively protect American industry and labor against any upsurge of foreign imports flooding their

domestic markets, such as has occurred in our industry, and that it include provisions that will permit our Government to take such action as may be necessary to cope with a serious import problem with as little delay as possible.

The escape clause has proven itself inadequate for many segments of American industry and labor which have sought relief under its provisions. However, it is more practical than the provisions of the pending bill for industries whose future is threatened by imports.

We strongly urge retaining and strengthening the escape clause to provide more adequate criteria for determining import injury to domestic industries under its provisions. We also urge that escape clause recommendations of the Tariff Commission be binding upon the President.

In the various efforts to resolve our industry's current import problems, we are told that the President lacks authority to directly impose an immediate quota for the protection of American industry and labor against an onslaught of imports, even though the circumstances warrant such action.

Before the President can invoke a quota, he apparently must follow the time-consuming procedures provided in the present Trade Agreements Extension Act, and urgently needed relief from import competition must be withheld with the result that the injured industry's economic position becomes more and more desperate.

We, therefore, would like to propose that when circumstances warrant the President be given authority and power to immediately impose a special emergency import quota. Such quota would remain in effect until such time as final action could be taken leading to a permanent solution of a serious import problem.

Senator DOUGLAS. That will be done. That will be printed at the conclusion of your statement.

Mr. BAHR. Congress, in the trade agreements legislation which it approved in 1958, wisely included language providing that in "escape clause" recommendations the Tariff Commission, in the case of a specific duty, may convert such specific duty as it existed on July 1, 1934, to its ad valorem equivalent, on the basis of 1934 value as found by the Commission, and the Commission can then recommend that such ad valorem rate be increased by up to 50 percent.

We regret that this provision for such specific rate increases in the ad valorem equivalent has not been included in the President's trade bill. We strongly recommend that Congress reaffirm its support of this principle by including this provision of existing law in the legislation which is currently pending before you.

In an effort to assist the committee when it considers the bill in executive session, we have prepared specific language for the various changes which we are suggesting be made in the bill. These we would like to offer for the record.

Thank you for your courteous attention and for any consideration you may give to our suggested amendments. We appreciate the opportunity to present them before your committee.

Senator DOUGLAS. Thank you, Mr. Bahr, very much.

(The information referred to and the complete text of Mr. Bahr's statement follow:)

STATEMENT OF HENRY BAHR, NATIONAL LUMBER MANUFACTURERS ASSOCIATION, ON THE PRESIDENT'S FOREIGN TRADE BILL

Mr. Chairman and gentlemen of the committee, my name is Henry Bahr. I am vice president and general manager of the National Lumber Manufacturers Association, with headquarters in Washington, D.C.

Our association is a federation of 16 regional, species, and products associations representing the lumber manufacturing industry in all parts of the United States.

The lumber industry ranks fourth among the American manufacturing industries in the number of people employed. Employment in the forest products manufacturing industries and occupations directly relating to the distribution of forest products totals over 3 million employees.

History records that our industry was once a significant export industry with a rather flourishing and profitable export business. In the last 40 years, however, lumber exports have declined progressively from a level of more than 3 billion board feet in 1920 to less than three-quarters of a billion feet last year. At the same time imports—which dropped from a billion and a half level in the 1920's to less than a billion feet in 1935—increased to more than 4 billion feet in 1961. Thus, in a brief span of 30-odd years, our Nation has been converted from a net exporter to a net importer of lumber and wood products.

Imports of Canadian softwood lumber into our country within recent years have increased at an alarming rate, creating or threatening serious economic dislocations for practically every forest-based community in the United States. Available data indicate a continuing expansion of softwood production in Canada, which if realized could mean disaster to many of our lumber communities.

Total U.S. lumber production in 1961 was 31.7 billion board feet, or 4.2 billion board feet below a 13-year average for the period 1949–61. One of the major segments of U.S. lumber production, softwood production, with an estimated production in 1961 of 27.1 billion board feet was also down nearly 2.1 billion board feet below the 13-year average for this same period, 1949–61. At the same time, our softwood lumber imports from Canada were up from 1.4 billion board feet in 1949, to 4 billion board feet in 1961. Total softwood imports from Canada for the first 6 months of 1962 were reported at 2.2 billion board feet, or 300-million board feet above Canadian shipments for the first 6 months of 1961, an increase of 16 percent.

Canada is the major source of U.S. lumber imports, supplying on the average about 93 percent of all softwood imports. In 1961 alone, there was an increase of 367-million board feet in softwood lumber imported from Canada. In the 13-year period 1949–61, Canada increased her lumber shipments to the United States by approximately 170 percent. In 1949, Canada supplied 5.2 percent of the U.S. consumption of softwood lumber. Last year she supplied approximately 14 percent of U.S. consumption, and is continuing at the same rate in 1962.

Although our industry is today faced with a serious import crisis that is undermining the economic security of every forest-based community in our Nation, creating unemployment and economic instability for their citizens, we do not appear before this committee seeking any unfair advantages.

The principal reason for the lumber industry's current plight is not a lack of desire for our products by American consumers. An unduly sharp increase in imports has driven U.S. lumber prices down, curtailed U.S. production, which in turn has eliminated thousands of jobs in the U.S. lumber industry. In a report just issued by the Bureau of Employment Security of the U.S. Department of Labor, covering the month of July 1962 the Bureau classified 495 cities as "areas of substantial and persistent unemployment." In 100 of these, unemployment in the lumber industry was listed as a major factor.

The shipment last year of over 4 billion board feet of lumber from Canada into our markets has been the most serious aspect of this problem. Huge Canadian forest reserves, some of which heretofore have been largely inaccessible but which now are opening up, raise increased fears as to the future.

Our problems, however, cannot be limited to Canadian lumber alone.

Hardwood plywood imports from Japan and other countries, where wages are 30 cents an hour and less, have taken far more than half of our American market for these products and caused a large number of companies to operate at a loss, others to close down and, of course, have thrown thousands of American workers out of jobs.

Additionally, tropical hardwood products are directly competitive with U.S. hardwoods such as oak, walnut, gum, and maple. Tropical hardwoods have already replaced American hardwoods in oversea markets to which we formerly exported our own hardwood products. Many low-wage tropical nations are expanding their production of exportable woods tremendously. We must anticipate greater quantities of such commodities being shipped to the United States, even without enactment of the proposal before this committee. Proposed lower duties on tropical hardwoods will hurt our industry further. Our tariff on tropical hardwoods, generally only $1.50 per thousand board feet, is so small as to be inconsequential. We see no reason to further reduce or eliminate these nominal rates and we hope you will eliminate the reference to tropical hardwoods in section 213 of the bill.

Despite our grievances with respect to Canadian competition, which include an obvious manipulation by the Canadian Government of its currency, in our efforts to resolve this problem we have continually had in mind the cordial relationships that have existed between our two nations over the years. We seek amity and equity in our relationships with Canadian lumber producers.

While it is impossible to isolate a single item which gives the Canadian lumbermen a preferred position over the American lumber producer in the United States and other world markets, one of the more significant is the governmental cooperation which provides realistic appraisal prices of Crown timber and a practical buyer-seller relationship which materially assists the Canadian forest industry in export markets. Raw material costs are kept in line with prevailing economic conditions—as a matter of Government policy. This is not the case in the United States where timber sales from the national forests are conducted without sufficient recognition of current market conditions.

In addition, the Government of British Columbia, which owns practically all of the timber in that important lumber producing Province, assists with Canadian wood products promotion in export markets, including the United States. The Canadian Federal Government recognizes the interest of its industries and has provided an effective trade mission program.

The mills of British Columbia which today are sending ever-increasing shipments of lumber and wood products into our country have a regional advantage over the United States in the amount paid for salaries and wages.

Our domestic lumber industry suffers also from the manipulation by the Canadian Government of its currency which gives Canadians a further advantage in the cost of their lumber.

On the other hand, in our country we find our Federal Government imposing higher taxes, repressive regulations, and other restrictions across the board on American business. These restrictions hamper the economic growth and opportunity of every American businessman regardless of where his plant is situated, and regardless of where his markets may be located.

As part of its program to alleviate the serious economic problems created by excessive imports of Canadian lumber, the American lumber industry has proposed that representatives from our industry and their Canadian counterparts meet together under Government supervision and negotiate an arrangement with which both countries would be able to live. American lumbermen have further proposed that existing U.S. tariffs on softwood lumber—which average about 75 cents per a thousand board feet—be completely eliminated, and Canadian softwood lumber in an amount equal to 10 percent of total U.S. consumption of softwood lumber be permitted to enter this country duty free. Then, when this quota is reached, we do not propose to close the door. Additional lumber would be permitted entry upon the payment of a 10 percent duty, the rate which Canada assesses against the principal species we export to Canada. They have further suggested that Canada give United States softwood lumber the same treatment when it enters Canada.

We were encouraged and gratified that President Kennedy in his program for resolving the lumber industry's problems—which he announced July 26—endorsed our position, also proposing that the United States seek to negotiate with Canada on a limitation of Canadian softwood lumber imports.

In attempting to treat with the Canadians during the past few months, our industry has seen that the worst fears of American industry and labor with respect to foreign trade can become stark reality. Canada, by her recent unilateral actions restricting trade, has clearly demonstrated that she is not concerned with employment and economic opportunity in other nations of the world. She has, on the other hand, impressed upon American lumbermen that

she can be a particularly stubborn nation with which to resolve a trade problem.

The principal reason for our appearance here today is to urge that this committee include in the trade bill provisions that will effectively protect the American lumber industry and labor, and permit the carrying out of the President's program. It is our suggestion that the legislation before you clearly indicate that it is the unequivocal policy of our Government that international trade is a "two-way street" and that our trade agreements are intended to be an "avenue of reciprocity" which should result in mutual benefits to all concerned.

We further urge that the legislation clearly indicate that our Government, where necessary, will affirmatively protect American industry and labor against any upsurge of foreign imports flooding their domestic markets, such as has occurred in our industry, and that it include provisions that will permit our Government to take such action as may be necessary to cope with a serious import problem with as little delay as possible.

The escape clause has proven itself inadequate for many segments of American industry and labor which have sought relief under its provisions. However, it is more practical than the provisions of the pending bill for industries whose future is threatened by imports.

We strongly urge retaining and strengthening the escape clause to provide more adequate criteria for determining import injury to domestic industries under its provisions. We also urge that escape clause recommendations of the Tariff Commission be binding upon the President.

The first of these recommendations, I understand, has been adequately covered in the testimony of previous witnesses before this committee. We strongly endorse those representations which have been made for a more effective escape clause.

We would, therefore, like to direct your attention briefly to another proposal which we feel is most significant and necessary.

In the various efforts to resolve our industry's current import problems, it was learned that the President apparently lacked authority to directly impose an immediate quota for the protection of American industry and labor against an onslaught of imports, even though the circumstances warrant such action and he is in accord with such action.

Although the President has recognized the serious import problems currently facing our industry—as illustrated by his announcement of July 26—under existing laws pertaining to tariffs and trade, he evidently lacks discretionary authority to directly impose an emergency quota.

For example, before the President can invoke a quota under escape clause proceedings, there must be prior action by the Tariff Commission. Under section 22 of the Agricultural Adjustment Act, there must be preliminary action by both the Secretary of Agriculture and the Tariff Commission. Only too often such preliminary action by a Government agency involves a long study and investigation. Pending such study and investigation, urgently needed relief to alleviate the problems created by import competition are withheld, and as a consequence the injured industry's economic position becomes more and more desperate.

The current experiences of our industry in this area have indicated the imperative need for the President to possess such authority. We, therefore, would like to propose that when circumstances warrant the President be given authority and power to immediately impose—without the present requirement for prior action by another Government body—a special emergency import quota. Such quota would remain in effect until such time as final action can be taken, such as the result of an investigation or sutdy leading to a permanent solution of a serious import problem.

Congress, in the trade agreements legislation which it approved in 1958, wisely included language providing that in escape clause recommendations the Tariff Commission, in the case of a specific duty, may convert such specific duty as it existed on July 1, 1934, to its ad valorem equivalent, on the basis of 1934 value as found by the Commission, and the Commission can then recommend that such ad valorem rate be increased by up to 50 percent. We regret that this provision for such specific rate increases in the ad valorem equivalent has not been included in the President's trade bill. We strongly recommend that Congress reaffirm its support of this principle by including this provision of existing law in the legislation which is currently pending before you.

We strongly urge that you approve a foreign trade bill which will not place our industry, or any other American industry, at an economic disadvantage in

competing for markets both here and abroad. We urge that you pass a bill that will contain congressional powers over tariff and trade matters and insure that negotiations for trade concessions with other nations are based upon true reciprocity in which the interests of this Nation, the United States of America, are never subordinated.

In an effort to assist the committee when it considers the bill in executive session, we have prepared specific language for the various changes which we are suggesting be made in the bill. These we would like to offer for the record.

Thank you for your courteous attention and for a:.y consideration you may give to our suggested amendments. We appreciate the opportunity to present them before your committee.

ATTACHMENT

AMERICAN LUMBER INDUSTRY RECOMMENDATIONS FOR PROPOSED LANGUAGE CHANGES TO H.R. 11970, IN THE SENATE

Section 301(b)(2) (p. 28): Substitute the word "or" for the word "and" before the words "unemployment or underemployment" and strike the period at the end thereof and insert the following: ", a downward trend of production or wages, a decline in sales, a higher or growing inventory, or a decline in the proportion of the domestic market supplied by domestic producers."

Section 302(a) (p. 31): Substitute the word "shall" for the word "may" at the end of the first clause.

Section 351(a)(1) (p. 67): Substitute the word "shall" for the word "may" and substitute the words "as is" for the phrase "as he determines to be".

Section 351(a)(2) (p. 67): Delete.

Section 351(a)(3) (p. 68): Delete.

Section 351(c)(1)(A) (p. 69): Strike all after the words "Secretary of Labor" and insert in lieu thereof: "that the conditions which justified such duty or other import restriction no longer exist, and".

At page 72 after line 13 insert the following:

"SEC. 352. SPECIAL EMERGENCY PRESIDENTIAL QUOTA AUTHORITY.—(a) When an article is being imported into the United States in such increased quality and under such circumstances as to cause or threaten to cause serious injury to a domestic industry and/or its employees producing an article which is like or directly competitive with the imported article, the President upon a showing of cause and direct appeal from such industry, or its employees, is hereby authorized, in addition to the authority granted under section 351, to establish and immediately proclaim a special emergency import quota on such article to the extent and for such time as he may deem necessary to prevent continued serious import injury to such domestic industry and its employees.

"(b) The President shall make an annual report to Congress as to any action taken under the provisions of this section."

Section 201(b)(2) (p. 3): At line 13, after July 31, 1934, delete the period and add "; except that a specific rate of duty existing on July 1, 1934, may be converted to its ad valorem equivalent based on the value of imports of the article concerned during the calendar year 1934 and the proclamation may provide an ad valorem rate of duty not in excess of 50 per centum above such ad valorem equivalent."

Senator DOUGLAS. Mr. Arnot, would you prefer to testify now?

Mr. ARNOT. If I may.

Senator DOUGLAS. Very well.

STATEMENT OF H. J. ARNOT, VICE PRESIDENT OF MANUFACTURING, THE READING TUBE CO., READING, PA.

Mr. ARNOT. Mr. Chairman, I am H. J. Arnot, vice president of manufacturing of the Reading Tube Co., Reading, Pa. Reading Tube is a division of Progress Manufacturing Co. of Pennsylvania.

I came here, in this very august room, also expecting to meet a very august body, of which you are the sole survivor. But just the same, I come here as an American citizen, not in the interests of an associa-

tion, not in the interests of anything except telling the story as it has affected our company.

Senator DOUGLAS. We are very glad to have you.

Mr. ARNOT. I am speaking for 586 employees and their families, as well as the company.

As the representative of a so-called small business, I am deeply appreciative of the opportunity to appear before this distinguished committee. I know that while the testimony of the Nation's great industrial leaders with respect to the pending trade legislation is featured by the press, you gentlemen are equally concerned with the competitive position and ability to survive—yes, and to grow and prosper—of the smaller components of our domestic industry. The economic health of cities and towns all over this Nation hinges on thousands of companies such as ours.

Reading Tube is part of an essential American industry. We don't make toys or gegaws or beaded bags. We make copper industrial tubing and brass pipe. These products go into the plumbing of our great office buildings, our factories, and our dwellings. They go into automobiles, heaters, refrigerators, air conditioners, airplanes, missiles, naval vessels, and many other things.

We are proud of the advances that have been made in these product lines—the result of characteristic American ingenuity and enterprise. Our research and engineering is not matched by our competitors abroad, but our foreign competitors profit from what we develop. And as you have been told previously, wage rates at every level in the foreign mills are far below those in the United States, enabling our foreign competitors to outbid us in our home markets in those areas in which they chose to compete. Resultant price demoralization in the brass and copper tube business has hurt us severely even though our volume of production and sales has held up during 1960, 1961, and 1962.

From 1950 to 1961, our sales practically doubled. However, since 1959 to the present time, our profits have dropped 90 percent.

To survive this price squeeze, Reading Tube has been compelled to reduce its annual operating costs (exclusive of reduced capital expenditures) by approximately $2 million a year. How this effect spreads is spelled out in a letter from the Reading Chamber of Commerce, submitted herewith.

Senator DOUGLAS. That will be printed at the conclusion of your remarks.

Mr. ARNOT. Where else does a company suffering from this kind of price squeeze reduce its costs? In the affairs of its community; in contributions of money, talent, and time to local charities, hospitals, civic programs, and professional societies.

And where do you think we have cut our personnel? We have been compelled to sacrifice much-needed research and development. We have all but eliminated our product and process engineering force. There have been layoffs resulting solely from the price situation—as distinguished from those made possible by normal productivity increase. But I cannot overemphasize the damage suffered by our engineering and research departments. The first blow struck by cheap labor foreign imports has been the drying up of the source of

our ability to meet the new and varied demands of the American economy—as well as the demands of the military.

A company the size of Reading Tube has no independent source of copper supply. We derive our raw material from scrap metal. Because of the vast advantage in wage rates enjoyed by our foreign competitors, they can and do come to this country and outbid us on the scrap which they thereafter ship home by freighter and return to these shores as finished products, which they sell in competition with us.

This is reminiscent of the pre-World War II days when American scrap flowed overseas in a vast stream of freighters, later to return to us in the form of battleships and bullets. This scrap is now shooting holes in American industry and destroying American jobs.

I mentioned with pride our contributions to the building of American military materiel. You gentlemen know that we have to certify when we sell to the Government that our products are produced in accordance with the minimum wage requirements of the Walsh-Healey Act. No such requirement is placed upon the foreign supplier of copper or steel for Government use. The contract may go to a foreign bidder if his bid is a certain percentage below the lowest competitive price offered by an American supplier.

Reading Tube's substantial wartime contributions do not of themselves justify its continued existence, but they do sharply emphasize the importance of Reading Tube's place in the economy. Presently, the company is a highly efficient producer. It would be a tragic and wasteful irony if Reading Tube were wiped out during a period of complacency, only to have history repeat itself with a vengeance in a new national emergency. Once again the country would suffer the waste and loss of time implicit in the process of recreating a needlessly destroyed essential economic unit.

The fact that we have operated for 2 years without profit; the fact that we have already been compelled to reduce our employment by 16.1 percent in an effort to pare losses to the absolute minimum; the fact that the labor cost advantage enjoyed by our foreign competitors has been increasing rather than lessening—all of these factors add up to proof that our industry needs the safeguards that the pending legislation supported by the administration would destroy.

Therefore, we urge that the peril-point and escape-clause provisions of the bill of Congressman Monagan in H.R. 8850 be substituted for those in H.R. 11970. It strikes us as both fair and wise that final decisions in these matters, fateful as they may be for American industry, be made by the independent Tariff Commission, subject only to the power of the President to reverse that decision on the grounds of overriding national interest if one House of Congress concurs with the President.

As a final word, may I say to the gentlemen of this committee that the provisions of H.R. 11970 for supposed relief to companies and workers adversely affected by excessive cheap labor imports are only of theoretical value. They offer dubious assistance to our skilled, well-paid American workers in the form of a dole receivable after they lose their jobs. The help proffered to a business being smothered by a wave of imports is likely to give that business about as much sustenance as one would derive from the promise of an inspiring epitaph on one's tombstone.

Thank you.

Attached to your documents that you gentlemen have, you will find also a copy of a statement made by the officials and members of the bargaining unit who are in complete agreement with the statements as made today.

Senator DOUGLAS. That will be printed in the record.

Thank you, Mr. Arnot.

(The documents referred to in Mr. Arnot's statement follow:)

SUPPLEMENT NO. 1

THE CHAMBER OF COMMERCE OF READING AND BERKS COUNTY, PA.,
Reading, Pa., July 27, 1962.

Mr. H. J. ARNOT,
Vice President of Manufacturing,
Reading Tube Co., Reading, Pa.

DEAR JIM: Replying to your letter of July 20, we are most certainly aware of the damage suffered by the Reading Tube Co. as a result of foreign imports.

A loss of $265,000 in payroll in our community has some very significant impact on our economy. It represents approximately 53 lost jobs upon which approximately 180 of our people were dependent.

It means that our grocery stores will do $51,000 less business.

It means that our department, drygoods, and variety stores will feel a loss of $33,000.

Our clothing and shoe stores will lose $18,000 in sales.

Our restaurants and other food and drinking establishments will suffer a loss of $23,000.

It means that about $40,000 less will be spent for new automobiles.

And our gasoline service and repair stations have lost $14,000.

Our lumberyards and building materials dealers will suffer an $11,000 loss.

And all other stores, business establishments of every description, will have reduced sales of $75,000.

But this in itself does not tell the entire story which would have to be projected on the turnover value of these dollars in the community.

Moreover, we are fully aware that in addition to your direct payroll reductions, your organization has curtailed your purchases from our area industrial suppliers to the extent of $100,000, and if we are to consider this reduction in purchases as the equivalent of loss in payroll which it certainly represents, then your reduced purchases in effect is the loss of approximately another 20 jobs in our community.

While I have confined the above comments to a dollar-and-cents proposition, I am keenly aware that this does not represent the entire loss to our community. Consideration should be given to the fact that Reading Tube Co., under the pressure of foreign imports, has been forced to very seriously reduce your participation in, and contributions to, many of our community's activities such as our charitable organizations, including the United Fund, our hospitals, our civic programs, and many correlated societies which you have heretofore supported. I am conscious also of the loss in leadership which Reading Tube Co. previously contributed to community activities from your very capable staff due to their strict application to business in your efforts to compensate for your losses.

Because we are so conscious of the losses at the local level, our chamber did not support the stand taken by the U.S. Chamber in connection with lower tariffs.

Sincerely,

T. W. CADMUS, *Executive Director.*

SUPPLEMENT NO. 2

LOCAL NO. 3885,
UNITED STEELWORKERS OF AMERICA, AFL–CIO,
Reading, Pa., July 31, 1962.

Mr. H. J. ARNOT,
Vice President of Manufacturing, Reading Tube Co.,
Reading, Pa.

DEAR MR. ARNOT: We have heard that you will appear before the Finance Committee of the U.S. Senate during the month of August with reference to bill, H.R. 11970.

If the opportunity arises for you to express the feelings of the workers at Reading Tube toward this bill, Local 3885 of the United Steelworkers of America, representing the production and maintenance employees, wishes to be on record as follows. Having already felt the impact of foreign trade which has resulted in layoffs and short workweeks, we feel that any further reduction of tariffs on copper and brass pipe and tubing would make it impossible for Reading Tube to survive and consequently our jobs would vanish. Feeling as we do, we are opposed to the passage of bill, H.R. 11970.

Very truly yours,

WARREN H. AUMAN,
President, Local 3885.
ANDREW SOJA,
Recording Secretary, Local 3885.

Senator DOUGLAS. The committee will recess until 2:30 p.m.

(Whereupon, at 1:55 p.m., the committee recessed until 2:30 p.m. this same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.

We are very glad this afternoon to have the distinguished Senator from Connecticut, Senator Bush.

Senator, will you take a seat, sir, and proceed.

STATEMENT OF HON. PRESCOTT BUSH, U.S. SENATOR FROM THE STATE OF CONNECTICUT

Senator BUSH. Mr. Chairman, may I ask the courtesy of the committee to have my administrative assistant, Mr. David S. Clarke, sit here, in case I need to refer to him?

The CHAIRMAN. Surely.

Senator BUSH. May I proceed?

The CHAIRMAN. Yes, proceed, sir.

Senator BUSH. Mr. Chairman, I thank the committee for allowing me to come before it this afternoon.

Our Nation's foreign economic policy for this challenging period—the decade of the 1960's—is of great concern to me. As a member of the Joint Economic Committee, with the distinguished Senators from Illinois, Arkansas, and Maryland, who are also members of your great committee, I inquired deeply into this subject in public hearings held in December 1961.

We considered, as you have been considering, the issues of trade policy inherent in the European Economic Community and our balance of payments deficit. I stated my preliminary conclusions on January 7, 1962. It was then my conviction that there was no need for hasty action or for a radical revision of our existing trade policy. I felt that the principle of tariff revisions on a gradual, selective, and reciprocal basis, with avoidance of serious injury to domestic industries and employment, should reman the guideline for our foreign economic policy.

Prior administrations, Republican and Democratic, have made great progress using that constructive principle. Proof was not forthcoming at those hearings that the problem of sustaining a high and increasing flow of trade in this era calls for more drastic or unbalanced measures than those which revived the free world's commerce after postwar reconstruction.

Based upon the papers presented and the testimony of the specialists who appeared before the Subcommittee on Foreign Economic Policy, I was skeptical of the administration's assumption that a mutual reduction of tariffs with the Common Market would expand our exports more rapidly than our imports so as to help correct the nontrade deficit in our balance of payments and help meet the problem of high unemployment.

While some industries paying high wages can compete in any foreign market, I was impressed with the fact that the European industries believe they cannot compete with Japanese goods without severe import regulation. Since European costs are closer to Japanese costs than our costs are to European costs (let alone to Japanese costs), the unwillingness of the Europeans to trade with Japan on the freer trade terms which the administration urges upon our industry persuaded me that the policymakers on one side of the Atlantic had to be wrong.

And so it was my conclusion that respectable grounds existed to question whether mutual tariff reductions by the United States and the Common Market, unless carefully negotiated under principles of true reciprocity and avoidance of serious injury to our domestic industry and employment, would help us very much in European markets or fail to harm us seriously from the Pacific side.

Finally, I was impressed with the riddle of the United Kingdom camel and the Common Market tent. The hump of the camel represented by the Commonwealth's agricultural exports seemed to me to be both too large to slide under the tent, and too organically united to the camel to be left behind. Recent news dispatches from Brussels seem to say as much.

With the perspective which that serious study of the matter gave me, I have followed closely the discussion of the trade bill.

It seems to me that the facts which we considered so fully in December have not altered by August, except that the bases of doubt which existed then have ripened now into clearly seen grounds for reorientation of the suggested new trade policy.

Our economic activity lacks sufficient upward momentum.

Although the dimensions of the balance-of-payments crisis have been scaled downward, at least for the present, this has resulted largely from nontrade measures taken to correct the payments deficit, which, of course, resulted from our nontrade transactions.

The negotiations for United Kingdom entry into the Common Market have stalled on the hard choices presented by a protectionist EEC agricultural policy, trade preferences for former common external tariff, if applied to Commonwealth Temperature Zone foodstuffs.

The "Dillon round' tariff cuts have been proclaimed to take effect over a 2-year period, commencing July 1, 1962. Under the language of the trade bill, this prohibits any new tariff cuts in the articles affected from being negotiated to take effect prior to July 1, 1965.

Expansion of economic activity in the Common Market has been slowed by the exhaustion of labor reserves. With demand continuing high, the curtailment of output by labor shortages has produced a rising volume of European imports. For over a year, the Common

Market has been increasing its imports from the United States much more than its exports to the United States. The EEC's deficit on trade with the United States of $1.8 billion in 1961 was considerably larger than in any of the preceding 3 years.

Additional tariff action in the near future is, therefore, unnecessary to sustain increasing U.S. exports to the Common Market. The forward period of staging for the Dillon round reductions provides all the change needed to sustain the momentum of our favorable export trade with the Common Market in the near future.

On the other hand, unemployment in the United States persists at a high level—5.5 percent of the labor force. Of 150 major labor markets in the United States, 139, or 92.6 percent, have relatively moderate to substantial unemployment.

I may say that this bill, as Congressman Curtis put it, seems to bare our economy's breast to the world of trade, and under title III sets up hospitals and nursing homes to take care of the damage that will be done.

The sluggishness of the economy, and persistent high level of unemployment give special emphasis to data recently made available which correlate shifts in our balance of trade in manufactured products with employment trends in the affected industries. These data, based entirely on official Government statistics, and involving no estimates—unlike the administration studies of employment effects on imports and exports—can be summarized as follows:

Before summarizing them, I would like to say parenthetically that when Secretary Hodges appeared before our committee last December, I questioned him about the statistics of people employed in the export business, or in making exports for the United States, and he admitted freely and frankly that the material that was being put out by the Department of Commerce was inaccurate and misleading, and he said he intended to stop the issuance of that type of material.

I am very much afraid that despite his assurance he intended to do that, it has not been done.

I do not reflect on Mr. Hodges, a very estimable gentleman. But I must assert that the administration has put out a lot of misleading material respecting the extent to which employment in this country depends on our export business.

To go on with this summary:

1. Industries with 13.8 million employees in 1960 representing 85 percent of manufacturing employment, had a gain in employment from 1954 to 1960 of only 57,636 workers—a four-tenths of 1 percent gain in 6 years.

2. This large group of industries experienced an adverse shift in the balance of trade of products within their output boundaries of $1.7 billion during this period.

3. Within this large group of industries, those who suffered a loss of employment while experiencing an adverse shift in the balance of trade in their products present the following picture:

(*a*) Employment dropped 304,636 from 1954 to 1960.
(*b*) Exports dropped by $1.1 billion.
(*c*) Imports increased by $1.8 billion.
(*b*) The balance of trade shifted against them by $2.9 billion.

Senator DOUGLAS. How can that be—if exports dropped only $1.1 billion, and imports increased by $1.8 billion. At first thought, that would be a difference of $0.7 billion.

Senator BUSH. No; $2.9 billion. You add those two figures.

Senator DOUGLAS. I understand. Thank you very much.

Senator BUSH. (*e*) Output per worker increased by 38 percent.

(*f*) At an output per worker of $8,667 in 1960, the adverse shift in balance of trade of $2.9 billion represented the output of 334,000 workers—lost to these industries.

4. Those industries, within the large group, which had an increase in employment while experiencing a favorable shift in the balance of trade in their products showed the following change:

(*a*) Employment rose 348,489 from 1954 to 1960.

(*b*) Exports increased by $1.85 billion.

(*c*) Imports rose by $0.82 billion.

(*d*) The balance of trade shifted in their favor by $1.03 billion.

(*e*) Efficiency increased slightly less than the import sensitive group, gaining by 34 percent.

(*f*) At an output per worker of $11,442 in 1960, the favorable shift in balance of trade of $1.03 billion represented the output of about 90,000 workers—gained by these industries.

5. The actual loss of employment of about 305,000 workers by the import-sensitive industries is in the same order of magnitude as the employment content of the adverse shift in the balance of trade in the products of those industries, computed at their 1960 average output per worker. On the other hand, the actual gain in employment of about 349,000 workers in the growth industries enjoying a favorable shift in the balance of trade in their products exceeds the employment content of that trade shift (computed at their 1960 average output per worker) of 90,000 workers, so considerably that only a minor part of that gain could reasonably be attributed to foreign trade.

6. Put very simply, our import-sensitive industries appear to have lost some 305,000 workers largely as a result of foreign competition, while our growth industries appear to have gained only 90,000 workers due to foreign trade. The net loss to the Nation: 215,000 jobs.

Mr. Chairman, these facts represent serious danger signals for the American economy. Ours is in great part an industrial economy. Our factories, mills, and plants provide the employment, payrolls, materials purchases, and tax revenues for the many thousands of communities of our 50 States which enable them and their residents to put their roots down deep, to live and to share in the standard of living which is our heritage.

A community which loses a manufacturing plant or a substantial part of the employment provided by that plant suffers economic blight from which it may not recover. When imports of manufactures increase sharply and more rapidly than exports, as in the 1954–60 period, the impact is spread widely throughout our economy because our manufacturing industries are widely diffused throughout the country.

If the hope for employment gains lies, as the President indicates, in the high wage, highly efficient mass-production industries, the big cities may be helped, but the small communities whose roots give our States and Nation its rich diversity and strength of character will surely suffer serious injury.

As the Department of Labor found in an intensive study of the impact of a plant shutdown on workers and the community:

> Without new industry, it was feared that unemployment rates would remain high, younger workers and high school and college graduates would be lost to the community, property value would decline, incomes would fall, capital resources would be unused, and the community would tend to stagnate.

The data summarized above suggest that the employment benefits to our exporting growth industries are likely to be much smaller than the unemployment consequences of further trade liberalization to our import-sensitive industries. The fact is that exports of manufactures have increased, both in absolute terms and percentagewise, less rapidly than imports in recent years. Significantly, the number of firms in operation in manufacturing has dropped by 14,000 since 1957.

At the very least, these facts should throw substantial doubt on the wisdom of giving the President at this time authority to dismantle what is left of our already greatly reduced tariff structure.

I am not suggesting that we retrace our steps in tariff reduction. But judging the future—particularly a future dominated by such great power as H.R. 11970 would confer—by the recent past, I feel it would be most unwise for Congress to leave the results to chance. And chance would be the strongest principle at work as the bill is now drawn.

There is no evidence to support the administration's assumption that deep cuts and outright duty elimination under the loose standards of H.R. 11970 would produce export gains which exceed import increases; nor that the net change in our trade pattern will, in fact, produce real employment and economic gains for the country. There is strong evidence to the contrary.

With these considerations as my guide, I have proposed with the distinguished senior Senator from Utah, Mr. Bennett, and other Senators a comprehensive set of amendments to H.R. 11970.

Our purpose has been to suggest changes which leave the main outline of the vast powers desired by the President substantially intact. At the same time, we would link these new powers to more certain guidelines, to more definite procedures and to a greater respect for congressional oversight of the program than the bill presently achieves.

We have approached our suggestions with a full awareness that this committee is sensitive to these matters, and that it possesses in abundance the technical grasp and imagination to work its will on the bill constructively. At the same time, we feel strongly about the desirability of these changes in the bill. Rather than present them for the first time on the floor during debate, we felt that it would be responsible and constructive to present our suggestions here in as much technical detail as possible so that you would have the opportunity to consider and pass upon them in your patient work on the bill in committee.

In appraising our amendments, we know that you will keep in view the following basic facts bearing on our relationships in foreign economic policy with other nations:

(1) The United States, after a decade and a half of leadership in trade agreement negotiations, stands virtually alone, insofar as commerce is concerned, as its trading partners in the Western World

retreat protectively behind preferential arrangements or regional groupings.

I might say here, Mr. Chairman, that this feeling that is getting abroad, that impression that is going around that the Common Market is an eleemosynary institution, designed for the benefit of the whole world and the United States in particular, is not to be depended upon. It is a mutual protection society, designed to promote the interests of its own members.

In Europe, the European Economic Community and the European Free Trade Association; in South America, the Latin American Free Trade Association; in Central America, the Treaty of Economic Association, all are bending the talents of foreign ministers to the creation of free trade areas within the comforting confines of external tariff walls.

The United States is thus becoming the trade victim of multiple-regional trading blocs, which retain the increased access afforded them by past U.S. tariff reductions while denying to the United States the benefit of the most-favored-nation commitments their members individually accorded to her at the time.

H.R. 11970 is oriented exclusively toward negotiations with the EEC, offering no specific design for coping with the discriminatory effect of the EFTA, the LAFTA, or the TEA.

(2) We have befriended Japan, and used our trade agreement powers to try to open up European markets for Japanese goods. Yet 13 of the 17 Western European nations impose quotas or other nontariff barriers against Japanese products, and 14 countries invoke XXXV of GATT against Japan, which enables them to withhold most-favored-nation treatment from Japan. Japan's increase in industrial production of 124 percent from 1955 to 1960; her increase in labor productivity of 53 percent; and her success in holding an increase in real wages to 24 percent during that period, hold Europeans in awe, regardless of the pride they feel in the Common Market's growth performance. H.R. 11970 contains no provisions designed to secure for Japan that access to European markets which our past trade concessions have failed to secure for her.

I might say, Mr. Chairman, that it was significant that in the Washington Post of August 12 there was published a story by Ted Sell entitled "Global Trade—Tokyo Traders Look to Peiping, Moscow," which is very significant at this time. It shows the Japanese are sending a trading mission to Moscow now. Discouraged by the treatment they are getting from the Common Market countries, they are now looking toward opening up trade further with Peiping and with Moscow.

This is so informative, Mr. Chairman, that I should like unanimous consent for this article to follow my remarks in the record.

The CHAIRMAN. Without objection.

Senator BUSH. (3) We are at a disadvantage in our trade agreement negotiations with other countries because the great majority of them are not bound by the actions of their representatives until the trade agreements have received the approval of their legislatures. Note, the approval of their legislatures. Seventeen of the twenty nations for whom data on the subject are available to me require this type of legislative ratification of tariff changes effected in trade agreements.

Mr. Chairman, I ask consent that at this point I may insert the material to show the way this operates in these other countries, and how they require legislative action upon tariff agreements.

The CHAIRMAN. Without objection.

(The material referred to follows:)

LISTING V

SUMMARIZATION OF LAWS OF 20 COUNTRIES PERTAINING TO THE CHANGING OF TARIFF RATES

The following countries all require some type of legislative approval whenever tariff rates are to be changed:

1. *Australia.*—Once the Cabinet approves of a change in the tariff rate Parliament must approve the change. The increase in duty is effective after the Cabinet approves. A temporary order may be issued by the Cabinet and it is subject to ratification.

2. *Austria.*—Permanent changes in tariff rates must be approved by the legislature and signed by the President. Unilateral temporary changes may be effected by the Finance Ministry which must get the approval of the main committee of one of the two Houses of Parliament.

3. *Canada.*—Changes in the Canadian import duties are set forth in the budget resolution introduced by the Minister of Finance in Parliament. Changes in duties are legally effective the day following introduction of the budget although they are not always put into effect until after Parliament has approved the budget message. Reductions in duties resulting from bilateral or multilateral negotiations are approved by the Cabinet as an order-in-council. These changes are only temporary. Parliament at all times has complete authority to change duties in any manner.

4. *Ceylon.*—The Cabinet may approve a change in duty but its effect is only temporary as the change is subject to the ratification of the House of Representatives. Bilateral trade and payment agreements are presented to Parliament for ratification.

5. *Denmark.*—The Legislature must approve changes in rates of import duties. The executive may not make tariff concessions on a temporary basis. The Minister of Finance may temporarily increase tariffs in retaliation to similar steps taken against Denmark.

6. *England.*—Before an increase or decrease in the tariff may become effective it must be approved by a resolution of the House of Commons. In the case of a decrease this approval takes a negative form; i.e., the order lies before the House of Commons and if it is not disapproved, it is passed.

7. *Finland.*—Changes in all tariff schedules require the approval of the Finnish Parliament and the President must sign the change.

8. *Germany.*—Decrees of the Council of Ministers of the EEC are binding on the member countries. They may require implementation by the legislative bodies. Conclusion of trade agrements require approval by the Federal legislative bodies. The lower house must approve reduction of customs tariffs.

9. *Israel.*—Israel's routine international trade agreements may be signed by her representaives without subsequent ratification. More important agreements are signed subject to later ratification by the Cabinet which may refer it to the Legislature. An increase in duties may be temporarily declared by the Minister of Finance but it shall expire unless ratified by the Legislature within 2 weeks.

10. *Japan.*—Changes in the rate of duty must be submitted to the Legislature for ratification. The Japanese Cabinet has authority to adopt an emergency tariff rate when it considers the national economy in danger. Advantage of this procedure may ony be taken after consultation with the interested Ministries and the Tariff Council.

11. *Netherlands.*—Ratification by the Legislature is required of all Benelux (Belgium, Luxembourg, Netherlands) bilateral trade agreements with other countries. The common external tariff of all members of the EEC are effective in the Netherlands. Increases in the tariff are approved by the Minister of Finance and the Queen. This is only temporary and the Legislature must pass laws to make them permanent.

12. *New Zealand.*—All changes in rates of duty must either be made by an act of Parliament or by an order-in-council subsequently ratified by Parliament.

13. *Norway.*—All changes in the rate of duty on imports must be approved by the Parliament. The King or Minister has legal authority to alter regulations concerning quantitative restrictions.

14. *Peru.*—Ultimately the legislature must pass on all bilateral or multilateral trade agreements. An agreement may become effective provisionally, pending legislative approval. A legislative resolution, passed in November 1960, vested the executive branch with prior authority to enforce tariff concessions made by Peru at the First Tariff Negotiation Conference of the Latin American Free Trade Association. The legislature must approve all tariffs. The executive has been given authority to unilaterally reduce import duties on necessary articles or to increase import duties in order to protect national production.

15. *Portugal.*—Changes in duty or tariff regulations may be referred to the legislature for ratification or may be published as a "decree-law" invoked by the executive branch. The legislature may call for a debate and effect revisions in the "decree-law" so the net result appears to be that the legislature does have the power of nonratification.

16. *Sweden.*—Changes in tariffs are subject to approval by the Swedish Parliament. The Parliament approved of Sweden's adherence to GATT and EFTA as multilateral international agreements. Sweden's bilateral trade agreements with foreign governments, establishing quota lists, may be concluded by the King. Only agreements of vital importance to Sweden must be submitted to the legislature for approval.

17. *Turkey.*—The Turkish Council of Ministers is authorized to reduce duties on imports effected unilaterally or under bilateral or multilateral trade agreements. Only the legislature is authorized to make upward revisions in the rate of duty on imports. Bills must be submitted for approval by the legislature within 3 months after the decree reducing tariffs becomes effective.

The following countries do not require legislative approval regarding a change in tariffs:

18. *Belgium.*—When the Benelux Council decides upon a change in tariff rates, no further individual governmental action is needed.

19. *Italy.*—The Executive, after consultation with a Parliamentary Commission, has the power to modify the general tariff schedules by Executive decree. Tariff changes voted by the Council of Ministers of the EEC do not "automatically" change the tariff but are implemented by Executive decrees after consultation with the Cabinet and Parliamentary Commission. Duty rate changes resulting from trade agreements are implemented by Executive decree but the trade agreement itself must be approved by Parliament.

20. *Republic of South Africa.*—Changes in the rate of duty are made by administrative action of the executive branch of the Government. Rates may be changed unilaterally by the Minister of Finance.

Senator BUSH. The amendment which Senator Bennett and I have cosponsored with other Senators were introduced in the Senate on August 2, and have been referred to this committee. In introducing them, I had the amendments numbered, so that it would be simpler to refer to particular amendments. An explanation of the amendments was also placed in the record, with the text of H.R. 11970 as changed by the amendments, to show deletions and additions. I understand that the marked bill, with the amendments numbered, and the memorandum of explanation, have been introduced into the record of these hearings. I will, therefore, not burden your record by offering them in connection with this testimony.

The memorandum of explanation of the amendments which appeared in the record and which will appear in your hearings record is quite complete, and I would hope that in considering the amendments in executive session you will be able to refer to that amendment-by-amendment explanation.

Let me tell you more briefly what the amendments are designed to do; how they relate to the bill; and what their overall effect on the bill would be.

First, they reinstate the existing peril point and escape clause procedures. These remedies have served us adequately, and are to be preferred to the more vaguely worded provisions of section 221(b), 224, 301, and 351.

Second, they make more specific the criteria of injury which are to guide the Tariff Commission in determining serious injury. In doing so, they do not really go beyond what the present law intends; they just remove any doubt that when increasing imports take over a larger share of the market and domestic employment, wages, or profits decline, serious injury exists.

Third, they make the peril point findings of the Tariff Commission final and conclusive in those instances in which a reduction in duty of more than 50 percent, or an elimination of duty, would cause or threaten serious injury. Since such duty change is more drastic than any permitted heretofore, the desire of the Congress that such far-reaching change not cause serious injury should be made absolute. The record of the escape clause suggests that it is so difficult to restore a duty when injury takes place that it is sounder not to make the reduction at all, when the circumstances of the industry in relation to existing import levels and the amount of duty change forecast injury.

Fourth, they give Congress itself a greater degree of legislative oversight through more specific reports and the retention of power by Congress to place Tariff Commission recommendations into effect. The bill calls for reports of a general nature which would not inform the Congress of the particular instances in which peril point findings were ignored (sec. 226). The amendments reinstate existing law in this respect. The bill changes the present law's provision for a privileged resolution on which each House might act if the President denies the import adjustment found necessary by the Commission to correct injury (sec. 351(a)(2)).

The amendments would restore the privileged resolution (it would scarcely be possible to secure action by both Houses including committee action in 60 days as the bill requires), and reduce the statutory vote from two-thirds to a majority, instead of a majority of the full membership required by the bill.

In other words, our privileged resolution would be voted up or down by a majority of those present and voting.

Fifth, recognizing the consequences of our virtually unilateral observance of the most-favored-nation principle, the amendments specify basic negotiating principles which will (*a*) secure true reciprocity for U.S. exports by requiring the EEC to give our goods customs treatment equivalent to that which they request of us. This would not necessarily limit trading with the Common Market to an exchange of concessions on like items. We have many tariffs higher than the EEC, and many lower than theirs.

Mr. Chairman, to make that clear, I have inserted in the statement a table which shows the frequency distribution of U.S. and EEC tariff rates. We have in the lower tariff areas many more rates than they do, and about the same in the 10 to 20 percent category. When you get above that, then we have more than they do.

I would like this table to be inserted at this point, for continuity in the record. I will not take the trouble to read it all.

The CHAIRMAN. Without objection.

(The table referred to follows:)

Frequency distribution of United States and European Economic Community tariff rates

Rates (or ad valorem equivalent rates) of duty	United States		European Economic Community	
	Number of rates	Percent of rates	Number of rates	Percent of rates
Free	990	20	270	10
0.1 to 9.9 percent	894	18	538	19
10 to 19.9 percent	1,510	29	1,624	56
20 to 29.9 percent	775	15	358	13
30 percent and above	895	18	45	2
Total	5,064	100	2,835	100

Senator BUSH. This principle would (1) discourage our negotiators from making further reductions on low-tariff items unless the Common Market wanted the concession strongly enough to bring its external tariff down to the level asked of us, and (2) encourage our negotiators to select our higher tariffs for bargaining use where the extent of reduction would be governed either by the existing level of the EEC's lower duty, or the extent to which the EEC would lower its duty. Let me illustrate with two examples:

First, let us take an item where the U.S. duty is higher than the Common Market external duty. The average U.S. duty on jewelry and plated ware is 45 percent. The average Common Market external duties on jewelry and plated ware is 12 percent. The U.S. negotiator could offer the Common Market a reduction in U.S. duties on jewelry and plated ware from 45 percent to 12 percent (assuming that the peril point findings of the Tariff Commission would allow such reduction) in exchange for a concession by the Common Market on some other category of products in which the United States had a particular interest; for example, poultry or some other agricultural commodity. Under my amendment 11a, this exchange of concessions could be made, because afterward our exports of jewelry and plated ware to the Common Market would be dutiable there on terms as favorable as the reduced duty which we would apply to imports of jewelry and plated ware from the Common Market.

Second, let us consider an item where the U.S. duty is lower than the Common Market external duty. The U.S. duty on automobiles, when the reduction made in the Dillon round becomes fully effective, will be 6.5 percent. The Common Market external duty on automobiles, after giving effect to the reduction granted the United States in the Dillon round, is 22 percent. The U.S. negotiator could not make a further reduction in the U.S. duty on automobiles unless the Common Market was prepared to lower its duty down to the point where our duty would be lowered, so that after the trade agreement our exports of automobiles to the Common Market would be admitted on terms as favorable as we would treat imports of their automobiles.

That is to say, if we cut our tariff on automobiles from 6.5 percent to 3 percent, then we would require that their duty, under this arrangement, under this amendment, would come down on automobiles to 3 percent.

(*b*) These amendments intend to secure value received for U.S. concessions by requiring our negotiators to bargain for the grant of a concession on a U.S. duty with the country or instrumentality (EEC) which is the principal supplier of the article subject to the duty. By dealing with the party which will benefit the most from the concession, we will be in a position to exact a higher price in the form of a concession from them than would otherwise be the case. The more valuable the concession, the greater the benefit to our exports.

In other words, we would not want to negotiate on automobiles, let us say, with Ecuador, but probably with the Common Market itself. We would be able to make a better bargain that way.

(*c*) Secure equal treatment for Japan and other low-wage countries of Asia and Europe by requiring those countries requesting trade concessions from us to admit exports from Asia on terms as favorable as we are asked to accord to them. Under the most-favored-nation principle, any concession we grant to Europe is automatically made available to Asiatic countries. But Europe severely limits or excludes goods from Asia; the United States becomes the only market, and the trade concessions granted to Europe accentuate the total diversion of Asiatic goods into our market.

So this amendment is designed to accomplish the following, just to illustrate: The United States makes an agreement with the Common Market, and our most-favored-nation policy makes that agreement apply to countries X, Y, and Z. What we say is that we should close that triangle, and that under such an agreement the Common Market also would extend to those countries the same most-favored-nations treatment as we extend.

This is intended to share the Japanese problem with the Common Market. It is a difficult thing to do. But it is one of those things, in the interests of the free world, that really must be done. Otherwise, as I see it—and I put the evidence in this record today, in this story in the Washington Post—we are going to drive Japan into the arms of the Communist world. And what the effects of that may be after a period of 10 years or so is very difficult to imagine, but not hard to visualize as something that might be very detrimental to the interests of the whole free world.

Sixth, the amendments protect the integrity of the trade agreement concessions received by the United States by requiring close attention by the Executive to actions by our trading partners which would nullify those benefits, or otherwise discriminate against U.S. exports. By requiring equal treatment for our exports and Asiatic exports as a condition for further concessions by the United States to the Common Market, the amendments set a determined, hardheaded course for the negotiations. To give those negotiating conditions real substance, enforcement procedures are required. These are specified in the form of a positive duty on the Executive to withdraw concessions from other countries, if they renege on the conditions upon which our action was legally required to be based.

In other words, if they do not live up to the agreement, we require the Executive to withdraw the concessions that were made under it.

Additional force is given this policy by amendments which delete from section 252 qualifying words such as "unjustifiable," "unlimited," et cetera, which serve to make the duties imposed on the President by that section purely discretionary. Since the section is otherwise worded to limit the President's duty to act to instances in which our trade agreement rights are being violated, and our commerce burdened as a result, there should be no inference created by the presence of such words that such action could, under any circumstances, be "justifiable."

The reference to actions inconsistent with trade agreement provisions in the proposed amendment to section 252 sufficiently protects the right of other countries to withdraw concessions for balance of payment, escape clause, or other stated conditions provided for in trade agreements. Under our amendments, section 252 would become a clear-cut directive for action. Now it is just one more expression of hope that the executive will move against discriminatory practices which burden our commerce.

Mr. Chairman, these are the highlights of the amendments which I have been privileged to offer with other Senators for the consideration of this distinguished committee.

Thank you for your consideration.

I have some additional remarks that will take me but a few more moments. I am still within the hour I estimated, and I think I can finish well within it, Mr. Chairman.

The CHAIRMAN. Take all the time you desire.

Senator BUSH. Mr. Chairman, there are three matters pertaining to these amendments which have been called to my attention since their introduction, which I would like to refer to the consideration of your committee.

First, Senator Butler has raised a very sound point concerning section 224 of the bill. As worded, that section would allow the President to enter into trade agreement negotiations before he received the peril point report of the Tariff Commission Since it is an essential part of the amendments which I have offered that the new authority be used so as to avoid causing serious injury to domestic industries, agriculture, and workers, the President should not act without the benefit of the Commission's peril point findings. This loophole in section 224 should, therefore, be closed.

If the State Department so overwhelms the Tariff Commission with the immensity of the list of articles proposed for negotiation that 6 months is not sufficient, this fact should not serve to hurry the Commission into an incomplete investigation, or to cause the President to proceed without the Commission's peril point findings. The Commission is diligent in these matters, and an arbitrary cutoff of their investigation is not in the public interest.

I therefore recommend that section 224 be amended by striking the following from lines 14 and 15 on page 10 of the bill: "or after the expiration of the relevant 6-month period provided for in that section, whichever first occurs,".

Second, the language of section 257(c) of the bill seems to be pointed in the same direction as the loophole picked up by Senator Butler. Whereas section 224 of the bill could result in the President's proceeding with trade agreement negotiations in advance of receiving the Tariff Commission's peril point findings, section 257(c) can be read as authorizing the President to enter into additional trade agreements on the strength of the peril point hearings which were held in the summer and winter of 1960.

Two years have elapsed since the date of those hearings. A new peril point investigation should be held before the President proceeds with any further tariff negotiations. The purpose of section 257(c) is not clear, but the attempt which it makes to authorize the President to grant tariff concessions to other countries on the strength of public hearings, peril point findings, and other preparations made 2 years or more ago, is without precedent in our trade agreements history. It would be a very dangerous precedent, to say the least, and any duties which were reduced on the strength of section 257(c) would represent actions where the domestic industries, agriculture, and workers affected would clearly have been denied their rights to be heard before their tariff protection is subjected to further changes.

I therefore recommend that your committee delete subsection (c) of section 257 from the bill.

Third, it has been brought to my attention that my amendment 28a in specifying the limit by which the President could increase tariffs in escape clause cases failed to include pertinent language now contained in the law. The intention of the Congress now is to permit the President, in appropriate cases, to increase the duty by as much as 50 percent above the 1934 rate. Many of our duties are specific duties. The general rise in prices since 1934 has made the specific duties mean very much less in ad valorem equivalents than they meant in 1934.

Ad valorem duties, on the other hand, have not suffered this dilution. In order to be fair about the matter, the Congress in 1958 adopted the Purtell amendment which specified that the increase in duty could be to a rate 50 percent above the 1934 rate when converted to its 1934 ad valorem equivalent. While the bill, H.R. 11970, omits the Purtell amendment (sec. 351(b)(1)), it was not my intention to do so.

I therefore request that your committee in considering the Bush-Bennett amendments, change the language on page 13, lines 11 and 12 of the printed amendments, to read as follows:

(1) increasing any rate of duty to a rate more than 50 per centum above the rate existing on July 1, 1934; except that a specific rate of duty existing on July 1, 1934, may be converted to its ad valorem equivalent based on the value of imports of the article concerned during the calendar year 1934 (determined in accordance with the standards of valuation contained in sec. 402a of the Tariff Act of 1934, as amended (19 U.S.C., sec. 1402)) and the proclamation may provide an ad valorem rate of duty not in excess of 50 per centum above such ad valorem equivalent, or.

That is the end of my testimony, Mr. Chairman.

I would like to ask unanimous consent of the committee to have placed in the record four tables which show the employment effects of foreign trade.

The CHAIRMAN. Without objection, that insertion will be made. (The tables referred to follow:)

LISTING I

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 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, and 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, exports 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 & Research Corp., Washington, D.C., for the Man-Made Fiber Producers Association, Inc.

	Employment, United States	Value added, United States (thousand dollars)	Foreign trade (thousand dollars)		
			Exports	Imports	Balance
201 Meat products (8):					
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	194,210	689	4,700	−4,011
Difference, 1960 compared with 1954	−12,175	28,844	304	2,254	−1,950
220 Textile mill products (8):					
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	326,555	627,131	−300,573
Difference, 1960 compared with 1954	−126,272	1,007,472	−51,499	273,419	−324,868
221 Weaving mills, cotton:					
1954	296,193	1,135,365	184,352	9,558	174,794
1958	243,419	1,073,592	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	36,649	−67,580
222 Weaving mills, synthetics:					
1954	89,994	408,564	101,064	731	100,333
1958	81,638	463,533	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	1,014	−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	1,219,641	19,126	8,589	10,537
Difference, 1956 compared with 1954	−1,410	279,825	−13,961	4,449	−18,41
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	−81,355
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
235 Millinery, hats, and caps:					
1954	40,538	191,361	3,193	8,396	−[illegible]3
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	400,614	−292,778
1958	581,302	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	−49,967	215,949	71,857	129,511	−57,654
242 Sawmills and planing mills (8):					
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 (8):					
1954	183,339	2,240,876	614,505	284,638	329,867
1958	179,166	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	−15,005	960,436	−138,446	364,044	−502,490

		Employment, States	Value added, United States dollars)	Foreign trade (thousand dollars)		
				Exports	Imports	Balance
291	Petroleum refining:					
	1954	153,072	1,918,020	610,386	277,787	332,599
	1958	146,025	2,119,402	532,552	674,038	-141,486
	1960	134,868	2,720,465	472,789	637,361	-164,572
	Difference, 1960 compared with 1954	-18,204	802,445	-137,597	359,574	-497,171
301	Tires and inner tubes (8):					
	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	71,077
	Difference, 1960 compared with 1954	-745	393,835	16,581	17,798	-1,217
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	-31,820
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
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	-14,279
369	Electrical products, n.e.c. (8):					
	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:					
	1954	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 (8):					
	1954	614,644	3,909,238	546,076	320,258	225,818
	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

	Employment, United States	Value added, United States (thousand dollars)	Foreign trade (thousand dollars)		
			Exports	Imports	Balance
391 Jewelry and silverware:					
1954	47,930	302,058	11,946	93,455	−81,509
1958	41,867	323,316	19,338	109,022	−89,684
1960	42,349	373,644	29,464	127,302	−97,883
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	67,4[illegible]5	1,666,116
1958	328,008	3,012,122	1,009,349	168,193	841,156
1960	336,366	3,279,669	852,793	243,4[illegible]4	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
All industries, total:					
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

LISTING II

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 improved 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, and 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 pro-

duction of goods and services by establishments defined as primarily manufacturing.

For 1960, employment data have been obtained from the 1960 Annual Survey of Manufacturers 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 comparison between years since the method of tabulating the data has been consistent for all years included.

Prepared by Surveys & Research Corp., Washington, D.C., for the Man-Made Fiber Producers Association, Inc.

	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 (8):					
1954	199,238	1,374,068	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 Cigarettes:					
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

	Employment, United States	Value added, United States (thousand dollars)	Foreign trade (thousand dollars)		
			Exports	Imports	Balance
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	102,066	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 (8):					
1954	1,169,331	9,899,138	6,897,710	956,390	−266,680
1958	1,096,339	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
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
3[illegible] 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

LISTING III

U.S. INDUSTRIES WITHOUT APPARENT CORRELATION BETWEEN EMPLOYMENT CHANGES AND EXPORT IMPORT BALANCE CHANGES, 1954, 1958, AND 1960

NOTE

Industries selected are all those for which data were available in the sources other than those industries shown on listings I and II.

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 Manufacturers, "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, and 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 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 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 & Research Corp., Washington, D.C., for the Man-Made Fib r Producers Association, Inc.

	Employment, United States	Value added, United States (thousand dollars)	Foreign trade (thousand dollars)		
			Exports	Imports	Balance
200 Food and kindred products (8):					
1954	1,646,591	13,766,995	1,066,637	1,239,898	−153,261
1958	1,698,814	17,532,558	1,330,685	1,616,598	−285,913
1960	1,712,939	19,660,542	1,465,549	1,723,725	−258,176
Difference, 1960 compared with 1954	60,348	5,893,547	378,912	483,827	−104,915
204 Grain mill products:					
1954	*123,507	*1,466,926	*217,290	*29,761	*187,529
1958	118,964	1,855,693	325,922	25,571	300,351
1960	116,929	1,976,763	388,586	31,762	356,824
Difference, 1960 compared with 1954	−6,578	509,837	171,296	2,001	169,295

		Employment, United States	Value added, United States (thousand dollars)	Foreign trade (thousand dollars)		
				Exports	Imports	Balance
205	Bakery products:					
	1954	291,100	2,056,946	4,604	2,432	2,172
	1958	301,296	2,634,310	5,567	7,508	−1,941
	1960	306,033	2,902,136	5,212	9,451	−4,239
	Difference, 1960 compared with 1954	14,933	845,190	608	7,019	−6,411
206	Sugar:					
	1954	30,166	264,761	1,815	449,876	−448,061
	1958	28,548	337,058	3,705	565,280	−561,575
	1960	32,472	460,580	2,305	549,195	−546,890
	Difference, 1960 compared with 1954	2,306	195,819	490	99,319	−98,829
210	Tobacco products:					
	1954	94,863	1,004,056	63,207	2,750	60,457
	1958	84,467	1,413,460	85,166	4,503	80,663
	1960	82,500	1,545,009	97,549	5,950	91,599
	Difference, 1960 compared with 1954	−12,363	540,953	34,342	3,200	31,142
213	Chewing and smoking tobacco:					
	1954	7,535	79,619	5,689	267	5,422
	1958	6,348	86,188	8,137	569	7,568
	1960	6,046	97,936	9,396	1,188	8,208
	Difference, 1960 compared with 1954	−1,489	18,317	3,707	921	2,786
224	Narrow fabric mills:					
	1954	25,676	124,013	12,664	3,468	9,196
	1958	24,587	142,638	19,604	4,651	14,953
	1960	25,624	169,138	23,422	5,736	17,686
	Difference, 1960 compared with 1954	−52	45,125	10,758	2,268	8,490
230	Apparel and related products (8):					
	1954	1,190,064	5,165,547	120,000	91,648	28,352
	1958	1,180,517	6,003,853	136,644	191,656	−55,012
	1960	1,223,019	6,681,583	156,702	312,514	−155,812
	Difference, 1960 compared with 1954	32,955	1,516,036	36,702	220,866	−184,164
231	Men's and boys' suits and coats:					
	1954	119,001	527,234	57,494	45,471	12,023
	1958	122,205	642,510	65,300	123,143	−57,843
	1960	129,539	732,355	79,394	219,430	−140,036
	Difference, 1960 compared with 1954	10,538	205,121	21,900	173,959	−152,059
234	Women's undergarments:					
	1954	112,234	509,781	7,240	266	6,974
	1958	111,335	596,248	8,396	5,377	3,019
	1960	117,201	633,510	9,996	6,406	3,590
	Difference, 1960 compared with 1954	4,967	123,729	2,756	6,140	−3,384
238	Miscellaneous apparel:					
	1954	64,333	268,847	1,319	21,894	−20,575
	1958	60,026	306,277	1,141	30,920	−29,779
	1960	65,433	320,566	1,159	41,490	−40,331
	Difference, 1960 compared with 1954	1,100	51,719	−160	19,596	−19,756
239	Fabricated textiles, n.e.c. (8):					
	1954	134,560	647,621	23,096	11,740	11,356
	1958	128,779	731,084	26,074	14,139	11,935
	1960	138,867	889,176	26,838	18,835	8,003
	Difference, 1960 compared with 1954	4,307	241,555	3,742	7,095	−3,353
241	Logging camps and contractors:					
	1954	75,510	392,766	18,706	49,298	−30,592
	1958	71,505	387,418	27,156	36,710	−9,554
	1960	73,107	439,257	41,592	37,798	3,794
	Difference, 1960 compared with 1954	−2,403	46,491	22,886	−11,500	34,386
244	Wooden containers (8):					
	1954	52,307	214,749	2,480	541	1,939
	1958	39,569	183,523	2,791	192	2,599
	1960	38,331	193,672	2,537	271	2,266
	Difference, 1960 compared with 1954	−13,976	−21,077	57	−270	327
250	Furniture and fixtures (8):					
	1954	340,694	1,997,506	31,439	8,408	23,031
	1958	347,599	2,349,488	41,393	18,092	23,301
	1960	364,602	2,618,501	37,932	28,021	9,911
	Difference, 1960 compared with 1954	23,908	620,995	6,493	19,613	−13,120
280	Chemicals, allied products (8):					
	1954	733,896	9,546,908	1,109,792	306,179	803,613
	1958	699,166	12,270,371	1,573,811	349,259	1,224,552
	1960	722,450	14,380,033	2,073,002	421,672	1,651,330
	Difference, 1960 compared with 1954	−11,446	4,833,125	963,210	115,493	847,717

		Employment, United States	Value added, United States (thousand dollars)	Foreign trade (thousand dollars)		
				Exports	Imports	Balance
261	Basic chemicals:					
	1954	240,507	3,223,184	247,693	174,249	73,444
	1958	238,104	4,259,770	339,129	206,634	132,495
	1960	240,397	5,101,462	460,066	239,612	220,454
	Difference, 1960 compared with 1954	−110	1,878,278	212,373	65,363	147,010
295	Paving and roofing materials:					
	1954	20,097	207,753	2,492	6,353	−3,861
	1958	23,317	269,035	2,936	11,713	−8,777
	1960	22,650	320,933	2,965	10,492	−7,527
	Difference, 1960 compared with 1954	2,553	113,180	473	4,139	−3,666
299	Petroleum, coal products, n.e.c.:					
	1954	10,169	115,099	1,626	498	1,128
	1958	9,824	129,987	898	416	482
	1960	10,932	160,903	305	828	−503
	Difference, 1960 compared with 1954	763	45,804	−1,321	330	−1,631
300	Rubber and plastics products:					
	1954	338,493	2,552,789	120,686	9,270	111,416
	1958	347,842	3,276,612	160,558	39,246	121,312
	1960	378,095	3,772,630	171,461	139,456	32,005
	Difference, 1960 compared with 1954	39,602	1,219,841	50,775	130,186	−79,411
302	Rubber footwear:					
	1954	18,322	106,768	774	506	268
	1958	20,359	149,608	591	11,494	−10,903
	1960	21,966	162,158	515	85,930	−85,415
	Difference, 1960 compared with 1954	3,644	55,390	−259	85,424	−85,683
303	Reclaimed rubber:					
	1954	2,953	23,454	2,042	175	1,867
	1958	2,215	20,843	2,800	26	2,774
	1960	2,415	29,149	3,649	85	3,564
	Difference, 1960 compared with 1954	−538	5,695	1,607	−90	1,697
306	Fabricated rubber products, n.e.c. (8):					
	1954	132,503	946,407	40,445	3,791	36,654
	1958	119,565	977,254	59,305	10,689	48,616
	1960	127,687	1,161,778	71,538	27,319	44,219
	Difference, 1960 compared with 1954	−4,816	215,371	31,093	23,528	7,565
307	Plastics products, n.e.c. (8):					
	1954	91,967	598,388	2,340	2,006	334
	1958	116,308	928,950	3,077	3,751	−674
	1960	134,024	1,147,939	4,093	5,533	−1,440
	Difference, 1960 compared with 1954	42,057	549,551	1,753	3,527	−1,774
310	Leather and leather products (8):					
	1954	356,578	1,640,804	44,177	40,178	3,999
	1958	349,050	1,897,465	49,412	89,079	−39,667
	1960	357,682	2,043,601	54,799	133,090	−78,291
	Difference, 1960 compared with 1954	1,104	402,797	10,622	92,912	−82,290
316	Luggage:					
	1954	15,856	91,313	1,262	4,472	−3,210
	1958	15,856	96,560	2,132	9,107	−6,975
	1960	18,030	107,529	1,915	11,112	−9,197
	Difference, 1960 compared with 1954	2,174	16,216	653	6,640	−5,987
317	Purses and small leather goods:					
	1954	37,547	163,747	2,675	4,976	−2,301
	1958	35,610	187,287	3,776	8,273	−4,497
	1960	38,521	208,741	5,398	12,030	−6,632
	Difference, 1960 compared with 1954	974	44,994	2,723	7,054	−4,331
323	Products of purchased glass:					
	1954	211,614	193,282	5,304	8,066	−2,752
	1958	24,024	242,657	8,865	17,385	−8,520
	1960	26,906	295,094	12,962	22,929	−9,967
	Difference, 1960 compared with 1954	5,292	101,812	7,658	14,873	−7,215
325	Structural clay products:					
	1954	72,814	427,649	4,990	7,574	−2,584
	1858	70,305	490,446	5,252	9,739	−4,487
	1960	75,622	551,774	4,637	21,101	−16,464
	Difference, 1960 compared with 1954	2,808	124,125	−353	13,527	−13,880

	Employment, United States	Value added, United States (thousand dollars)	Foreign trade (thousand dollars)		
			Exports	Imports	Balance
328 Cut stone and stone products:					
1954	21,576	121,465	1,415	3,065	−1,650
1958	20,348	129,038	1,668	5,914	−4,246
1960	22,556	142,728	1,727	8,931	−7,204
Difference, 1960 compared with 1954	980	21,262	312	5,866	−5,554
333 Primary nonferrous metal:					
1954	53,544	567,780	150,314	684,344	−534,030
1958	47,086	700,431	236,270	565,027	−328,757
1960	49,413	926,914	456,265	614,133	−157,868
Difference, 1960 compared with 1954	−4,131	359,134	305,951	−70,211	376,162
340 Fabricated metal products (8):					
1954	1,060,431	8,021,147	370,255	42,240	328,015
1958	1,057,986	9,412,183	569,790	106,344	463,446
1960	1,085,273	10,284,676	471,024	212,561	258,463
Difference, 1960 compared with 1954	24,842	22,635,529	100,769	170,312	−69,552
341 Metal cans (8):					
1954	55,234	500,408	11,022	449	10,573
1958	54,238	668,606	18,321	178	18,143
1960	53,302	660,135	17,361	235	17,126
Difference, 1960 compared with 1954	−1,932	159,727	6,339	−214	6,553
342 Cutlery, handtools, hardware (8):					
1954	143,676	1,040,680	71,045	13,921	57,124
1958	135,718	1,202,227	89,777	23,292	66,485
1960	139,612	1,409,022	96,685	33,452	63,233
Difference, 1960 compared with 1954	−4,064	368,342	25,640	19,531	6,109
344 Structural metal products (8):					
1954	284,121	2,235,101	96,615	4,261	92,354
1958	340,622	2,962,860	190,803	13,121	177,682
1960	328,387	2,929,114	115,781	72,068	43,713
Difference, 1960 compared with 1954	44,266	694,013	19,166	67,807	−48,641
345 Screw machine products, bolts:					
1954	88,738	665,077	13,046	4,673	8,373
1958	85,106	754,706	16,593	10,416	6,177
1960	95,812	914,748	17,918	17,597	321
Difference, 1960 compared with 1954	7,074	249,669	4,872	12,924	−8,052
348 Fabricated wire products, n.e.c.:					
1954	59,929	413,310	17,121	10,029	7,092
1958	55,476	439,940	18,776	30,449	−11,673
1960	60,874	518,944	14,689	38,840	−24,151
Difference, 1960 compared with 1954	945	105,634	−2,432	28,811	−31,243
370 Transportation equipment (8):					
1954	1,705,501	13,428,014	2,097,830	116,382	1,981,448
1958	1,557,759	15,283,694	2,506,795	658,901	1,847,894
1960	1,588,192	17,977,997	2,725,019	718,615	2,006,404
Difference, 1960 compared with 1954	−117,309	4,549,983	627,189	602,233	24,956
371 Motor vehicles and equipment (8):					
1954	685,273	6,137,653	1,224,634	52,326	1,172,308
1958	577,188	6,750,675	1,249,310	535,138	714,172
1960	694,512	10,119,055	1,240,625	597,456	643,169
Difference, 1960 compared with 1954	9,269	3,981,402	15,991	545,130	−529,139
372 Aircraft and parts (8):					
1954	822,470	6,084,462	619,382	29,175	590,207
1958	765,482	6,924,338	952,619	78,560	874,059
1960	680,136	6,099,127	1,294,772	62,336	1,232,436
Difference, 1960 compared with 1954	−142,334	14,665	675,390	33,161	642,229
373 Ships and boats:					
1954	126,352	757,175	118,342	3,216	115,126
1958	144,442	1,070,996	79,016	6,350	72,666
1960	134,510	1,022,164	40,633	8,333	32,300
Difference, 1960 compared with 1954	8,158	264,989	−77,709	5,117	−82,826
374 Railroad equipment:					
1954	51,575	328,051	120,378	2,379	117,999
1958	39,591	319,662	203,101	48	203,053
1960	42,387	474,075	128,600	372	128,228
Difference, 1960 compared with 1954	−9,188	146,024	8,222	−2,007	10,229

	Employment, United States	Value added, United States (thousand dollars)	Foreign trade (thousand dollars)		
			Exports	Imports	Balance
375 Motorcycles, bicycles, parts:					
1954	7,061	40,177	2,713	28,866	−26,153
1958	7,578	52,125	2,009	37,464	−35,455
1960	8,341	61,226	1,708	48,938	−47,230
Difference, 1960 compared with 1954	1,280	21,049	−1,005	20,072	−21,077
385 Ophthalmic goods:					
1954	18,464	107,059	7,416	1,049	6,367
1958	18,223	136,696	7,174	3,972	3,202
1960	20,662	152,830	8,260	7,133	1,127
Difference, 1960 compared with 1954	2,198	45,771	844	6,084	−5,240
386 Photographic equipment:					
1954	63,008	595,900	61,297	16,103	45,194
1958	60,262	788,759	85,297	38,186	47,111
1960	61,490	958,577	108,751	48,754	59,997
Difference, 1960 compared with 1954	−1,518	362,677	47,454	32,651	14,803
394 Toys and sporting goods:					
1954	88,559	468,358	21,663	20,509	1,154
1958	98,704	711,798	32,657	44,275	−11,618
1960	105,188	846,472	42,517	70,122	−27,605
Difference, 1960 compared with 1954	16,629	378,114	20,854	49,613	−28,759
Total, above industries:					
1954	7,990,449	60,659,639	5,334,390	2,657,811	2,676,579
1958	7,830,954	73,752,112	6,884,822	3,811,858	3,072,964
1960	8,047,233	84,122,864	7,958,977	4,543,832	3,415,165
Difference, 1960 compared with 1954	56,784	23,463,225	2,624,587	1,886,021	738,586
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

Listing IV

Employment, Value Added by Manufacturing, and Exports-Imports of U.S. Manufacturing Industries, 1954, 1958, and 1960

NOTE

Industries selected are all those for which complete data were available in the sources.

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, and 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 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 & Research Corp., Washington, D.C., for the Man-Made Fiber Producers Association, Inc.

	Employment, United States	Value added, United States (thousand dollars)	Foreign trade (thousand dollars)		
			Exports	Import	Balance
200 Food and kindred products (8):					
1954	1,646,591	13,766,995	1,086,637	1,239,898	−153,261
1958	1,698,814	17,532,558	1,330,685	1,616,598	−285,913
1960	1,712,939	19,660,542	1,465,549	1,723,725	−258,176
Difference, 1960 compared with 1954	66,348	5,893,547	378,912	483,827	−104,915
201 Meat products (8):					
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
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 (8):					
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
204 Grain mill products:					
1954	123,507	1,466,926	217,290	29,761	187,529
1958	118,984	1,855,693	325,922	25,571	300,351
1960	116,929	1,976,763	388,586	31,762	356,824
Difference, 1960 compared with 1954	−6,578	509,837	171,296	2,001	169,295
205 Bakery products:					
1954	291,100	2,056,946	4,604	2,432	2,172
1958	301,296	2,634,310	5,567	7,508	−1,941
1960	306,033	2,902,136	5,212	9,451	−4,239
Difference, 1960 compared with 1954	14,933	845,190	608	7,019	−6,411
206 Sugar:					
1954	30,166	264,761	1,815	449,876	−448,061
1958	28,548	337,058	3,705	565,280	−561,575
1960	32,472	460,580	2,305	549,195	−546,890
Difference, 1960 compared with 1954	2,306	195,819	490	99,319	−98,829

	Employment, United States	Value added, United States (thousand dollars)	Foreign trade (thousand dollars)		
			Exports	Imports	Balance
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 1951	−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
210 Tobacco products:					
1954	94,863	1,004,056	63,207	2,750	60,457
1958	84,467	1,413,460	85,166	4,503	80,663
1960	82,500	1,545,009	97,549	5,950	91,599
Difference, 1960 compared with 1954	−12,363	540,953	34,342	3,200	31,142
211 Cigarettes:					
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
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
213 Chewing and smoking tobacco:					
1954	7,535	79,619	5,689	267	5,422
1958	6,348	86,188	8,137	569	7,568
1960	6,046	97,936	9,396	1,188	8,208
Difference, 1960 compared with 1954	−1,489	18,317	3,707	921	2,786
220 Textile mill products (8):					
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	627,131	−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
224 Narrow fabric mills:					
1954	25,676	124,013	12,664	3,468	9,196
1958	24,587	142,638	19,604	4,651	14,953
1960	25,624	169,138	23,422	5,736	17,686
Difference, 1960 compared with 1954	−52	45,125	10,758	2,268	8,490
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	1,219,641	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

	Employment, United States	Value added, United States (thousand dollars)	Foreign trade (thousand dollars)		
			Exports	Imports	Balance
230 Apparel and related products (8):					
1954	1,190,064	5,165,547	120,000	91,648	28,352
1958	1,180,517	6,003,853	136,644	191,656	−55,012
1960	1,223,019	6,681,583	156,702	312,514	−155,812
Difference, 1960 compared with 1954	32,955	1,516,036	36,702	220,866	−184,164
231 Men's and boys' suits and coats:					
1954	119,001	527,234	57,494	45,471	12,023
1958	122,205	612,510	65,300	123,143	−57,843
1960	129,539	732,355	79,394	216,430	−140,036
Difference, 1960 compared with 1954	10,538	205,121	21,900	173,959	−152,059
234 Women's undergarments:					
1954	112,234	509,781	7,240	266	6,974
1958	111,335	596,248	8,396	5,377	3,019
1960	117,201	633,510	9,996	6,406	3,590
Difference, 1960 compared with 1954	4,967	123,729	2,756	6,140	−3,384
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	11,580	−8,559
Difference, 1960 compared with 1954	−2,402	23,072	−222	3,164	−3,386
238 Miscellaneous apparel:					
1954	64,233	268,847	1,319	21,894	−20,575
1958	60,026	306,277	1,141	30,920	−29,779
1960	65,433	320,566	1,159	41,490	−40,331
Difference, 1960 compared with 1954	1,100	51,719	−160	19,596	−19,756
239 Fabricated textiles, n.e.c. (8):					
1954	134,560	647,621	23,096	11,740	11,356
1958	128,779	731,084	26,074	14,139	11,935
1960	138,867	889,176	26,838	18,835	8,003
Difference, 1960 compared with 1954	4,307	241,555	3,742	7,095	−3,353
240 Lumber and wood products:					
1954	645,936	3,241,606	107,836	400,614	−292,778
1958	581,302	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	−49,967	215,949	71,857	129,511	−57,654
241 Logging camps and contractors:					
1954	75,510	392,766	18,706	49,298	−30,592
1958	71,505	387,418	27,156	36,710	−9,554
1960	73,107	439,257	41,592	37,798	3,794
Difference, 1960 compared with 1954	−2,403	46,491	22,886	−11,500	34,386
242 Sawmills and planing mills (8):					
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
244 Wooden containers (8):					
1954	52,307	214,749	2,480	541	1,939
1958	39,569	183,523	2,791	192	2,599
1960	38,331	193,672	2,537	271	2,266
Difference, 1960 compared with 1954	−13,976	−21,077	57	−270	327
250 Furniture and fixtures (8):					
1954	340,694	1,997,506	31,439	8,408	23,031
1958	347,599	2,349,488	41,393	18,092	23,301
1960	364,602	2,618,501	37,932	28,021	9,911
Difference, 1960 compared with 1954	23,908	620,995	6,493	19,613	−13,120
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	6,403,068	86,435	16,827	69,608
1958	864,101	7,922,962	112,887	27,744	85,143
1960	906,314	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

		Employment, United States	Value added, United States (thousand dollars)	Foreign trade (thousand dollars)		
				Exports	Imports	Balance
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
280	Chemicals and allied products (8):					
	1954	733,896	9,546,908	1,109,792	306,179	803,613
	1958	699,166	12,270,371	1,573,811	349,259	1,224,552
	1960	722,450	14,380,033	2,073,002	421,672	1,651,330
	Difference, 1960 compared with 1954	−11,446	4,833,125	963,210	115,493	847,717
281	Basic chemicals:					
	1954	240,507	3,223,184	247,693	174,249	73,444
	1958	238,104	4,259,770	339,129	206,634	132,495
	1960	240,397	5,101,462	460,066	239,612	220,454
	Difference, 1960 compared with 1954	−110	1,878,278	212,373	65,363	147,010
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
290	Petroleum and coal products (8):					
	1954	183,339	2,240,876	614,505	284,638	329,867
	1958	179,166	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	−15,005	960,436	−138,446	364,044	−502,490
291	Petroleum refining:					
	1954	153,072	1,918,020	610,386	277,787	332,599
	1958	146,025	2,119,402	532,552	674,038	−141,486
	1960	134,868	2,720,465	472,789	637,361	−164,572
	Difference, 1960 compared with 1954	−18,204	802,445	−137,597	359,574	−497,171
295	Paving and roofing materials:					
	1954	20,097	207,753	2,492	6,353	−3,861
	1958	23,317	269,035	2,936	11,713	−8,777
	1960	22,650	320,933	2,965	10,492	−7,527
	Difference, 1960 compared with 1954	2,553	113,180	473	4,139	−3,666
299	Petroleum, coal products, n.e.c.:					
	1954	10,169	115,099	1,626	498	1,128
	1958	9,824	129,957	898	416	482
	1960	10,932	160,903	305	828	−503
	Difference, 1960 compared with 1954	763	45,804	−1,321	330	−1,631
300	Rubber and plastics products:					
	1954	338,493	2,552,789	120,686	9,270	111,416
	1958	347,842	3,276,612	160,558	39,246	121,312
	1960	378,095	3,772,630	171,461	139,456	32,005
	Difference, 1960 compared with 1954	39,602	1,219,841	50,775	130,186	−79,411
301	Tires and inner tubes (8):					
	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	71,077
	Difference, 1960 compared with 1954	−745	393,835	16,581	17,798	−1,217
302	Rubber footwear:					
	1954	18,322	106,768	774	506	268
	1958	20,359	149,608	591	11,494	−10,903
	1960	21,966	162,158	515	85,930	−85,415
	Difference, 1960 compared with 1954	3,644	55,390	−259	85,424	−85,683

	Employment, United States	Value added, United States (thousand dollars)	Foreign trade (thousand dollars)		
			Exports	Imports	Balance
303 Reclaimed rubber:					
1954	2,953	23,454	2,042	175	1,867
1958	2,215	20,843	2,800	26	2,774
1960	2,415	29,149	3,649	85	3,564
Difference, 1960 compared with 1954	−538	5,695	1,607	−90	1,697
306 Fabricated rubber products, n.e.c. (8):					
1954	132,503	946,407	40,445	3,791	36,654
1958	119,565	977,254	59,305	10,689	48,616
1960	127,687	1,161,778	71,538	27,319	44,219
Difference, 1960 compared with 1954	−4,816	215,371	31,093	23,528	7,565
307 Plastics products, n.e.c. (8):					
1954	91,967	598,388	2,340	2,006	334
1958	116,308	928,950	3,077	3,751	−674
1960	134,024	1,147,939	4,093	5,533	−1,440
Difference, 1960 compared with 1954	42,057	549,551	1,753	3,527	−1,774
310 Leather and leather products (8):					
1954	356,578	1,640,804	44,177	40,178	3,999
1958	349,050	1,897,465	49,412	89,079	−39,667
1960	357,683	2,043,601	54,799	133,090	−78,291
Difference, 1960 compared with 1954	1,104	402,797	10,622	92,912	−82,290
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
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
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
316 Luggage:					
1954	15,856	91,313	1,262	4,472	−3,210
1958	15,856	96,560	2,132	9,107	−6,975
1960	18,030	107,529	1,915	11,112	−9,197
Difference, 1960 compared with 1954	2,174	16,216	653	6,640	−5,987
317 Purses and small leather goods:					
1954	37,547	163,747	2,675	4,976	−2,301
1958	35,610	187,287	3,776	8,273	−4,497
1960	38,521	208,741	5,398	12,030	−6,632
Difference, 1960 compared with 1954	974	44,994	2,723	7,054	−4,331
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	−1,068	98,022	4,091	35,921	−31,830
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
323 Products of purchased glass:					
1954	21,614	193,282	5,304	8,056	−2,752
1958	24,024	242,657	8,865	17,385	−8,520
1960	26,906	295,094	12,962	22,929	−9,967
Difference, 1960 compared with 1954	5,292	101,812	7,658	14,873	−7,215

	Employment, United States	Value added, United States (thousand dollars)	Foreign trade (thousand dollars)		
			Exports	Imports	Balance
324 Cement, hydraulic:					
1954	39,769	515,667	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
325 Structural clay products:					
1954	72,814	427,649	4,990	7,574	-2,584
1958	70,305	490,448	5,252	9,739	-4,487
1960	75,622	551,774	4,637	21,101	-16,464
Difference, 1960 compared with 1954	2,808	124,125	-353	13,527	-13,880
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
328 Cut stone and stone products:					
1954	21,576	121,465	1,415	3,065	-1,650
1958	20,348	129,038	1,668	5,914	-4,246
1960	22,556	142,728	1,727	8,931	-7,204
Difference, 1960 compared with 1954	980	21,263	312	5,866	-5,554
330 Primary metal industries (8):					
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
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
333 Primary nonferrous metal:					
1954	53,544	567,780	150,314	684,344	-534,030
1958	47,096	700,431	236,270	565,027	-328,757
1960	49,413	926,914	456,265	614,133	-157,868
Difference, 1960 compared with 1954	-4,131	359,134	305,951	-70,211	376,162
340 Fabricated metal products (8):					
1954	1,060,431	8,021,147	370,255	42,240	328,015
1958	1,057,986	9,412,183	569,790	106,344	463,446
1960	1,085,273	10,284,676	471,024	212,561	258,463
Difference, 1960 compared with 1954	24,842	2,263,529	100,769	170,321	-69,552
341 Metal cans (8):					
1954	55,234	500,408	11,022	449	10,573
1958	54,238	668,606	18,321	178	18,143
1960	53,302	660,135	17,361	235	17,126
Difference, 1960 compared with 1954	-1,932	159,727	6,339	-214	6,553
342 Cutlery, handtools, hardware (8):					
1954	143,676	1,040,680	71,045	13,921	57,124
1958	135,718	1,202,227	89,777	23,292	66,485
1960	139,612	1,409,022	96,685	33,452	63,233
Difference, 1960 compared with 1954	-4,064	368,342	25,640	19,531	6,109
344 Structural metal products (8):					
1954	284,121	2,235,101	96,615	4,261	92,354
1958	340,622	2,962,860	190,803	13,121	177,682
1960	328,387	2,929,114	115,781	72,068	43,713
Difference, 1960 compared with 1954	44,266	694,013	19,166	67,807	-48,641
345 Screw machine products, bolts:					
1954	88,738	665,077	13,046	4,673	8,373
1958	85,106	754,706	16,593	10,416	6,177
1960	95,812	914,746	17,918	17,597	321
Difference, 1960 compared with 1954	7,074	249,669	4,872	12,924	-8,052
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

	Employment, United States	Value added, United States (thousand dollars)	Foreign trade (thousand dollars)		
			Exports	Imports	Balance
348 Fabricated wire products, n.e.c.:					
1954	59,929	413,310	17,121	10,029	7,092
1958	55,476	439,940	18,776	30,449	−11,673
1960	60,874	518,944	14,689	38,840	−24,151
Difference, 1960 compared with 1954	945	105,634	−2,432	28,811	−31,243
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
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
369 Electrical products, n.e.c. (8):					
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
370 Transportation equipment (8):					
1954	1,705,501	13,428,014	2,097,830	116,382	1,981,448
1958	1,557,759	15,283,694	2,506,795	658,901	1,847,894
1960	1,588,192	17,977,997	2,725,019	718,615	2,006,404
Difference, 1960 compared with 1954	−117,309	4,549,983	627,189	602,233	24,956
371 Motor vehicles and equipment (8):					
1954	685,273	6,137,653	1,224,634	52,326	1,172,308
1958	577,188	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	9,269	3,981,402	15,991	545,130	−529,139
372 Aircraft and parts (8):					
1954	822,470	6,084,462	619,382	29,175	590,207
1958	765,482	6,924,338	952,619	78,560	874,059
1960	680,136	6,099,127	1,294,772	62,336	1,232,436
Difference, 1960 compared with 1954	−142,334	14,665	675,390	33,161	642,229
373 Ships and boats:					
1954	126,352	757,175	118,342	3,216	115,126
1958	144,442	1,070,996	79,016	6,350	72,666
1960	134,510	1,022,164	40,633	8,333	32,300
Difference, 1960 compared with 1954	8,158	264,989	−77,709	5,117	−82,826
374 Railroad equipment:					
1954	51,575	328,051	120,378	2,379	117,999
1958	39,591	319,662	203,101	48	203,053
1960	42,387	474,075	128,600	372	128,228
Difference, 1960 compared with 1954	−9,188	146,024	8,222	−2,007	10,229
375 Motorcycles, bicycles, parts:					
1954	7,061	40,177	2,713	28,866	−26,153
1958	7,578	52,125	2,009	37,464	−35,455
1960	8,341	61,226	1,708	48,938	−47,230
Difference, 1960 compared with 1954	1,280	21,049	−1,005	20,072	−21,077
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
390 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
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

	Employment, United States	Value added United States (thousand dollars)	Foreign trade (thousand dollars)		
			Exports	Imports	Balance
385 Ophthalmic goods:					
1954	18,464	107,050	7,416	1,049	6,367
1958	18,223	136,696	7,174	3,972	3,202
1960	20,662	152,830	8,260	7,133	1,127
Difference, 1960 compared with 1954	2,198	45,771	844	6,084	−5,240
386 Photographic equipment:					
1954	63,008	595,900	61,297	16,103	45,194
1958	60,262	788,759	85,297	38,186	47,111
1960	61,490	958,577	108,751	48,754	59,997
Difference, 1960 compared with 1954	−1,518	362,677	47,454	32,651	14,803
387 Watches and clocks:					
1954	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 (8):					
1954	614,644	3,909,238	546,076	320,258	225,818
1958	571,434	4,754,260	895,332	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	11,946	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
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
394 Toys and sporting goods:					
1954	88,559	468,358	21,663	20,509	1,154
1958	98,704	711,798	32,657	44,275	−11,618
1960	105,188	846,472	42,517	70,122	−27,605
Difference, 1960 compared with 1954	16,629	378,114	20,854	49,613	−28,759
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	9,777	268,028	28,105	2,632	25,473
Difference, 1960 compared with 1954	1,559	67,120	4,821	1,701	3,120
396 Costume jewelry and notions:					
1954	66,675	318,312	16,519	148,344	−131,825
1958	56,274	338,324	13,507	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	328,008	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	857,587	−880,818	175,959	−1,056,777
Total, above industries:					
1954	13,728,804	101,577,807	10,254,201	5,340,664	4,913,537
1958	13,846,661	122,077,832	11,286,580	7,302,738	3,983,842
1960	13,786,440	139,775,686	12,525,727	9,331,595	3,194,132
Difference, 1960 compared with 1954	57,636	38,197,879	2,271,526	3,990,931	−1,719,405
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 excerpt from the Washington Post referred to follows:)

GLOBAL TRADE

TOKYO TRADERS LOOK TO PEIPING, MOSCOW

(By Ted Sell)

TOKYO, August 12.—As the specter of the European Common Market looms larger on the Japanese economic horizon, this trading nation is moving closer to expanding trade with its two nearest Communist nations—Russia and Red China.

During the past week a high-powered group of 18 top Japanese industrialists and financiers left for Moscow with the avowed purpose of boosting trade.

During the same week, Prime Minister Hayato Ikeda and Foreign Minister Masayoshi Ohira came out publicly in favor of new arrangements for increasing Sino-Japanese economic relations.

Coincidentally, export statistics for July were released showing that for the first time Soviet Russia had reached the position of being Japan's second-largest customer, although the value was only about a third of the exports to Japan's best customer—the United States.

Pressures have been building in Japan for increasing trade with the two Communist nations both from the left and the right. But the motives differ.

Great pains were taken before the departure of the Kawai mission to Moscow—Yoshinari Kawai, president of the Komatsu Manufacturing Co. heads the group—to make clear that the group was interested only in economic negotiating and had no political purpose.

The 18 mission members include the heads of many big Japanese industrial firms.

While there was great opposition to expansion of trade with the Soviet Union before, much of it has evaporated.

Apprehension is growing here that success in establishing the European Common Market will freeze Japan out of its present markets, not only in Europe but also the United States.

Many of Japan's largest industries are contracting now, primarily a result of Prime Minister Ikeda's tight-money policy. Especially affected are shipbuilding and heavy machinery manufacturing.

It is just these industries which would be most affected by an increase in Russian trade. For the Soviet Union has indicated that it seeks the output of heavy industry to help realize its ambitious industrialization program in Siberia.

The fact that, so far the Soviet Union buys from Japan more than it sells there helps the Government look with more favor upon increased trade than it might otherwise.

Last year Japan exported $150 million in goods to Russia and received only $90 million in imports.

Before World War II the Chinese mainland was Japan's biggest customer. If trade with it is not to be resumed, and in the face of possible reduced markets in the rest of the world resulting from EEC, goes the reasoning, then perhaps the Soviet Union can take up the slack.

In general the Soviets offer Japan raw materials such as oil, coal, and lumber in exchange for steel, full chemical and textile plants and pipelines and refineries.

The matter of trade with Red China is more complex.

Japan has no diplomatic relations with Communist China and what trade is conducted is mainly carried on through a group called the Japan-China Trade Promotion Association composed of firms which the Peiping regime considers "friendly." Basically, Ikeda's proposal last week was that the Government create a special body to handle Sino-Japan trade.

This promptly brought a blast from the Nationalist China Government on Taiwan. The Nationalists said any move to liberalize trade with the Reds would bring about a crisis in Japanese-Nationalist relations.

Ikeda's announcement and one by his foreign minister hit the Taiwan officials especially hard, coming after an arbitrary and total embargo placed on the import of Taiwan bananas by Japan during a summer cholera scare.

Realistic Japanese businessmen, however, view any loss of trade with Chiang as being unimportant if the result is any major increase in trade with the mainland.

Masanori Sumii of the Trade Promotion Association charges that Japan will throw away a billion dollar's worth of trade in the next 8 years if relations with China are not improved.

Overall trade with the Peking regime totaled about $50 million last year and is expected to reach about $100 million this year.

Japanese traders are also beginning to wonder how much loyalty to the Western World's strategic embargo against Red China is felt by other Western nations.

Last May, for example, as pointed out by the newspaper Asahi last week, the Trade Control Commission in Paris refused to give Japan permission to export electronic computers.

At the same time Great Britain was exporting jet aircraft to Red China under a deal in which England was to get permission later.

Such acts reinforce the stubborn, although seldom admitted, Japanse feeling that they are discriminated against subtly on many fronts, that even such matters as the control of strategic item export to Red China is a manifestation of the clubbiness of Western nations—just as EEC is another.

In the matter of increasing Japan's trade with Red China, the official U.S. policy, according to Ambassador Edwin O. Reischauer, is that this is a Japanese matter and that the United States could not properly meddle.

At the same time Reischauer indicated the United States has expressed its concern.

The Japanese Government has only permitted relatively tight deferred-payment terms in the past and the Chinese Communists, faced with a shortage of hard currencies, have been unable to meet them.

Japanese industrialists charge that both England and West Germany permit easier terms and that these easier terms are the largest single factor in the fact that Great Britain did more than twice as much business last year with Peiping as did Japan, and West Germany did about 15 percent more.

Considering its geographical position and prewar trade history, Japan feels this amounts to Western European countries coming in and seizing markets which should rightfully be hers—if there is to be any trade at all.

Goods traded between Japan and the mainland are transported either in Japanese bottoms or ships leased by the Chinese.

Because of the lack of normal relations, goods are delivered for inspection at quayside in China where inspectors make on-the-spot rulings which Japanese traders often feel are unfair and which would not occur if Japan had commercial attachés to represent them or permitted Chinese Communist inspectors to accept dockside delivery in Japan.

Entry of the Government officially into the Sino-Japanese trade picture might permit a change in these terms, too, Japanese industrialists believe.

The CHAIRMAN. We thank you very much, Senator Bush. Your amendments will receive careful consideration of this committee.

Senator Douglas?

Senator DOUGLAS. I thank our very valuable colleague on the Joint Economic Committee. It is always a pleasure to have you testify.

Do I understand that your amendment 37 applies to growth industries, i.e., that where an industry has been growing more rapidly than other industries in this country, that it can apply for the escape-clause and peril-point remedies?

Senator BUSH. Yes.

Senator DOUGLAS. Now these are industries growing more rapidly than other industries. Why do you think that they need the protection of the peril-point and escape-clause provisions? I had always thought the peril-point and escape-clause provisions were intended to apply to industries where the rate of growth has been less than elsewhere. Now here you are proposing to apply them to flourishing industries. Isn't that really carrying the escape-clause and peril-point provisions to a fantastic extreme?

Senator BUSH. We are saying that the President should be informed about this situation in the prenegotiation stages of the agreement-making process.

Senator DOUGLAS. Of course, there is public opinion and pressure against any such reduction.

Senator BUSH. Well, maybe that is to the advantage of the country. Maybe it is not. That is a matter of opinion. But certainly it is intended to call to his attention anything which might cause or threaten serious injury in an industry showing sustained growth. I mean these are the ones we want to foster to create the jobs needed in our economy. We do not want to handicap them.

Senator DOUGLAS. Aren't your provisions such that almost every commodity would be subject to these peril-point and escape-clause provisions?

Senator BUSH. Well——

Senator DOUGLAS. If they lose absolutely, they will be subject to it. If they do not grow as rapidly as other industries, they will be subject to these two provisions. If they do grow more rapidly than other industries, they will be subject to it.

You give almost unlimited scope, do you not, for the application of the peril-point and escape-clause provisions?

Senator BUSH. Well, the purpose of the peril-point procedure is to provide the President with information before he goes into negotiation as to how far he can go in tariff concessions without causing serious injury.

Senator DOUGLAS. But there is also a provision that the extent of his concessions will be limited by the peril point which have been laid down by the Tariff Commission. As I understand it, in these last GATT negotiations, Secretary Dillion found himself very greatly restricted in the concessions he could make, because peril point had been previously declared by the Tariff Commission, and he could not go below them. Is that not true?

Senator BUSH. I believe so.

Senator DOUGLAS. And so what you are doing is to open up the whole field for the Tariff Commission to inhibit the President in the concessions which he could make.

Now wouldn't this ruling make it almost impossible to get a reduction in tariffs by mutual and reciprocal action?

Senator BUSH. Well, I think that this raises that whole question of whether you are going to continue the no-injury policy, which has been followed under the Trade Agreements Act since it was first introduced under President Roosevelt and Mr. Cordell Hull, and under the Truman administration and the Eisenhower administration, or whether we are going to abandon it.

Now if we are going to have a no-injury policy, let us have one that works. And the purpose of my amendments generally is to implement that thought.

Senator DOUGLAS. Well, could it not become a no-decrease policy?

Senator BUSH. No.

Senator DOUGLAS. Wouldn't that be its practical effect? I mean an industry would be in peril if it does not grow absolutely. An industry will be in peril if it does not grow relatively. An industry will be in peril if it grows more rapidly than the rest of the economy. It is always in peril, it seems to me, under these amendments of yours, and being always in peril, the Tariff Commission can fix points below which the President cannot go, and therefore you replace the President

as a negotiating authority by substituting the Tariff Commission. Very frankly, the Tariff Commission in the past, at least under the Eisenhower administration, has been extremely protectionist.

Senator BUSH. Let me say this to the Senator: Again, broadly viewing the problem, we are faced now, as the Senator knows better than anyone, and certainly as well as anyone, with a very unenviable unemployment factor in this country. It is a matter of much concern in the Senator's mind, in the Joint Economic Committee, in the Banking and Currency Committee, and in our private conversations. We are very much concerned about it, all of us.

Now I say that inasmuch as the evidence that I have submitted shows that in some of these industries which are presumed to have benefited greatly by the export business, the total of their benefit is not as great as the harm that has been generated by those that have lost employment and positions on account of the import excesses.

Now I feel that in this period of unemployment, and as long as we have an unenviable and almost a distressing situation there, that we should not empower the administration to go ahead and make tariff concessions in their eagerness to do business with the Common Market which will further increase the unemployment factor in this country.

In the testimony before the Joint Economic Committee last December, we had some competent testimony that asserted that the immediate results of the proposed policy—and we did not even have the bill before us then—would be, in the early stages of this thing at least, to increase unemployment in this country.

Now I do not think that is something we want to do. And I think we want to throw up safeguards that are designed to prevent that very thing. It is toward that end that these amendments are directed.

Senator DOUGLAS. Well, may I say in all kindness, I think you have defined the purpose of these amendments; namely, to decrease imports into the United States.

Senator BUSH. No.

Senator DOUGLAS. Well, I think that is the general purport and the general effect of them.

But what we are trying to do in the bill is to expand exports, recognizing that the price we have to pay for this is probably also an increase in imports, hoping that this will be a net increase in national income.

Senator BUSH. Well, I should think, Mr. Chairman, and Senator Douglas, that we should be as careful about attempting to protect employment in this country as our friends in the Common Market are in attempting to protect it and improve employment in their own countries.

Senator DOUGLAS. The Senator from Illinois has been urging that, as you say, for some months now. And I tend to favor an amendment which would give to the President the power to increase tariffs if that power can be used to obtain decreases in the tariffs or restrictions which other countries impose upon us. But I do not want to negate the basic principle of the Trade Expansion Act. I would like to have this as an exception to the powers granted to the President, and as a supplementary power granted to him to induce the European countries to reduce their tariffs in case mutual reductions are not sufficient to move them.

Senator BUSH. Well, Mr. Chairman, if you are going to stand by the long-term established policy of avoiding injury, you have got to have some mechanics in this bill that are going to implement that policy.

Now, the fact is in this bill, as sent over by the House, title 3, you have two-thirds of this bill devoting to binding up the wounds that may be caused by the unemployment of workers throughout American industry as a result of trade agreements that it is contemplated to make with the Common Market or other areas of the world.

Now, that in itself rather scares me—the fact that so much of the bill is devoted to setting up hospitals and nursing homes here for people who get wounded. And I think it is probably better in the interest of the United States to avoid causing the injury, to avoid causing the wounds and the illness that may result, than it is to say that we are going to have this unemployment; so in order to do it, we are going to set up entirely new machinery here to take care of those who get hurt.

Therefore, I think that that phase of the bill itself suggests very strongly that we should have more order, more discipline in the making of trade agreements than the first third of the bill provides for.

Now, these amendments are designed to provide that discipline.

Senator DOUGLAS. Discipline is a fine word. But——

Senator BUSH. But not a very popular one.

Senator DOUGLAS. Oh, yes, I believe in discipline. But with all kindness I would say the amendments provide not only discipline, but they will stifle our exports, because we cannot export unless you import. The more restrictions we place on imports, the more we shut off our exports. And this is going to hurt the export of apples, it is going to hurt the export of wheat and feed grains, and earthmoving machinery, in which my State does very well, and a number of other commodities.

So in your anxiety not to hurt anybody, you will be hurting the export industries and cutting off the expansion in trade which they have already obtained.

The difficulty is we are bound to hurt somebody. The only question is what is the least damage and the most benefit we can do.

I am sure the Senator is an extremely kindhearted man. He is one of the most generous, kindhearted fellows I've ever known. He approves of medical corps or hospital corps in time of war. I am sure he has contributed to charities and helps those who are in difficulty. I am sure he does not dislike this act because it proposes to try to mitigate hardships.

Senator BUSH. Well, I certainly do intend to try to mitigate hardships and unemployment, and that creates hardships, as the Senator knows just as well and I say perhaps better than most of us. The Senator is a great humanitarian and I respect him for that. I am a little surprised that he does not see that it is better for this country to continue in the general policy that President Roosevelt and Mr. Hull adopted more than 25 years ago, and which was followed by the Truman administration and President Eisenhower——

Senator DOUGLAS. May I refer the Senator to——

Senator BUSH. And incidentally, may I say to the Senator that during that period our exports have had a tremendous increase. I

think in the middle thirties we were only exporting some $3 billion worth of goods. Now we are exporting over $20 billion.

Senator DOUGLAS. That has not been done by the escape clause and peril point. They have not stimulated foreign trade.

In this connection may I refer you to a book which used to be the text in your alma mater, a book by Frederic Bastiat, the Frenchman, "The Seen and the Unseen in Political Economy." In the days when William G. Sumner was teaching economics at Yale, some time before our period, the students used to study Bastiat. Bastiat points out that a protective tariff would apparently increase employment in the lines protected, but it would decrease employment in the lines whose exports were shut off.

You may be able to protect the brass and copper industry of Connecticut by your tariffs, but you will be injuring the agricultural machinery and earthmoving machinery of Illinois, you will be injuring the wheat farmer out on the broad and roving prairies of North Dakota, Nebraska, Kansas, and Oklahoma. You will be hurting the feed grain producers of the Midwest.

Senator BUSH. I do not suggest, Mr. Chairman—I do not agree that the record of the past 25 or 27 years supports that statement at all.

I do suggest that the no-injury policy has—just a moment—I listened very patiently to you.

Senator DOUGLAS. Well, we have listened patiently to you, and not only patiently, but with pleasure, because you are always charming.

Senator BUSH. Well, I appreciate those sentiments.

But I say to the Senator that I do not want to scrap the history of the past 27 years at this stage of the game. We have made enormous strides. We are the lowest tariff country in the world today. Our tariff level on average—and I suppose this has been stated here many times in these hearings—is about 11 percent, whereas the Common Market is 14 percent. Under their agreements, their own agreement within themselves, the individual countries are going to raise their external tariff barriers to the average level, arithmetical average level of the Common Market Six. So that we are going to be faced right off the bat with increased tariffs, protective tariff levels in this Common Market.

These people have this organization to protect the interests of those six countries and advance their interest by promoting trade internally, just as we have in the United States for all these years that we have been a Federal Government— and to protect those industries by tariff and other protections, so that they can enjoy the prosperity that we have enjoyed.

Now, we must not look on the Common Market, as I say, as a charitable institution that is designed to cooperate with us for the benefit of the free world. I do not think that is the kind of an organization it is.

Senator DOUGLAS. Well, with many of your comments I find myself in agreement. But I must protest that your effort to lay the two twin babies of peril points and escape clauses at the doorstep of Hull and Carter Glass and Franklin D. Roosevelt—because when the original Reciprocal Trade Act went into effect, those clauses were not included.

Senator BUSH. I know that.

Senator DOUGLAS. Just a moment. Therefore, they do not go back 27 years. They only go back 14 years, to 1948.

(The information follows:)

The peril point provision was put in in 1948 when the Republican 80th Congress was in power. In 1949 the Democratic Congress repealed the peril point provision and extended the act for 2 years.

Senator DOUGLAS. Now, in 1951 the Democratic majority in the House and Senate was appreciably decreased, at a very narrow margin. I did not have the privilege of being on the Finance Committee at that time. But the coalition, which sometimes operates here, across party lines agreed upon introducing the escape clause and the peril point into the act. My colleague, Senator McFarland, who was, I think, the majority leader, accepted those under duress with a pistol pointed at his head. I think I was the only member of the Senate who actually voted against them. I tried to strike them out.

No—those have been smuggled into the bill and the act by the Republican Party. Don't lay them at our doorstep and then piously say "I believe so much in the reciprocal trade policy of Hull and Roosevelt that I would not think of parting with them." They are your babies. You should own them as such. Or the baby of your party.

Senator BUSH. Well, I thank the Senator for the compliments implied in his remarks.

Senator DOUGLAS. You should not deny that paternity.

Senator BUSH. The policy of no injury was originally stated by President Roosevelt and Hull. I know that the peril point and escape clause legislation did not come in at that time. We all know that.

Senator DOUGLAS. It is good of you to say that.

Senator BUSH. I say that it was later introduced, however, to implement the policy that was originally stated by Mr. Roosevelt and Hull. And I defy the Senator to deny that.

Senator DOUGLAS. I have just seen the Mid-Summer Nights Dream, and you remember how Bottom, in one of the acts, appears with an ass' head, and the remark is made "Bless thee, Bottom, thou are translated indeed." And I would say when the peril point and escape clause were put into effect, that certainly was such a translation of Hull and Roosevelt that nobody could recognize the resemblance.

Senator BUSH. Well, may I say to the Senator—I have only been here 10 years and he has been here longer than I. But in the time the Trade Agreement Act has come up, since I have been here, and I have forgotten whether I voted for its extension two or three times—but always this same question comes up. In the last 8 years the Senator's party has had control of both Houses of the Congress and it now has also. They never have been willing to pull away from them.

Senator DOUGLAS. Strike the phrase "Democratic Party has been in control" and insert the phrase "the bipartisan coalition" which I sometimes refer to as the "unholy alliance" has been in control.

Senator BUSH. Well, now, the Senator must not confess to the weaknesses of his own party.

Senator DOUGLAS. No, I do not confess to the weaknesses. I am simply saying that 99 percent of the Republican Party and a certain percent of the Democratic Party combine together to get a majority in Congress. This is our great problem.

Senator BUSH. Well, Mr. President, I have heard the Senator on the subject of the unholy alliance before. I have never been greatly impressed with it. I think it is sort of a dodge to protect the lack of discipline in the Democratic Party. But that is really beside the point.

All we are trying to do here, in these amendments, broadly speaking, is to stick to the policy which was begun by President Roosevelt and Mr. Hull and very successfully implemented over the years, and supported by President Truman and President Eisenhower and the Democratic Congress.

Senator DOUGLAS. Would you permit me to make a substitution?

Senator BUSH. Certainly.

Senator DOUGLAS. You would intensify the policy begun by Eugene Milliken here in the Finance Committee, which he carried through with the alliance.

Senator BUSH. You mean to say Mr. Milliken was so powerful he completely dominated the Finance Committee?

Senator DOUGLAS. Of course no one can dominate the Chairman, because he holds his own course. But I will say that Mr. Milliken had allies.

Senator BUSH. Well, Mr. Milliken certainly saw the light clearly, I think, in those days, bless his heart, and he struck many blows for liberty around here, as the Senator well knows. I think one of the most famous debates I ever heard on the Senate floor since I have been here was between my friend from Illinois and Mr. Milliken, in which the Senator from Colorado produced the book written by my good friend here on the subject of unemployment. At least you remember he quoted extensively from that book. And his conclusion was—

> don't write a book unless you want to see it come out later and used against you on the Senate floor.

Does the Senator recall that?

Senator DOUGLAS. Or perhaps those who write books should not run for the Senate.

Senator BUSH. Well, Mr. Chairman, I always have a little fun with my friend over here. And I think he has a little fun with me. But I am sure basically he sees the logic of my argument.

Senator DOUGLAS. I am sorry, Mr. Chairman, for taking up so much time.

The CHAIRMAN. Senator Williams.

Senator WILLIAMS. Thank you.

I have enjoyed the colloquy here this afternoon very much.

But just to keep the record straight, was not the escape clause and the peril point both put in by a Democratic Congress and signed by a Democratic President?

Senator BUSH. That is my understanding; yes, sir.

Senator WILLIAMS. And it was passed by members of the Republican Party and those members of the Democratic Party, all of whom had been supported by the Republican Party.

Senator BUSH. I think it is a result of the blessed coalition, I would say.

Senator WILLIAMS. This coalition oft'times has saved the country.

Senator DOUGLAS. They always lose the election, but win the legislation.

The CHAIRMAN. I am not getting in any argument about the coalition, except to admit that I have been a member of it.

Senator DOUGLAS. This is the first time I have ever heard that frankly stated.

Senator WILLIAMS. Seriously speaking, though, I do want to congratulate you, Senator Bush, in connection with your prepared statement and report here. It most certainly will be given consideration by our committee.

Without going into the various phases of the different amendments or the different proposals you are suggesting—as I understand it, the basic objective of your amendments is to make sure that this bill is in reality a reciprocal trade program.

Senator BUSH. Yes.

Senator WILLIAMS. And one in which we are willing to give concessions, but at the same time one in which we expect some concession from the other parties.

Senator BUSH. That is right.

Senator WILLIAMS. And as the Common Market has been established, is it not true that these six countries which form this Common Market, since its establishment, have built a higher trade barrier around them than they had prior to this period?

Senator BUSH. That, I think, is the result of the Common Market so far. Their external tariff barriers have tended to rise on the average. That was their intent.

Senator WILLIAMS. While I am not critical of that, that was evidently done in order to safeguard and protect their domestic industries.

Senator BUSH. That is right.

Senator WILLIAMS. And we, as representatives of this country, have an equal right and responsibility to protect our industries at the same time.

Senator BUSH. That is right. And I remind the Senator again of what I said in my testimony—that out of 20 countries involved, 17 of them require legislative approval, action of their Congress, so to speak, for these trade agreements. We are not even asking for that in this. But we are asking for a little firmer measure of congressional responsibility and oversight.

Senator WILLIAMS. I am sure we are both in agreement that we should work for its freer trade and freer exchange of goods between nations, as long as each nation recognizes that it must give something as well as always be asking our country to cut our tariff and then they in turn, as instanced in the last few months, they have cut their tariffs, but then put on a substitute charge of variable fees or some other guise—but in reality they are putting another trade barrier which is just as effective as a high tariff.

I think what we need is a little more hard Yankee bargaining.

Senator BUSH. The Senator is absolutely correct. I think I can say that the purpose of these amendments is to firm up our bargaining position, and to require more reciprocity in connection with these tariff agreements. This is of special importance to this country right now, because of the growing strength of the European Common Market and because—as I mentioned to the Senator from Illinois—the rather serious unemployment situation which we face right now. In spite of

new records in gross national product, new highs in gross national income, we have this unenviable, unfortunate degree of unemployment which I would hate to see burdened with further unemployment caused by the disemployment of workers by Federal action under trade agreements. That is the point.

Senator WILLIAMS. Thank you. I think you have made a great contribution to the committee's study of this problem.

Senator BUSH. I thank the Senator very much.

The CHAIRMAN. Senator Curtis.

Senator CURTIS. Mr. Chairman—Senator Bush, you have made a very fine statement. Your amendments improve the present bill. I think you have done an excellent job in driving home the point that here we have an admission of an intention to hit American industries—isn't that correct?

Senator BUSH. I do not know that I would go so far as to say intention—but you have an admission that if these new authorities granted to the President under this bill are implemented, they very likely will cause serious injuries and serious disemployment. And the proof of that is, as I said, that about two-thirds of this bill is devoted to repairing the damage which may be created by the first third of the bill regarding the negotiations.

Senator CURTIS. Well, what is the argument for removing the peril point procedure? Would not negotiators representing this country wish to know at what point their concessions might be——

Senator BUSH. Well, I say the argument for removing it, by those who wish to remove it, is so as to not require that the President, whoever he may be, be bothered with too strict controls over what he may do.

In other words, it takes away from the Congress, I think, some of the power that constitutionally resides here, and gives to the President the corresponding increase in his authority.

I just feel that it goes too far.

Senator CURTIS. No one has made any serious complaint of the operation of the trade agreements program under President Eisenhower, yet he never exceeded the peril point in negotiation a single time.

Senator BUSH. I believe that is correct.

Senator CURTIS. President Kennedy has gone beyond the peril point something over 62 times.

Senator BUSH. I do not know the number of times, but I am sure the Senator is correct.

Senator CURTIS. He himself said it was close to 70. Now he asks that the procedure be eliminated.

Do you think that sufficient attention has been given by our Government to the nontariff barriers that have been imposed against the United States, oftentimes after the agreement has been entered into? I refer to such things as import licenses, currency manipulations, quotas, embargoes, and variable fees.

Senator BUSH. Well, I do not think this bill would give us any more protection against that type of discrimination against the United States. I think that our amendments would be designed to give the necessary safeguards in that connection.

Senator CURTIS. Can you see any advantage of the Congress withholding its approval of this act until it has been determined whether or not England is going to enter the Common Market, and if so, how, and how will it affect the Commonwealth countries?

Senator BUSH. Well, may I say to the Senator that if Britain does not joint the Common Market, then this 80 percent business would be meaningless, absolutely—because without Britain in the Common Market, the Common Market and ourselves would not control 80 percent of trade.

Senator CURTIS. Can you see any injury coming to this country if we wait and see what happens with reference to Britain's action?

Senator BUSH. No, on the contrary. I do not see any tremendous rush about this situation. I think that inasmuch as this bill was drafted with the—very strong presumption in mind that the United Kingdom would become part of the Common Market, that it would not do any harm at all to our country to lay the bill over until we saw just what was the Common Market—whether Britain was going to join it or not. Just within the last week there have been rumblings out of Brussels which indicate very grave doubt as to whether the United Kingdom is going to join the Common Market or not. Some of the components of the Commonwealth have great reservations about that, and the British have taken those into account. We do not know yet whether they are going to resolve those difficulties.

So if it were laid over until next year, I see no great harm, because then we would know for certain what we are dealing with in respect to the Common Market. It might include Britain and it might not. It makes a very great difference whether it does.

Senator CURTIS. I think that is most important so far as the agricultural interests are concerned.

Senator BUSH. Yes.

Senator CURTIS. Because if Great Britain, after determining her course, has certain arrangements or agreements with respect to the products from the Commonwealth countries, we may face a situation quite different than if she would take a different course.

Senator BUSH. I agree.

Senator CURTIS. I want to again commend you for your fine statement here, and I won't take any more time, Mr. Chairman. That is all.

The CHAIRMAN. Thank you very much, Senator Bush. You have made a valuable contribution.

Senator BUSH. Thank you, Mr. Chairman and members of the committee.

Senator DOUGLAS. Mr. Chairman, with the approval, if Senator Bush gives his approval, I would like to ask unanimous consent that a memorandum submitted to me by Mr. Howard Petersen, which applies to Senator Bush's amendments, be printed at the conclusion of this colloquy so that we may all see what the amendments are and the position of the administration is, so that we may have a chance to understand the issues more currently.

Senator BUSH. Will the Senator kindly give me a copy of that? I have no objection. I have no objection but I would like to have a copy.

Senator DOUGLAS. I have only one copy. It will be printed in the morning and that is one reason I put it in the record.

Senator BUSH. I think probably somebody on the staff has it.

(The document referred to follows:)

ADMINISTRATION VIEWS ON AMENDMENTS TO H.R. 11970, TRADE EXPANSION ACT OF 1962, INTRODUCED BY SENATOR BUSH

On August 2, 1962, Senator Bush, on behalf of himself and other Senators, introduced a series of amendments to H.R. 11970. These amendments, 37 in number, affect virtually every important provision in the bill as passed by the House of Representatives.

These amendments have been presented as an attempt to perfect the bill and to improve its constitutional form. The fact is that if these amendments were adopted, they would successfully nullify the bill and render it useless except as a vehicle for curtailing foreign trade.

There is attached a detailed analysis and criticism of each of these amendments (numbered according to the listing in the Congressional Record of August 2, 1962, pp. 14371–14373).

It is the view of the administration that none of the amendments proposed would constitute an improvement in the bill. Taken as a whole, the amendments would have the effect of:

(1) Substantially reducing the authority which the President would have to negotiate with the Common Market and other countries;

(2) Fixing conditions on the use of that authority which would have the effect of rendering it practically useless;

(3) Establishing peril-point and escape-clause provisions which are neither practical nor economically sound, and which would result in the most extreme protectionist standards which the trade legislation has ever known; and

(4) Striking the substance of the administration's proposals for adjustment assistance to firms and workers adversely affected by tariff reductions.

Amendment 1

Section 201(a) would be amended to require the President to find that the first and any of the remaining three purposes stated in section 102 would be promoted as a precondition to entering into any trade agreement.

Comment

Such a requirement might act to inhibit the use of authority provided in the bill. Thus, for example, use of the tropical commodity authority in section 213 would immediately assist the progress of underdeveloped countries (the third stated purpose in section 102), but might not directly enlarge foreign markets for U.S. products (the first purpose stated in that section). However, it can be expected that, indirectly and over a period of time, increasing the foreign trade of less developed countries will prove to expand markets for U.S. exports.

Amendment 2

This amendment would delete section 202, which authorizes the President, in the case of any article dutiable on July 1, 1962, at a rate of not more than 5 percent ad valorem (or its ad valorem equivalent), to exceed the basic 50-percent limitation on the tariff reduction authority.

Comment

In the case of low-duty articles, the rates often have only an insignificant protective effect and act as an unnecessary impediment to trade.

In order to be equipped with significant negotiating authority on low-rate articles, U.S. negotiators must be able to offer tariff reductions of more than 50 percent, since a 50-percent reduction of a duty that is already extremely low does not amount to a strong bargaining tool.

Many of the articles dutiable at low rates are crude or semimanufactured materials which are of particular importance to the export trade of less developed countries. We are seeking to encourage the trade of these countries and to minimize their dependence on our financial assistance.

The utilization of this authority would be subject to the same careful safeguards generally applicable to the tariff-reducing authority under the bill.

Amendment 3

Section 211(a) would be amended to require that the dominant supplier authority could be used only on products within categories in which the Unite States accounted for 25 percent or more of the aggregated world export value.

Comment

If the United States were to adopt such a limitation on its bargaining authority, the European Economic Community could reasonably be expected also to refuse to make tariff reductions of more than 50 percent on categories of which its members accounted for less than a similar percentage of world exports. This would substantially restrict the benefits which the United States could expect to obtain from negotiations with the European Economic Community under this authority, especially on products in which U.S. exports are most considerable and the benefits from foreign tariff concessions therefore are greatest. Without the possibility of obtaining elimination of the European Economic Community tariff on such categories, U.S. exporters would be left at a competitive disadvantage in trying to sell in the European Economic Community where rival producers in European Economic Community member countries could distribute goods duty free.

Furthermore, if foreign tariffs were lowered under the dominant supplier authority, U.S. exports could be expected to increase their share of the world market value. By establishing an arbitrary minimum for the share the United States must already have achieved when this authority is used, the amendment would tend to restrict further growth of U.S. export sales.

Finally, this amendment is unnecessary as a safeguard for the interests of U.S. producers, since the "dominant supplier" authority will be subject to careful prenegotiation safeguards, including thorough Tariff Commission investigations and advice to the President as to the probable economic effect of any contemplated tariff reduction, public hearings open to all interested parties, and reservation of certain articles from concessions. These provisions insure that all factors pertinent to the condition of a particular industry and its sensitivity to tariff concessions will be carefully examined before a decision is made to utilize any tariff-reducing authority.

Amendment 3b

Section 211(b)(2)(B) would be amended to require that the Tariff Commission make public not only its determinations of the articles falling within the categories for the purpose of the dominant supplier authority, but modifications of such determinations as well.

Comment

The Tariff Commission is required to make public its determinations of articles falling within each category, and is authorized to modify determinations. Since a modified determination is still a determination, the requirement for publication, which is not qualified in terms of original or initial determinations, would equally apply.

Amendment 3c

Section 211(b)(2) would be amended to require the Tariff Commission, after determining the list of articles falling within each category of the classification system selected for applying the dominant supplier formula, to delete from the list any article for which the Commission determines that use of the dominant supplier authority would breach the peril points to be fixed under proposed amendment 6.

Comment

This amendment supplements amendment 6, which reintroduces the existing peril-point provisions. Accordingly, the comment on amendment 6 applies.

Amendment 3d

Section 211(c)(2)(B) would be amended to require the Commerce Department to make public the foreign trade statistics upon which computations of aggregated world export value are based for purposes of section 211(a).

Comment

Access to these statistics is already available to the public, and would continue to be under the Trade Expansion Act. The amendment is, therefore, unnecessary.

Amendments 3 e, f, and g

Section 211(c)(2)(C) would be amended to eliminate from the computation of aggregated world export value any exports not paid for in the currency of the exporting nation on a commercial basis.

Comment

With the reestablishment of convertibility among the currencies of most of the economically developed countries of the world, a great many export sales are now made in the currency of the purchasing country rather than that of the exporting nation. U.S. exporters, in general, willingly accept German marks or British sterling, for example, in return for shipments to Germany or the United Kingdom, and foreign countries will generally take U.S. dollars in payment for their exports to this country. To require that the computation of aggregated world export value exclude such transactions, as this amendment would do, would lead to an arbitrary, unrealistic picture of total world export trade.

Furthermore, the amendment would tend to exclude export sales by any country which are financed through government support or assistance programs. Regardless of the method of financing, such exports reflect demand for the products purchased and represent a genuine exporting interest on the part of the supplier. It is, therefore, unreasonable and misleading to disregard them for purposes of computing world export value.

The amendment would, moreover, be impracticable, since trade data are not maintained according to the means of payment.

Amendment 3h

Section 211(d) would be amended to require the Tariff Commission to make public its advice to the President concerning the representative period for each category, the aggregated world export value of the articles falling within such category, and the percentage of the aggregated world export value of such articles accounted for by the United States and the EEC combined.

Comment

The advice in question is clearly in the nature of a communication to the President for his personal use in determining a given course of action and is not designed for public use. From the standpoint of the public, the significant determination is the President's which will be made known upon issuance of the public list.

Amendment 4

Section 211(e) would be amended so that the dominant supplier authority would be inapplicable to articles as to which the Tariff Commission finds under section 211(b) that the use of such authority would cause or threaten serious injury.

Comment

This amendment supplements amendment 6, which reinstates the existing peril-point provisions in section 211(b). Accordingly, the comment on amendment 6 applies.

Amendments 5 a–f

Section 213 would be amended to require that, in utilizing the authority to eliminate duties on tropical agricultural or forestry products not produced in the United States in significant quantities, the President must exclude from negotiation any such commodity which is directly competitive with a commodity produced in the United States.

Comment

This amendment disregards the fact that, while an imported article may be competitive with a U.S. article, it does not mean that imports of the article will be injurious. Moreover, the safeguards generally applicable to the utilization of the tariff reduction authority in H.R. 11970 would also apply to the authority in section 213. The President would be authorized to exclude from negotiation any tropical agricultural or forestry commodity which he deemed appropriate for any reason, including the advice of the Tariff Commission as to the probable economic effect of granting tariff concessions.

Amendment 6

Section 221(b), which now requires the Tariff Commission to hold hearings and advise the President of the probable economic effect of modifications of duties, would be amended so as to—

(1) reinstate the present peril-point provisions in section 3(a) of the Trade Agreements Extension Act of 1951;

(2) establish new criteria to guide the Tariff Commission in determining whether a trade agreement concession would cause or threaten serious injury; and

(3) require the Tariff Commission to hold hearings.

Comment

This amendment would again impose on the Tariff Commission the responsibility given it by the 1951 act of fixing, for each article under consideration for a possible tariff concession, the exact "peril point" below which tariffs could not safely be reduced.

This cannot realistically be done. To fix exact peril points on the basis of unpredictable future possibilities is an arbitrary process without foundation in sound economic analysis. It is impossible to translate into terms of precise tariff levels the broad variety of factors which may affect the response of domestic industries to modified tariffs.

Moreover, reintroduction of the peril-point provision is unnecessary in view of the requirement in section 221(b) which assures that before any tariff concession is granted the Tariff Commission must have the opportunity to provide to the President in a meaningful way its advice as to the probable economic effect of the proposed concession. This will leave the Tariff Commission free to render the most meaningful and intelligible advice possible, unrestricted by artificial and unworkable statutory criteria. In addition, the President would have to take into account the views of interested persons presented at public hearings held by the Tariff Commission, as well as information and advice given to him by various Government agencies. All of these procedures are designed to insure that the President's decision to modify duties will be based upon the most thorough and rational consideration of the consequences of such action as is possible.

The injury criteria under the proposed peril point would parallel those under the proposed escape clause. See paragraph 4 of comments on amendments 18 through 32.

Amendment 7

Section 224 would be amended to provide that the prerequisites stated therein would have to be satisfied before the President granted a trade agreement concession as well as before he offered such a concession.

Comment

The amendment is unnecessary. During a trade agreement negotiation, the President's representative may either propose a concession in the U.S. tariff schedule or agree to a proposal that the United States make such a concession. In either case, however, such a concession is an offer on the part of the United States until signature of the agreement by all the parties concerned, and the prenegotiation safeguards established in the bill would have to be complied with.

Amendment 8

Section 225(a)(1) would be amended by deleting the reference to section 351, which relates to tariff adjustment.

Comment

This is a technical amendment consistent with amendment 34 which, among other things, deletes section 351 itself.

Amendment 9

Section 225(b) would be amended to delete the 4-year time limitation applicable to the possible reservation from tariff negotiations of articles on which the Tariff Commission has recommended escape-clause action but none is in effect.

Comment

The 4-year period was written into this provision to conform to the 4-year period for which escape-clause action would remain in effect under sections 351

(c) and (d). The purpose is to encourage such industries to take steps to improve their competitive position, with the expectation that tariffs would not be modified during that period.

To exempt such industries from tariff reduction during the entire period of the Trade Expansion Act's effectiveness, however, would tend to remove the stimulus to such industries to undertake efforts at adjustment to import competition. The amendment would thus create an artificial, and even unneeded, prop for U.S. industry.

Even after the 4-year period has expired, the prenegotiation safeguards established in the bill would apply to these articles. No tariff concession upon them could be offered until thorough studies of the probable domestic effects of such a concession had been undertaken by the Tariff Commission. If, after the 4-year period, the industry's competitive position has not improved, the Tariff Commission would so report to the President, and this would be taken into account in determining whether to continue the industry's reservation from trade negotiations.

Amendment 10

Section 225(c), which relates to the President's discretionary reservation authority, would be amended to substitute "findings" for "advice" in describing the nature of the Tariff Commission's report to the President under section 221(b).

Comment

If this amendment simply conforms to amendment 6, the comment on amendment 6 applies.

If this amendment is intended to have an independent status, it is unnecessary. It could not alter the nature of the Tariff Commission's communication to the President if section 221(b) continues to read in terms of advice.

In addition, whether the Tariff Commission's communication is characterized as advisory or factfinding cannot affect the constitutionality of the delegation of authority to the President under the bill. The constitutional point is met so long as the bill sets out, and the President follows, intelligible criteria applicable to the exercise of the authority delegated to him by the bill.

Amendments 11 a, b, c

These amendments, described below, would add a new section 226 which would attach specified conditions to the President's exercise of the trade agreements authority.

Comment

These amendments would render practically unusable the President's authority to enter into new trade agreements.

Subsection (a) would permit the President to proclaim new tariff concessions made on particular articles in a trade agreement with the EEC only if he finds as a fact that the EEC had committed itself, except as otherwise permitted, to admit the like article exported from the United States on terms no less favorable than those which the United States would apply to imports of the article if the tariff concessions were proclaimed.

This amendment would require our negotiators to obtain from the EEC assurances that it would grant to us a tariff concession on precisely the same product and of precisely the same amount that we might make under the new act. This would have to be done whether or not we would be in a position to benefit from such a concession by the EEC. We would have to give priority to the achievement of matching concessions even though it would probably in many cases be more advantageous for us to seek from the EEC concessions on articles other than those on which we were prepared to offer concessions to the EEC. We would find it practically impossible under this formula to get the concessions we need from the EEC on U.S. agricultural exports.

Subsection (b) would require the President to limit offers of tariff concessions to the country or instrumentality which is the principal supplier of the article in world export trade, not including the exports of the United States.

This provision would substantially restrict and burden the use of the trade agreements authority without conferring any protection or advantage on U.S. industry. While the supplier position of a country in the U.S. market is ordinarily an important consideration in the granting of a concession, its supplier

position to the world is not. We might indeed find ourselves considerably hampered in our tariff negotiations if other countries should adopt such a standard. We would certainly consider it unreasonable for another country to reject our request for a tariff concession on the ground that we did not have a sufficiently good supplier position in world markets as a whole.

Subsection (c) would require the President to refrain from proclaiming new tariff concessions to any country unless he found that the parties to and beneficiaries of such agreements had agreed to admit imports of the like articles from any other free world country on terms no less favorable, as regards either tariffs or nontariff restrictions, than those which the United States would apply to imports of the same article under the agreement. The aim of this amendment, according to its sponsors, is to bring about more favorable treatment for Asian goods in European markets. This is a highly unrealistic and ineffective way of achieving a commendable aim which the United States is pursuing by every appropriate means. The proposed subsection (c) would condition the President's exercise of his trade agreements authority on the negotiation of commitments as to the treatment of Asian goods by European countries. This would preclude us from obtaining concessions from other countries which would benefit our exporters by opening up market opportunities abroad. In addition, since no exceptions would be permitted, we would have to seek such commitments on any article on which we offered a concession, whether or not Asian countries were likely to benefit from the commitments.

Amendments 11d and 12

Section 226 would be redesignated section 227 and would be amended to require the President to transmit each trade agreement to the Congress, together with a statement specifying each breach of a peril point and the reasons for such breach.

Comment

This amendment supplements amendment 6. Accordingly, the comment on amendment 6 applies.

Amendments 13 a and b

Section 242(a) would be amended by fixing by statute the chairmanship of the interagency trade organization in the Secretary of Commerce.

Comment

The President, in exercising the responsibilities of his Office, must have latitude to choose among his official advisers for counsel and for special tasks such as chairmanship of Cabinet-level committees.

In particular instance of the interagency trade organization, President Kennedy sent a letter to the Ways and Means Committee of the House of Representatives dated May 17, 1962, and printed in that committee's report (p. 19) in which he expressed his intention to "retain" (referring to the present chairmanship by the Secretary of Commerce of the Trade Policy Committee) "the Secretary of Commerce as chairman of the Cabinet-level committee provided for in the committee bill."

The proposed amendment would establish an unfortunate and unwise precedent for the future—the precedent of withdrawing from the President his right to choose from among his Cabinet members specific people for specific tasks.

Amendment 14

Section 242(b)(3) would be amended by striking "unjustifiable."

Comment

This is a technical amendment consistent with amendments 16 a, c, and e which strike "unjustifiable" and "unjustifiably" in section 252.

Amendment 15

This amendment would add a new section 244 which states that it is the sense of Congress that the President during the course of negotiating any trade agreement shall seek advice and information with respect to each distinct and homogeneous grouping of articles which is the subject of negotiations from representatives of the domestic industry, agricultural sector, and labor producing the like or directly competitive articles.

Comment

The bill provides ample opportunity for interested parties to present their views concerning particular articles subject to negotiations. Section 223

requires the President to conduct public hearings prior to negotiations where interested parties can present their case as to the effects of trade concessions on the specific article they desire to protect. Section 241(b) further requires the special representative for trade negotiations to seek information and advice during negotiations from representatives of industry, agriculture, and labor. These representatives will not speak for any certain industry or product but will evaluate the broad effects of the negotiations based upon their general business, farm, and labor experience.

The proposed section 244 would add a third procedure for obtaining advice concerning negotiations. But this advice would be private advice from parties who are representing special interests. The advice they have to give will already have been given in public hearing where their opposition, if any, can state contrary views. The amendment would preclude advice from other parties who do not represent the like or directly competitive article but who have an important interest in the outcome of the negotiation. Thus, the amendment would allow one-sided representations without the procedural safeguards of public hearings.

Amendments 16 a–e

Section 252 would be amended to require the President to take action against foreign import restrictions whether or not they were unjustifiable and whether or not such action was consistent with the purposes of the bill.

Comment

These amendments would totally disregard the vital distinction between justifiable and unjustifiable import restrictions. Accordingly, they would require the President to take action against those import restrictions which are fully recognized and permitted by the General Agreement on Tariffs and Trade, to which we are a party, and thereby put us in violation of our international obligations. In addition, they would encourage other countries to disregard the distinction between justifiable and unjustifiable import restrictions and permit them to justify retaliation against our import restrictions, such as those under section 22 of the Agricultural Adjustment Act of 1933, which are either permitted by the GATT or by waivers granted under the GATT.

Furthermore, the amendments would require retaliation whether or not such action was consistent with the purposes of the bill. Retaliation can have injurious consequences which hamper rather than facilitate the elimination of the import restrictions involved. In order to avoid this, the President must have the discretion to determine whether retaliation will in his best judgment promote the purposes of the bill. Without such discretion, retaliation by the United States would become an automatic response which would serve only to promote economic warfare.

Amendment 17a

This amendment would add a new section 255(c) which requires the President to terminate tariff concessions made under the dominant supplier authority when he finds that in the most recent 2-year period for which data are available either that the United States did not account for at least 25 percent of the aggregated world export value or that the United States and the European Economic Community together did not account for 80 percent or more of such value.

Comment

Once a trade agreement has been made, it would be unreasonable to terminate tariff concessions merely because a statistical formula is no longer satisfied by world trade data. Such a step would obligate the United States, under international agreements, to make offsetting tariff concessions on other products or else be liable to retaliation, either of which actions may cause hardship to domestic interests. The significant question is not whether the formula is satisfied, but whether the tariff concession has led to serious injury on the part of domestic producers. In the latter case, the bill specifically provides for suspension of tariff concession (sec. 351).

This amendment would also tend to restrict international trade, due to the uncertainty it would create as to the future status of U.S. tariff concessions. It would likewise create uncertainty on the part of U.S. exporters as to the continuation of tariff concessions which the European Economic Community has given to this country, since it is reasonable to expect that if the United States abrogated trade agreements on the basis of this standard, the European Economic Community would do the same.

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Amendment 17b

This amendment adds a new section 255(d) which would require the President to retaliate against a country breaching a commitment given to the United States in accordance with the requirements of section 226 (a) or (c). The act of retaliation would be termination of the concession or concessions granted to that country in reliance on the breached commitment.

Comment

See comment on amendments 11 a and c, which would establish sections 226 (a) and (c), and comment on amendments 16 a–e relating to the undesirability of retaliation as a principle in trade policy.

In addition to the cited considerations, there is the further point that amendment 17b is impracticable because in tariff negotiations a package of concessions on one side is exchanged for a package of concessions on the other side. There is no identification of a particular concession granted by the United States for a given concession granted by another country.

Amendments 18–32

Section 257(e) (1), 301, and 302 would be amended so as:

(1) To leave unrepealed the existing escape clause provisions (secs. 6 and 7 of the Trade Agreements Extension Act of 1951), which would then govern petitions for tariff relief and Tariff Commission investigations concerning such petitions (amendments 18, 20, and 22) :

(2) To substitute the causal tests of the existing escape clause provisions in the sections concerning petitions by firms and workers as well as by industries (amendments 21, 23a, 23b, 25a, and 25b) ;

(3) To substitute new tests of economic injury (amendments 24 and 26) ;

(4) To restrict the President to the use of escape clause authority, as opposed to other adjustment assistance authority, in the case of injury to an industry (amendment 28a) ; and

(5) To substitute a simple majority, as opposed to a two-thirds vote by the Congress to override a Presidential decision not to take escape clause action (amendment 28b).

The remaining amendments 19, 27, 29a, 29b, 30, 31, and 32 are technical amendments consistent with the changes made by the other amendments.

Comment

1. Amendment 18 amends section 257(e) (1) to leave unrepealed the existing escape clause provisions—sections 6 and 7 of the 1951 act. Amendments 20 and 22 amend sections 301(a) (1) and 301(b) (2), respectively, so as to subject escape clause petitions and investigations to the provisions in existing law.

They would be in substitution for a carefully designed set of provisions (secs. 301, 302, and 351) which would establish a sound basis for tariff relief to industries where warranted and would afford other means of adjustment assistance to be used as well. At the same time, these new provisions would retain intact the principle of making tariff relief available to industries which are seriously injured by increased imports resulting from tariff concessions. The procedure for obtaining such relief would remain the same: the industry applies to the Tariff Commission, the Commission investigates to determine whether serious injury has occurred and recommends appropriate relief on the basis of its finding, the President receives this recommendation and furnishes tariff relief if in his view it is warranted, and the Congress may take action to impose the tariff relief if the President does not do so.

The improvements effected by sections 301, 302, and 351 of the bill would be completely canceled by the substitution of spurious causal tests and artificial injury criteria.

2. Amendments 21, 23a, 23b, 25a, and 25b would amend sections 301(b) (1), 301(c) (1), and 301(c) (2) so as to make two basic changes in the test used in the analysis of the relationship between trade agreement concessions, imports, and injury:

(*a*) They would classify as injury produced by trade agreement concessions any injury which is produced in any part by trade agreement concessions.

(*b*) They would permit a claim of import-caused injury in a case where imports do not increase but the share of the domestic market held by imports increases.

First, the language of the bill is not intended to require that tariff concessions be the sole cause of injury in order to establish eligibility for any of the forms of adjustment assistance. But concessions ought to be found to be the major cause of injury before any industry, firm, or group of workers qualifies for special assistance from the Federal Government, in the form of tariff increases or other adjustment assistance. The principal justification for such special assistance is that the tariff concession was the major cause of injury, and that therefore the Government should assist in relieving such injury.

The proposed amendments would run counter to this principle, since they would authorize eligibility for Federal assistance even when tariff concessions are only a minor factor in causing injury. It is not the policy of the Government to give special relief to industries or firms or workers who undergo injury due to economic factors other than import competition.

Second, to characterize injury as import-caused where there is no increase in imports but there is a percentage increase in the ratio of imports to domestic production, presupposes that there is a fixed, normal division of the market between imports and domestic production, and that the domestic industry by right is entitled to an established share. There is no such fixed division and no such established right.

The proposed amendments would make possible a claim of injury on the grounds that though a domestic firm's or industry's production has risen, it has not risen as much as it would have, and has not gained as large a share of the market as it would have, in the absence of a tariff concession. Such injury is too speculative to justify a claim for Federal relief.

3. Amendment 24 amends sections 301(c)(1) to delete the enumeration of three factors to be considered by the Tariff Commission in determining injury, and amendment 26 adds a new section 301(f) which amends section 7(b) of the 1951 act to provide a test for injury based on a significant decline in the domestic industry's share of the domestic market and either a decline in earnings or employment, wages, or wage rates.

301(c)(1) presently provides that "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." This language is intended to give the broadest latitude to the Commission in determining what it should consider as injury, while making special mention of those factors which in past practice have been found particularly significant. Amendment 24 would abolish this provision, leaving in its place the discursive language of section 7(b) of the 1951 act.

Amendment 26, moreover, would require the Tariff Commission to make a finding of injury whenever a decline in earnings or employment is coupled with a "significant decline in the share of the domestic market supplied by domestic products." It is difficult to see how a test can reasonably be laid down which universally equates significant decline in the sha[illegible] of the market with serious injury. This test of injury, taken together with the highly artificial tests of causality, goes far to render escape clause relief a remedy not for injury caused by trade agreement concessions but a panacea for a wide range of economic problems.

4. Amendment 28a amends section 302(a) so as to restrict the President, in the case of industrywide injury, to furnishing escape clause relief and to render him unable to provide other forms of adjustment assistance.

This amendment would, in many cases, leave the President with the choice of either giving no relief at all or else increasing tariffs even though assistance to firms and workers would be of much greater domestic benefit and require no compensation to foreign countries to be made by the United States on other articles.

It would clearly be in the national interest and to the benefit of private interests as well to give the President as many tools as possible to cope in the most effective way with injury caused by trade agreement concessions.

5. Amendment 28b substitutes a new section 302(c) which amends section 7(c)(2)(B) of the 1951 act so as to permit the Congress to require an escape-clause action by a majority vote, rather than by a two-thirds vote as under existing law.

The bill provides for congressional action in an escape-clause case on the basis of a vote of the majority of the authorized membership in each House, following normal consideration of the matter by the committees concerned. The amendment, however, proposes that the majority be a simple majority and not

a so-called constitutional majority. The significance of this change is magnified by the fact that the amendment would leave in effect, as the bill does not, the provision in the 1958 act rendering privileged any motion to override a presidential decision not to take escape clause action.

Amendment 33

This amendment would delete the last sentence of section 311(a) and would replace sections 311(b)–320 with a new section 311(b). This provision would provide that upon application for assistance by a firm which has been certified under section 302 as eligible to apply for assistance, the Secretary of Commerce shall designate the community in which each affected plant of the firm is located as a redevelopment area under the Area Redevelopment Act for the purpose of making available to the firm and its workers such benefits of that act, notwithstanding any of its provisions, as the Secretary of Commerce determines to be appropriate for the sound economic redevelopment of the firm and its workers.

Comment

The proposed amendment takes an inadequate and illogical approach to the clear and compelling need for providing assistance to firms injured as a result of trade agreement concessions. Adjustment assistance provided for firms by the bill is designed as a means of rehabilitation for individual companies that experience injury as a result of trade agreement concessions. The Area Redevelopment Act (ARA), on the other hand, is designed to relieve chronic unemployment widespread in entire communities. In large part, the tools provided by ARA are, therefore, irrelevant to the problems presented by import-injured firms, since the objectives of the ARA and title III of the bill are clearly divergent. For example:

(1) Loans to firms under the ARA may be made only after "an overall program for the economic development of the area" has been formulated and approved by the State and the Secretary of Commerce. This requirement is irrelevant to the needs of import-injured firms and is unduly burdensome both to such firms and to the State authorities.

(2) Financial assistance extended under section 6 of the ARA requires that at least 10 percent of the cost be supplied by the State (sec. 6(b)(9)(B)). This requirement is peculiar to the philosophy of the ARA and unjustified in a trade adjustment assistance program.

(3) Technical assistance under the ARA is limited to assistance "which would be useful in alleviating or preventing conditions of excessive unemployment or underemployment" in areas (sec. 11). This would ordinarily preclude technical assistance to individual firms, which in some cases would be required for effective trade adjustment assistance.

The amendment's phrase "notwithstanding any provision of such act" may be intended to avoid the problems above by making it possible for the Secretary of Commerce to ignore such provisions of the ARA. But in that case, it must also mean that the Secretary of Commerce could furnish loans under this authority without regard to the statutory requirements of "reasonable assurance of repayment" by the borrower, unavailability of the funds from a private source, and other safeguarding conditions. This removes all the safeguarding conditions for the use of public funds appropriated for the ARA, a step which would, in effect, give the Secretary of Commerce a blank check in his handling of ARA funds. This is clearly unreasonable and would constitute a dangereous precedent.

Furthermore, in providing that any community in which an import-injured firm is located shall be designated a "redevelopment area" the amendment would establish a thoroughly artificial definition of "redevelopment area" which would strain the integrity of the ARA. That act was designed for the assistance of entire communities in which unemployment is widespread, and careful criteria were set up to insure that only such impacted communities would be eligible. This amendment would result in communities being designated "redevelopment areas" without reference to the question of whether they had been marked by severe unemployment on a prolonged and widespread basis.

The proposed amendment, therefore, not only does violence to the purposes for which the ARA was established by Congress, it is also inadequate for the needs of import-injured firms and inequitable in the context of the ARA program. The assistance provisions for firms in H.R. 11970, on the other hand, provide a program which bears an immediate and rational relationship to the

trade program envisaged by the bill. It will be responsive to the problem of import injury without undermining existing Federal programs.

Amendment 34

This amendment would delete sections 322–338 and would replace section 321 with two subsections which would provide that a group of workers certified under section 302 as eligible to apply for adjustment assistance can apply to the Secretary of Labor within 2 years and, upon receipt of such application, the Secretary of Labor must make available on a priority basis the benefits provided in the Manpower Development and Training Act of 1962.

Comment

The amendment is a grossly inadequate substitute for the worker assistance provisions of the bill, and will not meet the clear and urgent need sought to be met in those provisions.

The benefits for workers provided in the Trade Expansion Act and the training allowances under the Manpower Development Act of 1962 are designed for basically different purposes, and the provisions established for one would be inadequate and inappropriate for the other.

Worker benefits under the Trade Expansion Act are intended as a reasonable and constructive substitute for the job security offered by present tariff rates—a substitute to be available for an interim period during which the process of adjustment to the new economic conditions will take place.

Allowances under the Manpower Act, on the other hand, are intended as subsistence payments to make it possible for unemployed workers to undertake retraining and be able to support their families at the same time.

In light of these separate objectives, different benefits and different standards are required under the two programs.

Under the Trade Expansion Act, the amount of readjustment allowances is related to the individual's former wages, in keeping with the purpose of offering a reasonable substitute for past job security during the adjustment period. Under the Manpower Act, the training allowances are equal to the average unemployment insurance payment in the worker's State since only a subsistence wage is intended, and since many, if not most, of those referred to training will have been unemployed for so long that no meaningful average wage could be computed for them.

Under the Trade Expansion Act, there are rigorous standards for eligibility for readjustment allowances. Eligibility is restricted to those who have worked a substantial part of the past 3 years, with at least half of the last year in firms hurt by imports. Under the Manpower Act, training allowances are limited to heads of families or households. The proposed amendment would have the effect of abolishing the former eligibility requirement and introducing the head-of-household requirement (unless the amendment is interpreted to eliminate this requirement, as it probably cannot be). This is clearly unjustifiable in view of the general needs of the import-injured worker, whether they are heads of households or not.

Furthermore, it is possible that some workers unemployed as a result of imports—especially older workers—would not be suitable for retraining. For such workers, the Manpower Act holds out no benefits at all, and the proposed amendment would therefore deprive them of any relief whatsoever. This would be clearly inequitable.

Finally, where tariff action causes injury to workers, the Federal Government is responsible, and Federal assistance under the bill is justified in order to facilitate adjustment to new economic conditions. A subsistence payment is not an adequate interim substitute during an adjustment period necessitated by Federal action. If the Federal Government decides, for the good of the economy as a whole, to reduce a duty, then workers displaced and unemployed as a result of an increase of imports should be assisted at higher than subsistence level during the period of readjustment. This the Manpower Act was not designed to do and cannot do. Nothing less than a new program, rationally integrated into the trade program itself, can accomplish the intended result.

Amendment 35

This amendment would add a new section 406, which would provide that determinations of the President under 12 specified sections shall be based upon findings of fact by the President that the conditions specified by the Congress for use of the authority provided in each such section have been met.

Comment

This amendment confuses determinations based upon objective data and subjective judgment. For example, section 211 requires the President to determine with respect to a given category that the United States and all countries of the Common Market together account for 80 percent or more of the aggregated world export value of all the articles in such category. Such a determination will for the most part be necessarily based upon ascertainable data and that extent will be based upon findings of fact. On the other hand, section 232(a) prohibits the decrease of any duty on any article if the President determines that such reduction would threaten to impair the national security. Such a determination cannot be a finding of fact. It is a judgment of probability rather than actuality, although objective data will necessarily form part of the basis for the determination.

It should be noted that the amendment is not pertinent to the constitutionality of the delegation of authority from the Congress to the President in the bill, which must rest upon the intelligibility of the criteria established in the bill to guide the President's actions.

Amendment 36

This amendment would add a new section 407 which would require the President to make public three reports; the report of the Tariff Commission under section 218(c) as to the list of commodities qualifying under the tropical commodity authority, the report of the interagency trade organization on the results of hearings concerning import restrictions, and the report of the Tariff Commission to the President on escape clause cases.

Comment

The first two reports are clearly in the nature of communications to the President for his personal use in determining a given course of action and are not designed for public use. This is especially true with regard to the second report which is also in the nature of a recommendation of appropriate action to be taken with regard to import restrictions.

The requirement for publication of Tariff Commission reports to the President on escape clause cases is unnecessary. The report of the House Committee on Ways and Means (p. 48) makes clear that the Tariff Commission must both make the report public and cause a summary to be published in the Federal Register.

Amendment 37

This amendment would add a new section 408 which establishes peril point procedures and escape clause action for industries characterized by economic growth whenever their rate of growth appears to be seriously impaired by imports.

Comment

Growth industries in general are the very ones whose products are most successfully competitive with foreign products. They are characterized by productive efficiency, advanced technology and design, and other competitive advantages. These industries are generally those in which export prospects are strongest; they do not need protection in order to outsell foreign rivals.

This amendment is claimed to be a measure for increasing employment in growth industries. In fact, it would tend to do the opposite. It would invite retaliation by other countries, in the form of withdrawal or refusal of tariff concessions on the products of U.S. growth industries, thus limiting their export possibilities and interfering with their growth. The United States would thereby be cut off from many of its export markets, with the effect of eliminating domestic profits, jobs, and a vital source of balance-of-payments income.

There is no justification for this amendment in economic theory or in commercial practice. Its purpose could only be to stymie all tariff negotiation by requiring that protection be afforded to strong U.S. industries as well as weak.

(Senator Bush later submitted the following for the record:)

U. S. SENATE,
COMMITTEE ON ARMED SERVICES,
August 17, 1962.

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

DEAR MR. CHAIRMAN: On August 10 Special Assistant to the President Howard C. Petersen sent to you and other members of the Finance Committee a memorandum commenting on the amendments to H.R. 11970 which I introduced in my own behalf and that of seven other Senators on August 2.

As you are aware, these amendments—

Restore the peril point and escape clause safeguards which have been part of our trade agreements law since 1951;

Make more specific the guidelines which are to govern the President's use of the unprecedented power to eliminate duties contained in the trade bill;

Require U.S. negotiators to condition future trade concessions on commitments by the European Common Market and other countries to honor the most-favored-nation rule which is supposed to be part of the multilateral trade agreements to which we and they are signatories; and

Eliminate the use of Federal unemployment compensation benefits to workers and various subsidy-type benefits to injured firms as a substitute for preventing and correcting serious injury from excessive imports.

I do not find the comments submitted by Mr. Petersen to be well taken. They certainly do not justify the conclusions drawn in Mr. Petersen's memorandum and, when considered singly, do not present valid objections to the individual amendments.

Your committee, of course, is knowledgeable in these matters. To the extent that the committee is constrained to give serious consideration to Mr. Petersen's comments, I would appreciate your considering also in conjunction therewith my analysis of Mr. Petersen's comments, which is attached to this letter. It is requested that this letter and my analysis may be printed in the record following Mr. Petersen's memorandum which was inserted in the record by Senator Douglas at the conclusion of my testimony on Monday, August 13.

With respect and warm personal regards, I am,

Sincerely yours,

PRESCOTT BUSH,
U.S. Senator.

ANALYSIS BY SENATOR BUSH OF ADMINISTRATION VIEWS ON HIS AMENDMENTS TO H.R. 11970

A. Amendments as to which the Petersen memo presents no objections

The Petersen memorandum of August 10, 1962, states in essence that amendments 3b, 3d, 7, 8, 10, and 36 are "unnecessary." There is no contention that the matters specified in those amendments would in any way reduce or limit the President's use of trade agreement authority.

Matters not strictly "necessary" are frequently specified in legislation for the sake of clarity. The public, particularly, is entitled to clear and specific guidance as to its rights, the availability of hearing procedures, information, and reports concerning the administration of the trade agreements program. It cannot rely on unwritten practices or promises.

B. Amendments objected to on grounds other than any alleged impairment of the President's authority or freedom of action

1. Amendments 3e, f, and g would limit the statistical data considered in applying the 80 percent test [sec. 211 of the bill] to actual commercial transactions. The Petersen memo holds that Government-aid financed exports "reflect demand" and "a genuine exporting interest." Obviously, foreign-aid cargoes are not exported because of tariff levels abroad, nor are such cargoes prevented from moving because of the height of foreign tariffs. Neither is the volume of foreign-aid cargoes any indication of the commercial strength of U.S. exports vis-a-vis the products of other countries.

2. Amendments 5a–f would not allow duties to be eliminated on tropical products which are directly competitive with articles produced in significant quantity in the United States. The theory underlying this section is that tropical articles are not produced in the United States and, therefore, that duties can be safely eliminated. Either there are a considerable number of tropical products directly competitive with Temperate Zone species of such products produced in the United States, or there are not. If there are, then the premise for the duty-eliminating authority in the bill is false; if there are not, then the elimination of such articles from the scope of the authority would not significantly reduce President's authority. The Petersen memo does not dispute this.

3. Amendment 9 would delete the 4-year limitation on the possible reservation from tariff negotiations of articles on which the Tariff Commission has found injury. The Petersen memo would justify the 4-year period because a similar 4-year time limit is placed on tariff increases in escape clause cases. The mere attempt by the administration to establish a 4-year time limit for tariff adjustment does not in and of itself prove that such a limit is sound public policy. It is unprecedented in our trade-agreement history.

The Bush amendments challenge the central concept of section 225(b), to which amendment 9 is directed, that the regulation of imports so as to avoid causing serious injury should arbitrarily be limited to any fixed period of time. The "no injury" policy should have continuing application. It has served the national interest while permitting a rapid reduction of our tariffs during the postwar period. No solid facts sufficient to justify its complete abandonment or abridgment to a limited period of years have been supplied by the administration. The Petersen comments do not claim that elimination of the 4-year period would hamper the President's freedom to negotiate meaningful trade agreements.

4. Amendments 13 a and b name the Secretary of Commerce as chairman of the statutory interagency trade organization. The Petersen memo argues that this designation deprives the President of the prerogative to choose the chairman, but does not argue that the amendment would limit the President's trade agreement authority nor his latitude for using that authority.

5. Amendment 15, providing for consultation with representatives of domestic producers during the course of negotiations, is attacked as unnecessary and as benefiting special interests to the exclusion of other parties. The contention is not made that such consultation would limit the President's trade agreement authority nor his freedom for using it.

The Petersen comments miss the point of the amendment, which is to make available competent technical advice for application to problems which arise during the course of negotiations. The prenegotiation public hearings could not elicit advice on such problems, as they are not then known. The Petersen argument that this arrangement would preclude advice from other parties who have a less direct interest begs the question by admitting the desirability of advice during negotiations. Whether the producer groups directly affected be called upon for advice in contrast with all persons with any conceivable interest, is simply a question of degree.

6. Amendments 33 and 34 would limit adjustment assistance to firms and workers to the benefits provided in the Area Redevelopment Act and the Manpower Development and Training Act. The Petersen memo argues that certain provisions of these acts are inappropriate in relation to import-injured firms and workers. The arguments against amendment 33 in the Petersen memo give no effect to a clause of the amendment stating that "notwithstanding any provision of such act to the contrary," the Secretary of Commerce is authorized to accord the benefits of the Area Redevelopment Act to the affected firm and its affected workers. This makes it unnecessary for areawide redevelopment plans and the like to be presented.

It is the benefits of the act which the Secretary can extend to affected firms; hence, the argument that the conditions attached to such benefits, such as assurance of repayment of loans, would be waived by the "notwithstanding" clause is incorrect.

7. Amendment 34 would limit the benefits available to groups of workers to those provided in current law (the Manpower Act). The Petersen memo attempts to argue that workers unemployed as a result of imports are entitled to a Federal substitute for unemployment compensation, in addition to retraining,

whereas other unemployed persons are not. Hence, it is argued that the limitations in amendment 34 are unfair to those thrown out of work by imports.

The Bush amendments squarely challenge this attempt to provide different classes of treatment for unemployed persons in the same situation, so far as opportunities for reemployment are concerned. The very enactment of the Manpower Act shows that there is a basis for Federal concern in unemployed persons regardless of the particular cause of unemployment. The Petersen argument that "some workers unemployed as a result of imports—especially older workers—would not be suitable for retraining" is an impressive reason for the approach in the Bush amendments of retaining our traditional policy of avoiding serious injury from imports.

8. Amendment 35 would require Presidential determinations to be based on findings of fact that the criteria specified by Congress is applicable when the President uses the delegated authority. The Peterson memo argues that the Presidential duty to avoid reductions in tariff which would impair the national security cannot be based on a finding of fact because it relates to a probability. This argument misses the point that where the Congress specifies the probability of an occurrence as a guideline for action, a finding that such a probability exists is a finding of the fact of the probability. Mr. Petersen is confused between the fact of the existence of a probability and the maturing of a probability into an accomplished fact. In any event, whether we call the exercise of judgment involved "factfinding" or "determinationmaking," the scope of the President's authority is not limited, nor his latitude for the use of the authority.

9. Amendments 36 and 3h, requiring the President to make certain reports public, are attacked by the Petersen memo in part as requiring disclosure of privileged communications. The reports referred to in the amendments (the listing of tropical commodities and the factual report of the interagency trade organization concerning the existence of discriminatory practices against U.S. exports) involve only objective facts, and are not policymaking documents. If these reports are made public, it would not limit the President's authority or his freedom to use his trade agreements authority in any way.

C. Amendments where the objection misconceives the purpose or meaning of the amendment

1. Amendment 1 requires the President to include expansion of exports as the purpose of any trade agreement negotiation. The Petersen memo objects because this "might" limit the use of duty-eliminating power on tropical commodities. This objection ignores the extensive restraints imposed by less developed countries on U.S. exports. It will always be possible to request concessions of such countries even if only in the form of bindings of existing customs treatment where such a country is unable for sound reasons to lower such barriers.

2. Amendment 2 would strike the President's authority to eliminate duties simply because they are 5 percent ad valorem or less. The Petersen memo objects with the contradictory argument that such rates "often" have an insignificant protective effect, yet somehow act as an unnecessary impediment to trade. If the one is true, the other cannot be. If they are in fact insignificant, then their elimination is not effective bargaining material. The Petersen memo argues that this authority is needed to benefit the less developed countries. There is no necessary relation between the articles now subject to low duties, in view of past extensive U.S. reductions in duty, and the output of less developed countries. The latter are benefited chiefly by the duty-free authority on tropical products. Mr. Petersen's remarks show that the elimination of this authority could not significantly affect the President's authority viewed in the context of the other authority granted under the bill.

3. Amendment 3a would require U.S. exports to account for 25 percent or more of world export value before the 80 percent test for identifying categories subject to duty elimination in negotiations with the EEC would apply. The Petersen memo argues illogically that if we require that our exports account for 25 percent, EEC countries would be entitled to ask that their exports account for 25 percent. But since the United States and EEC together must account for 80 percent, it would necessarily follow that if the United States accounted for 25 percent, the EEC would account for at least that much. If we enjoy the full 80 percent of world exports, then there would be no need for a tariff concession from the EEC.

Since internal EEC tariffs have already been reduced 50 percent, with additional reductions scheduled in the next few years, we will soon know whether our dominant export categories will be affected. If they are not affected, we should not use our bargaining authority to remove EEC tariffs which are no barrier to our exports. If they are affected, by definition the EEC's share would increase so that there would be no problem in granting the EEC the same 25 percent test that amendment 3a would require for U.S. exports.

4. The Bush amendments challenge the pholosophy involved in the provision substituted for the peril point procedure of present law. Amendments 6 and 12 would reinstate the peril point, leaving the President free to exceed Tariff Commission peril points if he explains to Congress why he does so. Amendments 3c and 4 would make the Commission's peril point findings final on articles scheduled for elimination of duty. The peril point procedure has been operative since 1951. It has not deterred Presidents Truman, Eisenhower, and Kennedy from securing trade agreements which they each described as "successful." This experience disproves the characterization of the peril point procedure by the Petersen memo as "artificial and unworkable."

The Tariff Commission is an expert body in the type of determinations required in peril point findings. Their judgment under the specific "no serious injury" guideline of the peril point law is a more dependable reference point for negotiations than the President's consideration of the data forwarded to him by the Commission and other Government agencies, who have no claim to the Commission's specific expertise. There is strong sentiment in the Congress to retain the present safeguards. This sentiment and the experience of the Commission in prior administrations are more cogent than Mr. Petersen's unproven assertion that the procedure is "unworkable" in the face of these many years of use.

5. Amendments 11 a, b, and c specify negotiating principles requiring (*a*) equal treatment of U.S. exports by the EEC, (*b*) negotiations with the principal supplier, and (*c*) equal treatment for Asiatic goods by the EEC. The Petersen memo misconceives the effect of the EEC-U.S. principle. As set forth in my testimony before the Senate Finance Committee, the United States has many duties which are higher than corresponding EEC duties. These could be reduced to the level of the EEC duties without requiring the EEC to take any action on their duties covering the like articles. Therefore, the U.S. reduction in such duties could be used to secure a concession by the EEC on unlike articles. The Petersen memo misses the point of the principle by stating that it would make it impossible to secure concessions from the EEC on agricultural exports. Where U.S. duty is already lower than the Common Market, we should not respond to a request by the EEC for a further reduction of such duties unless the EEC is willing to come down to the same level. This principle seems quite consistent with the President's general purpose of a mutual lowering of EEC-U.S. tariffs.

The Petersen memo cannot dispute the soundness of the principle of requiring the United States to negotiate tariff concessions with the principal supplier of the article in question in world trade. Under our most-favored-nation rule, it is such principal supplier who will receive the principal benefit of any concession. Instead, the Petersen memo raises up the possibility that other nations would apply the same principle against us. In multilateral tariff negotiations the fact that the United States might not be in a position to request a concession on a particular product because it is a secondary producer does not disable the primary producer from requesting a concession, and under most-favored-nation principles the benefit of that concession would accrue to the United States. Further, if we were desirous of having such a concession granted, we would be able to interest the primary supplying country in negotiating for a concession on a particular article by indicating the disposition of the United States in a trade of concessions involving some other article in which that country was desirous of securing a concession from the United States.

The principle of amendment 11c to open up the European market for Asiatic products is conceded by the Petersen memo to be "a commendable aim." The amendment is attacked as "unrealistic" because of the assumption that the countries desiring concessions from us would be unwilling to meet the conditions specified in the amendment of according equal treatment to Asian goods. It apparently has not occurred to Mr. Petersen that the U.S. market is still the most desirable market and that the other nations of the world have the strongest incentive to secure concessions from the United States for increased access to this market. The implications of the Petersen argument are that the United

States alone is prepared to honor a most-favored-nation role and that we cannot effectively insist upon that treatment for Asiatic exports which we privately concede to be desirable. The Bush amendments challenge this defeatist attitude.

6. Amendments 16 a to e, and 14 would eliminate the qualifying word "unjustifiable" from those sections of the bill which contemplate that the President will act to eliminate discrimination against U.S. commerce. The Petersen memo ignores the presence in section 252 of the bill, to which the amendments are directed, of the words "trade restrictions * * * which substantially burden U.S. commerce in a manner inconsistent with provisions of trade agreements." These words would not require the President to act against restrictions which are specifically allowed by trade agreements. Hence, the objection to the amendments stated in the Petersen memo that this would require the President to act against restrictions permitted by GATT, is obviously wide of the mark.

The Petersen memo also argues that retaliation by the United States to correct discrimination against its exports will result in retaliation and promote economic warfare. The necessary implication of this argument is that the United States alone is powerless to retaliate against discriminatory actions of other countries. If this is correct, then the United States can never act to maintain the integrity of its trade agreement rights. Since the purpose of U.S. action would be to apply pressure to persuade other countries to grant us the treatment we are entitled to, it is defeatist in the extreme to argue that the effort should never be made. If the effort can never be made, we can never preserve for our exports the access to world markets which our past trade concessions have purchased. The Bush amendments challenge this defeatist concept.

7. Similar observations are applicable to amendments 17 a and b, and the objection stated by the Petersen memo to the enforcement principle of amendments 17 a and b. It is not necessary that retaliation take the form of the withdrawal of a particular concession received in exchange for a U.S. concession; other countries in retaliating against us have already established that the withdrawal of concessions may be of any items where the trade involved is equivalent in value to that affected by the discriminatory action being counteracted.

8. Amendments 18 through 32 directly challenge the validity of the administration's "adjustment assistance" approach. The Bush amendments would reinstate the traditional escape clause principles and prevent the President from using subsidies and unemployment compensation as alternatives to the rational regulation of imports to avoid or correct serious injury. If it is not the purpose of the so-called escape provisions of the bill to weaken the criteria for action in the present escape clause, there is no necessity for changing the present law. If, as the specific repeal of the escape clause and the use of words directing attention to idling of plants, inability of firms to operate at a profit, and unemployment clearly suggest, the purpose of the change is to substitute criteria which are more difficult to meet for escape action, the point of the Bush amendments is conceded—namely, that a change has been made which is contrary to our traditional "no serious injury" policy.

The clarification of the criteria of injury in amendment 26 is designed to bring some certainty into the administration of the law so that domestic industries, agriculture, and workers can evaluate the extent to which their markets can be taken over by increased imports. As in the case of the peril point changes, the escape clause amendments find their justification in the widespread sentiment in the Senate that the enlarged powers given to the President be accompanied by the traditional safeguards which have proven to be operative in more than a decade of use and which have guided the development of our trade agreements program in a manner which avoids serious injury to any significant interest in the domestic economy.

9. Amendment 37 would make it possible for the President to protect an important employment-producing growth sector in the domestic economy from being dissipated by excessive import competition. The Petersen memo argues that growth industries are able to withstand import competition without protection. If this is true, then no action would result under the procedures proposed. On the other hand, if duty elimination under the unprecedented powers of the bill could lead to such an excessive volume of imports that the potential of the domestic market for growth is saturated by imported products to the detriment of the growth potential of the domestic industry, it is clearly in the national interest that the President be authoritatively advised of this fact by the Tariff Commission, and placed in a position to adjust imports if he deems that the national interest (particularly in the new employment provided by

growth industries) so requires. To oppose the procedure for preventing the serious impairment of the sustained rate of growth of a growth industry would result in requiring the President to enter into the use of the far-reaching powers of the trade bill with but an incomplete set of measures suitable for the fostering of optimum growth in the overall domestic economy.

The CHAIRMAN. Our next witness is Senator Pell, of Rhode Island. Please proceed, Senator.

STATEMENT OF HON. CLAIBORNE PELL, A U.S. SENATOR FROM THE STATE OF RHODE ISLAND

Senator PELL. Wisely negotiated agreements under the trade program offered by President Kennedy offer many opportunities for expanded trade with the countries of the Common Market and other nations. However, we cannot neglect or sweep under the rug the problems which an expanded trade program can cause, particularly when some of our industries will be subject to increased competition from low-wage industries abroad. I am particularly concerned about the effect upon my own State of Rhode Island.

Therefore, I hereby offer an amendment which directs the Secretary of Labor to compile a comparative real wage index which would contrast the average real wages or earnings (in terms of purchasing power) for a worker in an American industry with the average real wages or earnings for a worker in the same industry in a country with which we would be negotiating an agreement. It is my thought that this index would be used as a guide when negotiating tariffs and that any modification of duties or other import restrictions with respect to manufactured articles would be directly related to how the wage index for the industry in the country producing the product compared with the index for the American product.

My amendment provides that within 2 years from the date of the passage of this act, the Secretary of Labor will provide the President, the Committee on Ways and Means of the House of Representatives, and the Committee on Finance of the Senate with these indexes, and they would consider whether to recommend the enactment of appropriate legislation to relate the wage index to tariff agreements. Such an index, I believe, would help protect our industries from unfair foreign competition, and, especially if agreements were made contingent upon and in proportion to periodic reductions in the wage differential, this could well provide an incentive toward improving wages in those industries of other countries where the wage index compares unfavorably with the index for the equivalent U.S. industry.

I would also like to offer several amendments which I believe would strengthen the adjustment assistance provisions of H.R. 11970, the Trade Expansion Act of 1962. I strongly believe that adjustment assistance must be an integral and important part of this trade expansion program. It is a positive approach to the domestic problems which may be created. While I approve of all of the present adjustment provisions, I do not believe they are strong enough. In my judgment, we must have a more responsive adjustment assistance program which would provide more substantial and meaningful assistance to affected firms and communities in cases of import injury in enabling them to adjust to import competition.

In this connection, I offer an amendment which will make grants, in addition to loans, available to firms for the purpose of acquiring and installing new machinery, or modernizing or converting existing machinery. These incentive grants naturally would be made within the context of the firm's certified adjustment proposal if such a grant is deemed essential in order to enable the firm to carry out its approved adjustment proposal, and would cover up to two-thirds of the cost of the approved adjustment project.

This is not a new principle. When we condemn a man's house or his business to implement an urban renewal program, we compensate him for making a sacrifice in the public interest. If a man's business is injured in the national interest of expanding trade, there is no reason why the same principle should not apply.

The next amendment I wish to offer recognizes that in some instances, an affected firm or firms may well have deep roots in, and great importance to, the economic life of a particular community. Indeed, there are communities in my own State and throughout the United States whose economy is almost solely dependent upon a single industry. My amendment would authorize such a community which suffers serious injury through idling of productive facilities and unemployment resulting from expanded imports, to apply for adjustment assistance. This would include technical assistance and appropriate financial assistance for public facilities which would materially contribute to the economic adjustment of the particular community.

I would also like to offer some comments regarding other improvements to the bill, although, in this connection, I am not submitting formal amendments at this time. I believe it is inequitable that, according to the present provisions of this bill, no worker may apply for adjustment assistance unless he has lost his job 30 days after the bill becomes law. This means, of course, that workers in import-troubled businesses who have already lost their jobs are not eligible for trade adjustment assistance. On the other hand, adjustment assistance for businesses is retroactive in that it may be based on economic conditions before the passage of the 1962 act and one criterion for deciding that any industry has been and still is in trouble is that there is serious unemployment. I believe this difference in treatment between firms and workers is unfair.

In my judgment, too, it would be very useful to try to reduce certain time limits and set others so that, for example, a small firm which is injured would not be insolvent by the time governmental action could be mobilized. It would seem to me that the Tariff Commission, which already has at hand many of the relevant statistics, would be able to make a determination such as is required under section 301(b) (1) and (2) in considerably less than 120 days, while determinations for firms and workers should be made promptly and well within the maximum of 60 days.

Another thought I have in connection with adjustment assistance is that it is tremendously important to encourage research and development, and to this end grants should be made to appropriate research institutes in order to develop new products and lines for use in affected industries. In this way, small firms would have the ad-

vantage of large expenditures which could not be divided up or rationalized on a small individual firm basis.

In conclusion, I want to emphasize my conviction that we must not loose sight of the fact that strong trade adjustment provisions must be a vitally important part of any realistic trade expansion program.

(The following was supplied for the record:)

[H.R. 11970, 87th Cong., 2d sess.]

IN THE SENATE OF THE UNITED STATES

Referred to the Committee on ——— and ordered to be printed

AMENDMENT Intended to be proposed by Mr. PELL, 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 12, between lines 18 and 19, insert a new section as follows:

"SEC. 227. INDICES CONCERNING CERTAIN LABOR COSTS IN FOREIGN COUNTRIES.

"(a) The Secretary of Labor shall prepare suitable indices to provide a current and convenient basis for comparison of—

"(1) the average real wages or earnings (in terms of purchasing power) which prevail in the various manufacturing industries of foreign countries which produce manufactured articles to be considered for modification of duties or other import restrictions; and

"(2) the average real wages or earnings (in terms of purchasing power) which prevail in domestic industries which produce articles which are like or directly competitive with articles referred to in paragraph (1).

In determining average real wages or earnings in any industry, the Secretary shall consider the extent to which fringe benefits (including free meals at the plant, health and social security benefits, and free transportation) are received by workers in the industry in addition to their regular wages. In relating wages or earnings to purchasing power the Secretary shall consider available and relevant price indices on food, shelter, and clothing. In the preparation of such indices the Secretary may request information and advice from any of the executive departments or agencies of the Government.

"(b) The indices prepared by the Secretary of Labor pursuant to subsection (a) shall be submitted to the President, and to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate, not later than two years after the date of enactment of this Act. Such indices shall be considered by the President and such committees in determining whether to recommend the enactment of appropriate legislation authorizing the President to make any offer to a foreign country for the modification of duties or other import restrictions, with respect to manufactured articles, contingent upon and in proportion to, such periodic reductions in any wage differential that may exist between the domestic and foreign industries as may be desirable and appropriate in order to provide an incentive to certain foreign industries to bring their wages more closely in line with those prevailing in comparable domestic industries."

[H.R. 11970, 87th Cong., 2d sess.]

IN THE SENATE OF THE UNITED STATES

Referred to the Committee on ——— and ordered to be printed

AMENDMENTS Intended to be proposed by Mr. PELL 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 36, line 20, strike out "or loans" and insert in lieu thereof "loans, or grants".

On page 37, between lines 9 and 10, insert the following new subsection:

"(c) Grants shall be made under this section only for the purpose of making funds available to the firm for the acquisition, installation, modernization, or conversion of machinery."

On page 37, line 10, strike out "(c)" and insert in lieu thereof "(d)".

On page 39, line 14, after "314" insert "in the form of a loan, guarantee, or participation in a loan,".

On page 39, after line 25, insert a new subsection as follows:

"(g) (1) Any grant under this chapter shall not exceed two-thirds of the cost, as determined by the Secretary of Commerce, of acquiring and installing new machinery, or modernizing or converting existing machinery, and no such grant shall be made to any firm unless the Secretary determines that the grant is essential in order to enable such firm to carry out its certified adjustment proposal.

"(2) The Secretary of Commerce shall by regulation provide for such supervision with respect to the expenditure of funds granted under this chapter as he deems necessary to insure that Federal funds are not wasted or dissipated."

[H.R. 11970, 87th Cong., 2d sess.]

IN THE SENATE OF THE UNITED STATES

Referred to the Committee on ——— and ordered to be printed

AMENDMENTS Intended to be proposed by Mr. PELL 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, line 14, strike out "4" and insert "5".

On page 27, line 9, strike out "or 3" and insert in lieu thereof ", 3, or 4".

On page 27, line 10, strike out "or industries" and insert in lieu thereof "industries, or communities".

On page 27, line 17, after the period insert the following: "In the case of a community, such petition may be filed by any duly authorized representative of the community, including a public organization or association."

On page 29, between lines 17 and 18, insert a new paragraph as follows:

"(3) In the case of a petition by a community for a determination of eligibility to apply for adjustment assistance under chapter 4, the Tariff Commission shall, in addition to making an industry determination under subsection (b), determine whether, as a result of concessions granted under trade agreements, an article like or directly competitive with an article produced in the community is being imported into the United States in such increased quantities as to cause, or threaten to cause, serious injury to the economy of such community. 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 one or more firms situated in the community, the resulting unemployment or underemployment in the community, and the extent to which the economy of the community depends upon the productive activities of such firm or firms."

On page 29, line 18, strike out "(3)" and insert "(4)".

On page 29, line 24, after "industry" insert ", or a community the economy of which is affected by such industry,".

On page 31, line 6, strike out "or (c) (2)" and insert ", (c) (2), or (c) (3)".

On page 31, line 7, after "workers" insert "or community".

On page 31, line 24, strike out "or".

On page 31, between lines 24 and 25, insert a new paragraph as follows:

"(4) provide, with respect to such industry, that communities the economics of which are dependent substantially on such industry may request the Secretary of Commerce for certifications of eligibility to apply for adjustment assistance under chapter 4, or".

On page 31, line 25, strike out "(4)" and insert "(5)".

On page 32, between lines 20 and 21, insert a new paragraph as follows:

"(3) The Secretary of Commerce shall certify, as eligible to apply for adjustment assistance under chapter 4, any community the economy of which is dependent substantially on an industry with respect to which the President has acted under subsection (a)(4), upon a showing by such community 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 community."

On page 32, line 23, strike out "or group of workers" and insert in lieu thereof ", group of workers, or community".

On page 32, line 24, strike out "or group of workers" and insert in lieu thereof ", group of workers, or community".

On page 67, between lines 2 and 3, insert a new chapter as follows:

"CHAPTER 4—ASSISTANCE TO COMMUNITIES

"SEC. 339. CERTIFICATION OF ADJUSTMENT PROPOSALS.

"(a) A community certified under section 302 as eligible to apply for adjustment assistance may, at any time within 2 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 community shall present a proposal for its economic adjustment.

"(b) Adjustment assistance under this chapter consists of either technical assistance or financial assistance, or both. Except as provided in subsection (c), no adjustment assistance shall be provided to a community 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 community, and

"(2) to demonstrate that the community will make all reasonable efforts to use its own resources for economic development.

"(c) In order to assist a community 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 community 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. 340. 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 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 341 and 342 to the community 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 communities, which sums are authorized to be appropriated to remain available until expended.

"SEC. 341. TECHNICAL ASSISTANCE.

"(a) Upon compliance with section 340(c), the Secretary of Commerce may provide to a community, 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 community.

"(b) To the maximum extent practicable, the Secretary of Commerce shall furnish technical assistance under this section and section 339(c) through existing agencies, and otherwise through private individuals, firms, or institutions.

"(c) The Secretary of Commerce shall require a community receiving assistance under this section or section 339(c) to share the cost thereof to the extent he determines to be appropriate.

"SEC. 342. FINANCIAL ASSISTANCE.

"(a) Under compliance with section 340(c), the Secretary of Commerce may provide to a community, or any public agency or instrumentality thereof, on such terms and conditions as he determines to be appropriate, such financial assistance in the form of loans or grants, or both, as in his judgment will materially contribute to the economic adjustment of the community. Such loans may be made directly or through the purchase of securities and obligations of the community or any public agency or instrumentality thereof.

"(b) Loans or grants under this section shall be made only for the purpose of making funds available for the purchase or development of land for such public facility usage, and the construction, rehabilitation, alteration, expansion, or improvement of such public facilities, as will, in the determination of the Secretary of Commerce, assist in the economic adjustment of the community by providing improved opportunities in the community for economic growth and expansion with a resulting reduction in unemployment or underemployment.

"(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.

"(d) In administering financial assistance under this section the Secretary of Commerce shall have the powers set forth in section 316 (a).

"SEC. 343. CONDITIONS FOR FINANCIAL ASSISTANCE.

"(a) Loans under this chapter shall be subject to the restrictions and limitations set forth in subsections (a) (1), (a) (2), (a) (3), (a) (4), (b), and (d) of section 7 of the Area Redevelopment Act.

"(b) Grants under this chapter shall be subject to the restrictions and limitations set forth in (a) (1), (a) (2), (a) (3), (b), and (c) of section 8 of the Area Redevelopment Act, and no such grant shall be made unless the Secretary of Commerce determines that it is necessary in order to enable a community to carry out its certified adjustment proposal."

On page 67, line 3, strike out "4" and insert "5".

On page 72, line 14, strike out "5" and insert "6".

On page 73, line 3, strike out "and 3" and insert ",3 and 4".

On page 77, afer line 12, insert a new paragraph as follows:

(7) The term "community" means a political subdivision of an incorporated or uincorporated town in, any State (including the Commonwealth of Puerto Rico), and shall include the District of Columbia.

The CHAIRMAN. Thank you very much, Senator Pell.

The next witness is Congressman Henry Reuss, of Wisconsin.

Take a seat, sir.

STATEMENT OF HON. HENRY S. REUSS, A MEMBER OF CONGRESS FROM THE FIFTH CONGRESSIONAL DISTRICT OF THE STATE OF WISCONSIN

Mr. REUSS. Mr. Chairman, I appreciate the comity you have shown me by giving me the privilege of appearing here briefly this afternoon.

I have a prepared statement, and with the Chair's consent I would like to submit it for the record and then proceed briefly.

The CHAIRMAN. Without objection it will be done.

Mr. REUSS. The central point I want to make, Mr. Chairman, is that the main section of this proposed Trade Expansion Act, section 211, which would grant to this country the power to bargain down and eliminate Common Market tariffs, in its present drafting is very likely to be meaningless. That is to say, if the United Kingdom is markedly delayed in entering into the Common Market, or if perchance she does not enter the Common Market at all, then the com-

modities covered by that section are negligible; in fact, they include only jet aircraft.

Looking at the broader economic picture, as I have had to recently as a member of the Joint Economic Committee in our hearings on the problem of employment and growth, one is struck by the contrast of the situations in the United States and in Western Europe today.

In this country we have a higher rate of unemployment than anybody likes, a more sluggish rate of growth, and a rather pronounced deficit in our balance of payments.

In Western Europe, on the other hand, we have a very high rate of employment, practically full employment, and no unemployment, a very bouncy rate of growth, and a rather persistent surplus in their balance of payments.

If you will take one very important series of American industries, the hard goods, the home appliance, the consumer durable goods industries, this contrast is even more striking.

If you look at commodity after commodity in this group—dishwashers, refrigerators, washing machines, driers—you will find that American factories have great excess capacity. There are many jobless in this field and, at the same time, the European plants are rather fully occupied making other things.

There is testimony before this committee that the market in this country for most of the household appliances is very close to being saturated, at least very close to being saturated at present income levels.

On the other hand, in Germany, in France, in Italy, in many of the other countries in Western Europe, only 5 or 10 percent of the homes have these appliances which are so commonplace here in the United States.

Not so long ago I had the opportunity of meeting at the Capitol with a group of some 200 German housewives, and I asked these ladies how many of them had in their homes a dishwashing machine, which is now quite commonplace here today. Three hands out of the 200 went up.

I then asked how many wanted a dishwasher and, as you would expect, 200 hands went up.

Nothing could have a more wholesome effect toward putting Americans back to work, making our industrial machinery go at somewhat closer to maximum production, and at improving and perhaps entirely curing our balance of payments deficit, than to enable the United States to get into this very attractive European market made up of 200 or 300 million people who have the desire and the economic wherewithal to buy the goods that we can make.

What stops it?

Well, the principal thing that stops it is that the Common Market and to a degree the countries of Western Europe outside the Common Market, have very high, close to prohibitive, tariffs on just these American appliances which we make so well and so efficiently.

The average tariff on most of these things in the Common Market, for example, is 20 percent. I have talked to leaders in many American consumer goods industries who tell me that this is an insuperable burden as far as they are concerned.

Last week, Mr. Chairman, in the hearings on the state of the economy before the Joint Economic Committee I asked our Council of Economic Advisers whether getting into the Common Market and into Europe on these exports would be a good thing for the American economy.

We were concerned, as the chairman knows, with the question of our unemployment and lagging growth rate, and whether tax cuts were the remedy or a different monetary policy or what, and I suggested that in this field of trade there was a very meaningful way in which we could begin to cure a whole lot of our problems.

Here is what Economic Adviser Gordon of the Council had to say, and I will quote him briefly:

> On the economics of the matter I must say I would agree virtually completely with your premises. I think there unquestionably is a very subtsantial potential market for consumer durable goods in Western Europe. I think that the effect of this action (reducing tariffs and increasing imports from the United States) might well be attractive to European countries as a means of reducing inflationary pressures which some of them are now having considerable difficulty with. It would obviously have very beneficial effects for our balance of payments.

One would have to think long and hard before he could put his finger on a more constructive, more truly sound method of overcoming some of our U.S. economic handicaps than to really get into that European Common Market.

But, as I have said, the way the act has been drawn, it is likely in the event that the United Kingdom does not get into the Common Market or takes a long, long time to get into the Common Market, this vital feature of the bill is likely to be "all sound and fury, signifying nothing," because it is not going to apply to anything.

The chairman is familiar with the so-called 80-percent clause which says we can bargain down and eliminate Common Market tariffs on commodities 80 percent of the world trade in which is carried on by the United States and the Common Market.

It is only when you look at the fine print furnished us by the Department of Commerce that you find that, with the Common Market of the present six, and the United States, there just are not any such commodities except possibly jet aircraft.

The whole range of machinery and chemicals and consumer durables and dozens of other products which, I daresay, 9 out of 10 Americans think are covered by this act, are not in fact so covered.

I, therefore, offer for the consideration of this committee a very simple amendment which, unfortunately, in my body, the House, could not be considered because we operate there under a closed rule procedure.

This amendment would simply add after the words "The Common Market" in the Common Market section of the bill, section 211, the additional words, "or the European Free Trade Association."

So what you would have then is a situation whereby we could act on a whole variety of commodities to bargain down the Common Market, whether or not the United Kingdom joined the Common Market. We should not make our own trade policy, and our own effort to do something about our own unemployment, dependent upon the vagaries of whether or not England joins the Common Market.

I have estimated in the paper which I have here submitted that this market in Western Europe for consumer durable goods alone will come to around $6 billion a year and, of this, it seems to me, it is entirely reasonable to hope that we could come in for an American share of around $2 billion.

This in and of itself would rectify our balance-of-payments deficit, and in and of itself would provide a tremendous forward fillip to the American economy.

So it seems to me that a most important amendment that could be made to improve this bill in the interest of the United States—and here I am getting above and beyond the controversy that engaged the attention of Senator Bush just now—it seems to me that all people, whether they are concerned with greater or less protection for U.S. industry, can agree that the best possible thing for our country's economy is to get a larger share of that European market. For the next 5 to 10 years, at least while Europe is in a state of close to full employment, this is vastly advantageous to the United States because they need our goods, and we are in a position, particularly in consumer durable goods, to make very, very heavy exports to them if only we can bargain down their presently almost prohibitive tariff.

So I would hope in the interest of U.S. leadership toward bargaining down a European Common Market, a Common Market which, while it has many inspiring and noble elements in it, also has the dangerous potential of being inward looking adn protectionist, a rich man's club.

I would hope that we could so amend our trade legislation as to permit us to get into that very lucrative and promising market.

(The prepared statement of Mr. Reuss follows:)

STATEMENT OF REPRESENTATIVE HENRY S. REUSS, OF WISCONSIN, IN BEHALF OF A PROPOSED AMENDMENT TO THE TRADE EXPANSION ACT

I appreciate the opportunity to appear before the Senate Committee on Finance in behalf of what I consider an important amendment to the Trade Expansion Act. Two recent events highlight the need for such an amendment:

1. There is continued concern over the U.S. high rate of unemployment, low rate of growth, and continued deficits in international payments.
2. The United Kingdom, which had been widely expected to join the Common Market, has now postponed further discussions for several months. One hears informed guesses that the United Kingdom may not join for years.

The trade bill's most important provision is that provided by chapter 2, section 211, to reduce drastically or eliminate the high discriminatory European Common Market tariffs against our principle exports. The section provides:

"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."

This language wil not now permit us to enter into special negotiations with the EEC to reduce tariffs by more than the 50 percent generally authorized by the bill. The reason is simple. The United States and the six countries which are now members of the EEC do not account for 80 percent of world exports in any significant broad category of industrial trade, except perhaps for aircraft.

This means that the present formula would not permit special down-to-zero bargaining in such vital categories of U.S. exports as automobiles, trucks, and buses; metalworking machinery; mining, construction, and other industrial

machinery; agricultural machinery, including tractors; organic chemicals; other chemicals, including plastics and insecticides; office machinery; power-generating machinery; other electrical machinery; household appliances; and rubber manufactures.

It appears that chapter 2 will in fact not be usable over a broad range of product categories until and unless the United Kingdom and some other European countries formally join the Common Market. A widely distributed list, prepared by the Department of Commerce, shows that 26 major categories of trade would be eligible under chapter 2—but only if the United Kingdom, Denmark, Greece, Ireland, and Norway all succeed in joining the EEC.

Thus, if chapter 2 is not amended it will make of our purported power to eliminate Common Market tariffs "all sound and fury, signifying nothing." If chapter 2 thus becomes a nullity, it will do great harm to our possibility of reducing unemployment, increasing growth, and repairing the deficit in our balance of payments. An example of this is furnished by the case of consumer durable goods:

1. There is not in sight today any stimulant to U.S. demand comparable to automobiles in the 1920's or homes and appliances in the early 1950's.
2. Western Europe, on the other hand, has a large pent-up demand for all sorts of household appliances—washers, driers, dishwashers—a potential $6 billion annual market, of which the U.S. could well aim at a $2 billion share.
3. Western Europe, with its overfull employment, is unlikely to be able to satisfy its domestic demand for consumer durable goods by its own production in the years immediately ahead. The United States has ample existing plant capacity.
4. A massive U.S. entry into the European market as soon as possible would help diminish U.S. unemployment and accelerate our growth rate. Reciprocal tariff reductions which would make this possible would also reduce or eliminate our payments deficits, since the probability for the short term is that our trade surplus with Western Europe would increase.
5. From the European standpoint, accepting larger U.S. exports would enable European employers to grant wage increases without severe inflationary consequences, thus helping to bring U.S. and European wages more closely into line as well as improving the European standard of living.
6. The biggest single obstacle to our entering this vast export market is the high tariff wall—20 percent or more—of the Common Market and of other European countries on these household appliances.

On August 8, 1962, at a hearing of the Joint Economic Committee, I invited comment by the Council of Economic Advisers on these premises. Mr. Kermit Gordon, a member of the Council speaking on its behalf, said: "On the economics of the matter, I must say I would agree virtually completely with your premises. I think there unquestionably is a very substantial potential market for consumer durable goods in Western Europe. I think that the effect of this kind of action [reducing tariffs and increasing imports from the United States] might well be attractive to European countries as a means of reducing inflationary pressures which some of them are now having considerable difficulty with. It would obviously have very beneficial effects for our balance of payments * * *."

An amendment of chaper 2 to eliminate its present shortcomings would be quite simple. Wherever in chapter 2 there is reference to the European Economic Community, there should be inserted "and the countries of the European free trade area." This would permit the trade of the countries of the second group to be counted in determining the categories for down-to-zero bargaining, insure the inclusion of most of the industrial-goods categories important in Atlantic trade. In the actual trade negotiations, the United States could seek adherence by the EFTA countries as well as the Common Market to the same schedule of reductions down to zero on any category selected for bargaining.

This country supports the Common Market and it supports the United Kingdom's entry into the Common Market. But we should not allow the particular timetable for the United Kingdom's entry into the Common Market to affect our speedy effort to ease unemployment, accelerate growth, and cure our balance-of-payments deficit. An amendment of the type suggested is what is needed to do this.

The CHAIRMAN. Thank you very much, Congressman.
Senator Douglas.

Senator DOUGLAS. Congressman Reuss, I judge you have developed this point in other connections and, as I have thought it over, I find myself agreeing that one should include EFTA, as it is called, as well as the European Economic Community, and this would permit the further reduction of tariffs over a wide range of commodities where the 80-percent test would not be satisfied by the Common Market alone.

I think your position is very sound and very constructive.

The question I would like to ask, though, is whether you think that the reduction of tariffs on our part will be sufficient to induce either EFTA or the Economic Community to reduce theirs.

Mr. REUSS. It will take some aggressive and even inspired bargaining on our part. I would think it would probably take a presentation at the very highest level, perhaps if this bill is passed with an amendment such as we are describing, by the President of the United States.

Senator DOUGLAS. But does he have sufficient weapons to do that? Is it not true that under section 211 all he can do in case he does not get cooperation from the European countries is to withhold these concessions which otherwise he would make?

Mr. REUSS. That is absolutely right. I would certainly expect our trade negotiators to be the kind of Yankee bargainers that Senator Williams referred to, and if we do not get a quid pro quo and more than a quid pro quo, we should not enter into an agreement.

My point here is that it would be, in my opinion, most unwise for us to cut ourselves off in the legislation itself from the possibility of such negotiations.

Senator DOUGLAS. I agree. But I was asking the further question of whether or not you believe it would be desirable to give the President the power to increase tariffs if he failed to obtain cooperation from the Common Market and from European free trade area.

Mr. REUSS. There is, as the Senator knows, the most impreccable free trade precedent for this sort of a power to raise tariffs. Adam Smith in "The Wealth of Nations" has pointed out that even a devout freetrader must arm himself with an arsenal of weapons, and that one of the weapons should be this power, if need be, to raise tariffs.

I would personally hope that the mere existence of such a power would do the job, and that it would not ever be necessary to exercise it.

But I think that in the interests of the free world this country must be aggressive simply because we are close allies and old friends of the six and of the other ancient countries of Western Europe does not mean that we should not call them to the higher duty which all of us have to bear in the remaining years of this century. It is a very long-term thing.

Senator DOUGLAS. Do I understand you would favor the inclusion of such an amendment?

Mr. REUSS. I would certainly not object to it, and I would certainly vote for such a bill in our body if it came back from the Senate with a provision like that in it.

Senator DOUGLAS. You are very knowledgeable on amendments. I wonder if you would be willing to help me with such an amendment?

Mr. REUSS. I should be very honored to help you, sir.

Senator DOUGLAS. That is all.

The CHAIRMAN. Thank you very much.

Mr. REUSS. Thank you, Mr. Chairman.

The CHAIRMAN. The committee will adjourn until 10 o'clock tomorrow morning.

(By direction of the chairman, the following is made a part of the record.)

STATEMENT OF CLARENCE W. HIGBEE, REPRESENTING THE IMPORT COMMITTEE OF THE WIRE AND CABLE DIVISION OF THE NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION

This statement is presented on behalf of the Import Committee of the Wire and Cable Division of the National Electrical Manufacturers Association. It supplements the statement previously presented by the import committee to the Ways and Means Committee of the House of Representatives, in connection with that committee's consideration of the administration's international trade agreements proposals as embodied in H.R. 9900.

The National Electrical Manufacturers Association is the national trade organization of electrical manufacturers in the United States. The wire and cable division of the association is composed of 47 companies engaged in the manufacture and sale of insulated wire and cable products. The membership of the wire and cable division represents approximately 90 percent of the total insulated wire and cable productive capacity of the United States, exclusive of production solely for internal consumption by the producing company. Members of the wire and cable division operate more than 200 plans located throughout the United States. The import committee of the wire and cable division was established in 1960 in recognition of our vital interest in preventing the adverse effects of international trade, and particularly of imports, upon the industry.

The import committee believes that in several respects H.R. 11970 represents an improvement over the administration's international trade proposals as originally embodied in H.R. 9900. In particular, we are gratified by the legislative recognition that various types of trade restrictions imposed by foreign nations may largely nullify the value of tariff concessions which we may obtain from those nations; we support the addition of language which more clearly defines responsibility for negotiating trade agreements and which provides for industry advisers to the U.S. negotiating representatives; and we approve the substantial restoration of the escape clause provisions, which H.R. 9900 had sought to delete.

Despite these changes, however, we continue to believe that the administration's international trade proposals, even as they appear in H.R. 11970, will injure rather than benefit the insulated wire and cable industry. Experience has demonstrated the major cost disadvantages which our industry must face in seeking to meet foreign competition. In our recent presentation to the House Ways and Means Committee, we included a statement analyzing the extent and consequences of that competition in our domestic markets. Although, for the sake of brevity, we shall not repeat that analysis here, we shall be happy to supply copies to members of this committee upon request.

In addition, we have included, as appendix A of the present statement, a representative sampling of domestic business which our industry has lost to foreign suppliers in recent months. These data, which were not available at the time of our prior presentation, supplement and confirm the earlier analysis. They afford concrete evidence that the threat of import competition has not diminished in our industry. Any further reduction in the rate of duty applicable to insulated wire and cable would necessarily intensify that threat.

In our opinion, H.R. 11970, like its predecessor H.R. 9900, has two major defects:

> First: The bill does not afford adequate assurance that prompt and effective import relief will be available to individual domestic industries in appropriate cases.

We believe strongly that no trade legislation should be adopted that is not accompanied by these necessary safeguards. The subsidies which H.R. 11970 proposes as an antidote for import injury cannot properly constitute a substitute for effective measures to prevent such injury.

The substantial restoration of the escape clause in H.R. 11970, and the slight strengthening of the peril-point provisions, are an improvement over the comparable provisions of H.R. 9900. Nevertheless, we believe that both the escape clause and the peril point, even as they appear in existing law, have in some cases been inadequate to afford necessary relief to individual domestic industries. A fortiori, these provisions will not be effective in the weakened form in which they still appear in H.R. 11970.

Another serious import threat facing the domestic economy today is the sale of foreign merchandise in the United States at less than fair value. This practice could cause extensive damage to industries in the United States. It cannot be adequately prevented by the Antidumping Act in its present form. For this reason, we believe that the strengthening of that act is a necessary prerequisite to legislative approval of any further tariff-reducing authority. Appendix B, attached to the present statement, contains a summary of the inadequacies of the current act and our proposals to correct its deficiencies.

It is important to recognize that a close relationship exists between the injurious dumping practices of foreign suppliers and the restrictions which foreign nations impose upon their own import trade. A foreign industry operating in its home market protected by these restrictive devices is free to establish a higher price for its product in that market, thereby enabling it to sell at a correspondingly lower price in the United States. In this fashion, trade restrictions abroad not merely impede U.S. exports but also facilitate import injury to our domestic economy. It is therefore entirely appropriate and necessary that the Congress, in the course of its review of the proposed trade legislation, should consider also the related problem of strengthening the Antidumping Act, in order to insure that it will henceforth be fully effective to protect domestic industries from the injurious consequences of the sale of foreign products in the United States at less than fair value.

A recent ruling by the Treasury Department has further vitiated the Antidumping Act by asserting that its purpose may be superseded by the military procurement policies of our Government. That ruling held that the act is inapplicable in the case of U.S. military procurement of insulated cable from Canada. This ruling was sought to be supported by the statutory provision contained in title 10, United States Code, section 2383, which permits the purchase of war materials abroad under emergency conditions without payment of duty. The Treasury Department took the position that this statute precludes the imposition, not only of the normal tariff, but also of any compensatory duty under the Antidumping Act.

We do not believe that it was the legislative intent that the emergency procurement statute should be applied in a manner which affords domestic industries no relief from injurious and inequitable dumping practices by foreign suppliers. Neither do we believe that Congress intended the "emergency" authorization contained in the statute to be interpreted as permitting duty-free military procurement from foreign sources under peacetime conditions where there exist ample domestic supplies of comparable or better quality.

We therefore urge that this ruling by the Treasury Department constitutes another reason why the Congress, in the course of its consideration of the proposed trade legislation, should undertake the concomitant amendment of the Antidumping Act. Unless the Congress insures that the act will henceforth apply effectively to all sales of foreign articles in the United States, irrespective of the purchaser, domestic industries will continue to have no defense against these dumping practices in the case of all military procurement which is asserted to be justified under title 10, United States Code, section 2383. The resultant injury is aggravated by the obvious importance to the domestic economy of the great volume of U.S. military orders. Domestic suppliers cannot afford to lose a substantial portion of this vital market.

Second: The bill will not achieve its asserted objective of expanding substantially the export sales of the United States.

To accomplish this purpose, any realistic trade legislation would have to provide reasonable assurance that the discriminatory nontariff restrictions which foreign nations currently impose on U.S. exports will be eliminated. Such legislation would also have to make possible the elimination of restrictions which the more highly developed foreign nations impose on exports from low-cost producing nations. These restrictions have the effect of deflecting disproportionate quantities of low-cost articles into the U.S. market. Finally, such legislation would

have to insure close communication, both before and during negotiations, between the U.S. delegation at trade agreements negotiations and advisers representing our domestic industries.

In our view, H.R. 11970 is deficient in all of the foregoing respects. Although section 252 of the present bill, relating to foreign trade restrictions, is a clear improvement over the corresponding section 242 of H.R. 9900, we do not believe that it will be effective in eliminating those restrictions. Section 252 does not require the President to take any specific action for this purpose. In particular, its discretionary language leaves him entirely free to continue to grant further U.S. tariff concessions to nations engaging in such discriminatory practices, whenever he believes that such action would not be inconsistent with the purposes of the bill.

To correct these defects, we urge that section 252 should be strengthened by—

(1) Requiring the Department of Commerce to maintain a current list, in as much detail as possible, of all trade restrictions imposed by foreign nations. This list should be readily available to interested domestic industries.

(2) Clarifying the legislative intent that, whenever such action is necessary to obtain the elimination of these foreign restrictions, the President shall withdraw the benefit of any trade concession previously given. To this end, we suggest that section 252(b) be amended, beginning at line 17, to read as follows:

"* * * the President shall, to the extent that such action is necessary to secure the elimination of these discriminatory practices—

"(A) suspend, withdraw, or prevent the application of benefits of trade agreements concessions to products of such country or instrumentality, including the withdrawal, in whole or in part, of trade agreements concessions previously granted at any time pursuant to the Trade Agreements Act of June 12, 1934, as amended; or * * *"

(3) Requiring the President to certify, prior to granting any trade concession, that to the best of his knowledge there exist no trade restrictions imposed by the foreign nation with which the agreement has been negotiated, which would significantly nullify the value of the tariff concession received in return.

Similarly, although we approve the addition to the bill of section 241, which defines and formalizes responsibility for negotiating trade agreements, we do not believe that under the present language the U.S. negotiating representatives will be assured of the full benefit of consultations with experienced advisers representing interested domestic industries. To strengthen the role of these advisers, we believe that section 241(b) should be amended to provide specifically for their participation in a consultative capacity both before and during trade agreements negotiations, and for obtaining their views both with respect to concessions to be offered by the United States and with respect to concessions which the United States proposes to seek from other nations.

In conclusion, we wish to emphasize that, although the insulated wire and cable industry supports the broad objective of promoting the export trade of the United States, we believe that H.R. 11970 as presently drafted would not effectively achieve that purpose. Furthermore, in our view the bill is seriously defective in that it is not accompanied by adequate provisions to enable individual domestic industries to obtain import relief in appropriate cases. We believe that such safeguards must accompany any further tariff-reducing authority.

In particular, we believe that the Congress should act promptly to strengthen the provisions of the Antidumping Act and to insure that it will henceforth be applicable to all sales of foreign merchandise in the United States. Such legislative action should be a precondition of the approval of the administration's trade proposals in any form. We therefore urge this committee to give serious study to the attached analysis of the deficiencies of the Antidumping Act as presently constituted, and our recommendations for correcting these weaknesses.

We shall be glad to discuss the foregoing matters with you further at your convenience.

Respectfully submitted.

CLARENCE W. HIGBEE,
Consultant to the Import Committee of the Wire and Cable Division, National Electrical Manufacturers Association.

APPENDIX A.—*Representative sampling of domestic business lost to foreign competition—Power cable, January–May 1962*

Date	Customer	Type and footage	Size	Prices per thousand feet		Award	Percent difference
				U.S. bid	Foreign bid		
Jan. 4, 1962	Memphis Light, Water & Gas	7,380 Ft., PILC 15 KV GN	1/C 750 MCM	$2,214.00	$2,045.87 N[1]	N	8
		12,136 PILC 15 KV GN	3/C 750 MCM	6,439.00	6,170.00 N	N	4
Jan. 18, 1962	New York City Transit Authority	1,740 Ft.	1/C 2000	5,116.00	4,734.00 PH 4,793.00 PI	PH	7
		2,500 Ft.	3/C 250	3,203.00	2,795.00 PI 3,491.00 PH	PI	13
Jan. —, 1962	Board of Water & Light, Lansing, Mich.	39,104 Ft.	3/C 500	4,926.00	4,281.00 PI 4,733.00 N	PI	13
		10,000 Ft.	3/C 500	4,266.00	3,590.00 PI 3,607.00 N	PI	16
Feb. 8, 1962	Puget Sound Naval Shipyard	2,100 Ft., VCL 5 KV	1/C 600 MCM	4,649.40	3,567.90 CW	CW	23
Feb. 12, 1962	City of Los Angeles	4,000 Ft., PILC 34.5 KV	1/C 1/O	1,274.00	868.00 MA	MA	32
Feb. 15, 1962	do	4,000 Ft., LPG-PILC	1/0	4,170.00	3,170.50 SU	SU	24
		4,000 Ft., LPG-PILC	500 MCM	7,811.00	5,824.00 SU	SU	25
		4,000 Ft., LPG-PILC	750 MCM	9,823.00	7,142.00 SU	SU	27
		6,000 Ft., solid-PILC	1/0	1,064.00	831.00 HI	HI	20
Feb. 19, 1962	Philadelphia Naval Shipyard	1,200 Ft.	2000 MCM	5,113.00	4,810.00 PI	PI	6
Feb. 20, 1962	Bonneville Power Administration	840 Ft., PILC 15 KV	3/C 1/0	3,420.00	2,175.00 KA	KA	36
Feb. 26, 1962	City of Los Angeles	10,000 Ft., LPGF 34.5 KV	3/C 1/0	4,170.00	3,170.00 SU 3,826.00 MA	SU	24
		10,000 Ft., LPGF 34.5 KV	3/C 500 MCM	7,811.00	5,824.00 SU 6,600.00 MA	SU	25
		22,000 Ft., LPGF 34.5 KV	3/C 750 MCM	9,823.00	7,142.00 SU 9,332.00 MA	SU	27
		42,000 Ft., PILC 34.5 KV	1/C 1/0	1,064.00	831.00 MA 822.00 PI 877.00 SU	MA	22
Mar. 7, 1962	Department of Water and Power, City of Los Angeles.	10,500 Ft.	1/C 2	554.00	327.00 SU 380.00 EN 383.00 MA 384.00 ST 393.00 ER 400.00 AE 402.00 BR	SU	39
		12,000 Ft.	3/C 2/0	2,331.00	1,119.00 MA 1,525.00 SU 1,674.00 ST 1,722.00 EN 1,783.00 AE 1,824.00 ER 1,834.00 BR	MA	52

Do	Orleans Electric	2,550 Ft., 15KV PILC, Neoprene sheath.	500 MCM	2,263.00	2,063.00 PI (approx)	PI	
Mar. 8, 1962	Memphis Light, Gas and Water	2,922 Ft., 5KV PILC	1/C 750 MCM	2,664.00	2,304.00 PI 2,575.00 N	PI	14
Do	New York City Transit Authority	1.960 Ft	1/C 2000	5,091.00	4,505.00 PI 4,600.00 N 4,600.00 PH	?	12
		1,200 Ft	3/C 350	4,128.00	3,300.00 PI 3,950.00 N 4,010.00 PH	?	20
		1,600 Ft	3/C 6	1,349.00	955.00 PI 1,180.00 N 1,338.00 PH	?	29
Mar. 19, 1962	U.S. Navy Purchasing Office, 929 South Broadway, Los Angeles, Calif.	47,520 Ft., Steel tapes PVC jacket	2	12,402.72	7,243.95 CW	CW	42
Mar. 22, 1962	Memphis Light, Gas & Water	3,518 Ft., PILC	3/C 2/0	2,205.00	1,889.00 PI 2,106.38 N	PI	14
Apr. 16, 1962	U.S. Naval Supply Center, Oakland	2,000 Ft., PILC 15KV, Undrgd. Poly Jkt.	3/C 250	3,646.00	3,168.00 PI	PI	13
		3,000 Ft., PILC 15KV, Undrgd. Poly Jkt.	3/C 4/0	3,197.00	2,644.00 PI	PI	17
Do	do	2,000 Ft., PILC 15 KV, Undrgd. Poly Jkt.	3/C 2/0	2,800.00	2,330.00 PI	PI	17
Do	do	2,000 Ft., PILC 15 KV, Undrgd. Poly Jkt.	3/C 2	2,335.00	1,997.00 PI	PI	14
		2,000 Ft., PILC 15 KV, Undrgd. Poly Jkt.	3/C 4	2,072.00	1,787.00 PI	PI	14
Apr. 27, 1962	City of Seattle	2,000 Ft., PILC Neo Jkt. 35 KV	3/C 1/0	4,497.00	3,300.00 MA	MA	27
May 2, 1962	City of Cleveland	10,000 Ft., PILC 15 KV	1/C 500 MCM	1,743.00	1,580.00 N 1,676.00 PH	N	9
May 7, 1962	City of Seattle	4,000 Ft., PILC Neo Jkt, 35 KV	1/C 2/0	1,622.00	1,275.00 MA	MA	21
May 9, 1962	U.S. Navy, Brooklyn	3,000 Ft., PILC Neo Jkt., 15 KV., GN	3/C 500 MCM	5,388.00	3,929.00 CW	CW	24
May 16, 1962	Rome Air Material Area	10,000 Ft., special welding cable	1/0-2695	408.00	267.00 CW	CW	34
May 21, 1962	Board of Water & Light, Detroit	7,667 Ft., Paper Cable, 15 KV	3/C 500 MCM	5,247.00	4,271.00 PI 4,767.00 N	PI	19
May 24, 1962	Memphis Light, Water & Gas	6,000 Ft., PILC, 15 KV	No. 3	528.00	475.00 N	N	10
May 25, 1962	Rome Air Material Area	7,500 Ft., rubber ins. power cable	4/0-2107	4,519.00	2,743.00 PH	PH	39
May 28, 1962	Federal Electric Corp	A total of 60 items of rubber power and control cable.		43,736.80	[2]35,052.60 ([3])	([3])	25

[1] See attached identification of symbols used in representing bidders.
[2] Estimated on basis that U.S. bid was approximately 25-percent high.
[3] A Canadian company.

BIDDER IDENTIFICATION CODE

Code	Company	Country	Code	Company	Country
AE	Associated Electrical Industries	England.	MA	Marubeni—Lida	Japan.
BR	British Insulated Calendar Cables	England.	N	Northern Electric	Canada.
CW	Canada Wire & Cable	Canada.	PH	Phillips Electric	Canada.
EN	Enfield Standard Power	England.	PI	Pirrolli Cable Co	Italy Canada.
ER	Ericsson Corp	Norway.	ST	Sterling Cable Co	England.
HI	Hitachi, Ltd	Japan.	SU	Sumitomo Electric Industries	Japan.
KA	Kanomatsu, N. Y. (Hitachi)	Japan.			

APPENDIX B. RECOMMENDATIONS FOR STRENGTHENING THE ANTI-DUMPING ACT (19 U.S.C. 1960 ET SEQ.)

The insulated wire and cable industry believes that there presently exists, in important sectors of our national economy, a significant threat of import injury resulting from dumping of foreign articles in the U.S. market. We do not believe that the Antidumping Act, in its present form, is capable of providing adequate relief to domestic industries which may be adversely affected by this practice. We therefore urge that the act be amended in order to render it fully effective for this purpose.

"Dumping" normally consists of the sale of a foreign article in the United States at prices lower than those at which the article is sold in the country of manufacture, with resultant injury to a domestic industry. In these circumstances, the Antidumping Act is intended to provide a means of relief through the imposition of a special dumping duty.

Under present law, implementation of the Antidumping Act may be briefly summarized as follows:

1. Upon receipt of a complaint, the Commissioner of Customs determines whether there are reasonable grounds to suspect that dumping has occurred. If he so finds, he orders that appraisal be withheld on all future imports of the article and on all unappraised imports received not more than 120 days prior to the complaint.

2. If the Commissioner of Customs finds reasonable grounds to suspect dumping, the Secretary of the Treasury thereupon determines whether dumping has in fact occurred.

3. If the Secretary finds in the affirmative, he notifies the Tariff Commission, which thereupon determines whether a domestic industry "is being or is likely to be injured or is prevented from being established" in consequence of the dumping.

4. If the Tariff Commission finds in the affirmative, the Secretary of the Treasury imposes a special dumping duty on all unappraised imports and future imports of the article. The duty is equal to the difference between the price at which the article is being sold in the United States and the price at which it is sold in the country of origin or in third country markets. A procedure is provided for judicial review of the determination establishing the amount of the duty.

Unfortunately, experience under the act has demonstrated that adequate proof of dumping is laways difficult, and frequently impossible, to obtain. The principal problem which domestic industries have encountered, in attempting to obtain relief from injury incurred in consequence of the sale of foreign articles in the United States at prices less than those at which the same or similar articles are sold in the countries of origin or in third countries, has been the difficulty of obtaining adequate data respecting the prices at which these articles are sold in foreign markets. Similarly, substantial difficulty exists in obtaining cost data sufficient to support an assessment of "constructed value" in instances in which sales in the country of origin or in third country markets are not sufficient to establish a basis for price comparison. In many instances, the domestic industry affected has no adequate means of obtaining these data. To the extent that information of this character is obtanable, it is normally most readily accessible to the party exporting the articles to, or importing the articles into, the United States. In view of these considerations, the amendments proposed by the insulated wire and cable industry are premised upon the belief that equitable and effective enforcement of the act can only be achieved if a greater responsibility for providing the foregoing data is assigned to the foreign exporter (or the U.S. importer), who is frequently the only party in a position to provide this essential information.

The administration of the act has not been fully effective for two further reasons. First, it has sometimes been difficult, even in instances in which adequate evidence exists of sales at less than fair value, to establish injury or likelihood of injury to a domestic industry in consequence of such sales. Second, the extensive time which is often required to process a complaint under the act has materially reduced its effectiveness. For these reasons, the act in its present form is not considered adequate to afford the necessary protection to domestic industries which may be adversely affected by dumping practices. The amendments proposed by the insulated wire and cable industry also seek to correct these deficiencies.

An additional shortcoming of the present act is illustrated by a recent ruling of the Treasury Department which held that the act is inapplicable in the case of certain U.S. military procurement from Canada. This ruling is of particularly grave concern to the affected domestic industries for the reason that, under the terms of the United States-Canada production and development sharing program, the Buy American Act is not applied to these purchases. Further, by virtue of the statutory provision contained in title 10, United States Code, section 2383, relating to emergency purchases of war materials abroad, the Government has taken the position that no tariff is to be imposed in the case of this procurement. Consequently, unless the Antidumping Act applies, many of our essential domestic industries have no defense against lower cost imports from Canadian sources for military use. The injury is greatly aggravated by the importance to these industries of the substantial volume of U.S. military orders which are currently being justified under title 10, United States Code, section 2383. The amendments proposed by the insulated wire and cable industry are designed to correct this condition by insuring that the Antidumping Act will be applicable whether or not the foreign articles are sought to be imported under this statutory provision.

The foregoing weaknesses in the present act are particularly serious in view of the obvious economic and military importance of many of the domestic industries which are threatened by these injurious and inequitable practices. This is particularly true in the case of the insulated wire and cable industry. The products of this industry are essential both to the continued economic development of the United States and to its survival in the event of national emergency. If inequitable import practices were to impair substantially the economic viability of the industry, our national security would be gravely imperiled.

In these circumstances the volume of business which domestic insulated wire and cable manufacturers are losing to foreign competitors in the U.S. market is a cause for particular concern. These sales by foreign suppliers are frequently at prices sufficiently below the prices quoted by domestic firms that they raise a substantial question whether they may not also be below the prices quoted by the foreign suppliers in their home markets.

Examples of the differentials which exist between the prices of domestic and foreign wire and cable in the U.S. market are far too numerous to itemize here. It is significant, however, that these differentials range up to 50 percent in favor of the foreign supplier. The statement recently submitted by the insulated wire and cable industry to the House Ways and Means Committee, in connection with its consideration of H.R. 9900, contains a representative comparison of foreign and domestic wire and cable prices in the case of sales to domestic customers. Since that statement was prepared, a substantial number of additional instances have been reported in which the price of the foreign cable has been far below the comparable domestic price. These instances are summarized as an attachment to the statement submitted by the industry to the Senate Finance Committee with respect to H.R. 11970.

As a result of these price disparities, the insulated wire and cable industry has already suffered import injury in important domestic markets. Unless prompt remedial action is taken, the extent of such injury will undoubtedly increase. The industry believes, particularly in view of the extremely low prices frequently charged by foreign suppliers of wire and cable in the U.S. market, that a significant portion of this injury may result from inequitable dumping practices.

In view of these considerations the industry has urged the Congress, in the course of its consideration of the trade bill, to consider also the injury sustained by domestic industries in consequence of dumping practices which, for one or more of the foregoing reasons, have not been adequately corrected by the act in its present form. The industry believes that the Congress should take no action to approve a further tariff-reducing authority in any form without concurrent amendment of the Antidumping Act to correct these deficiencies.

Among such amendments, the industry believes that the following, at a minimum, are essential:

(1) That any person exporting an article to, or importing an article into, the United States, be required to provide at least prima facie evidence that the article is not being and will not be sold in the United States at less than fair value. Entry of the article into the United States should be conditioned upon the furnishing of such evidence.

(2) That the foreign exporter, or domestic importer, of any article be required to certify with each shipment that the exporter's sales price, or the par-

chase price, of such article is not less than the foreign market value (or constructed value) of the article.

(3) That, in any case in which there is reason to believe that sales of a foreign article may be occurring in the United States at less than fair value, the foreign exporter or domestic importer of such article be required to submit to the Treasury Department appropriate evidence of the foreign market value (or constructed value) of the article. This evidence would be in addition to that required under point (1) above.

(4) In the event that the exporter's sales price, or the purchase price, of the article is found to be less than the foreign market value (or constructed value), that a substantial penalty be imposed upon the foreign exporter or domestic importer of the article, such penalty to be in addition to any special dumping duty that may be assessed.

(5) That the criteria by which the Tariff Commission determines injury, in instances of sales of foreign products in the United States or elsewhere at less than fair value, be modified to insure that relief will be available in all cases where such practices have an injurious domestic impact.

(6) That the act be amended to demonstrate a clear legislative intent that it be equally applicable irrespective of whether the foreign article is imported subject to the duty-free provisions of title 10, United States Code, section 2383.

(7) That the procedural provisions of the act be amended to expedite relief. The desirability of such amendment is reflected in the fact that several bills are presently pending in the Congress for this purpose.

The foregoing proposals for amendment of the Antidumping Act are the result of the long experience which domestic industries have had with its operation. These amendments are considered essential if the act is to be rendered fully effective to alleviate the injurious domestic consequences of sales of foreign merchandise in the United States or elsewhere at less than fair value.

STATEMENT SUBMITTED BY BERNARD J. LEE & ASSOCIATES, NEW YORK, N.Y.

THE TRADE BILL—HOW IT WILL INCREASE UNEMPLOYMENT AND THE OUTFLOW OF GOLD

With the exception of a few columnists, our newspapers, radio, and television broadcasters have failed to enlighten the public as to how the President's trade bill, that is now pending before Congress, will endanger our national economy and the American way of life.

The President's economic advisers feel that the United States will miss vast opportunities to increase trade in the European Common Market, unless Congress gives the President broad gage powers to reduce our tariffs 50 percent and eliminate them entirely where he deems it necessary.

American generosity has provided the European Common Market countries with new factories, the finest machinery and tools, our most advanced technology, and our patented processes and products, so that England, France, West Germany, Belgium, Holland, Italy, and Japan now have factories that are as efficient as the finest in this country and they have no unemployment except in Belgium.

With American wages towering over those of Japan and the European Common Market countries, it is ridiculous to think that the lowering of our tariffs will enable us to compete with these countries in the world markets.

The following table of hourly wages shows how our high wages have priced the United States out of the world markets:

United States	$2.36	France	$0.50
Canada	1.75	Italy	.41
Great Britain	.90	Japan	.34
West Germany	.85		

In addition to lower wages, foreign exporting companies benefit from more favorable depreciation policies and stockholders are given bigger tax credits on dividends. Further, foreign textile manufacturers can buy American cotton cheaper than American companies.

The list of finished goods now flowing into the United States at an alarmingly increased rate over present tariff walls includes automobiles, typewriters, radios, television sets, surgical instruments, sewing machines, textiles, shoes, clothing, steel, glass, cameras, drugs, and many other products. As a result, every indus-

trial center in the country is suffering from unemployment caused by these imports from countries with low labor costs.

The prosperity of this country, its high wages and high living standards, has been made possible through tariffs that protect its industries against imports from countries with very low labor costs.

The United States is now priced out of the foreign markets as a result of our towering labor costs. If the President is empowered to further cut tariffs 50 percent and eliminate them entirely where he deems it advisable, American industry will be priced out of the American market, the world's richest market.

As a result many industries will be liquidated and unemployment will skyrocket. Those industries that survive will suffer severely from competition. About 78 percent of our Federal income taxes are derived from individuals and corporations. Where will we then obtain sufficient revenue to support our large Federal budget?

The AFL–CIO has not objected to this bill. It realizes the passage of the legislation will create great unemployment, which will enable it to establish a 30-hour week with no reduction from the 40-hour take-home wages.

The President's economic advisers have asked Congress to set up a fund of $100 million to take care of the workers and industries that will be affected by the legislation. Sponsors of the trade bill would like to make our unemployed and their families live on Federal relief so that foreign workers can live in luxury.

The people elected to represent us in Washington have a statutory and patriotic duty of watchful concern for our economic health, but for several years they have been more concerned with the welfare and the development of foreign countries.

Some of the countries that we have assisted with foreign aid now realize the weakening of our economy and are showing their lack of appreciation for our generosity. France and West Germany have discussed the formation of a union of countries to act as a balance of power between the United States and Russia.

To save our glass and carpet industries, the Tariff Commission has found it necessary to increase tariffs on these products. Belgium, which will be affected by the tariff increases, has threatened us with retaliation by the European Common Market countries if these tariff increases are not rescinded. For every tariff increase that we make, Belgium will have the European Common Market countries increase tariffs on four products.

The time is long past due for the men we have elected in Washington to put our Nation's interests first. If they do not take immediate steps to advance this policy, our country will be forced into a severe depression and economic paralysis.

Our elected representatives in Washington can eliminate most of our unemployment, halt the outflow of gold and create a favorable balance of international payments by increasing our tariffs to a level that will prevent any foreign goods from entering into this country with which our wage scale will not permit us to compete.

The United States is the largest market in the world. With proper planning the country can almost become self-consumers of its production. Tariff increases referred to will take between 5 and 6 percent of the working force from unemployment relief and provide them with the purchasing power of the average weekly wage of $92.34. The added purchasing power of the unemployed would be a great stimulant to business and to the productive activity of the country.

The Navy Department has just purchased 3,500 tons of steel from West Germany and 1,000 tons from Japan when the steel industry is running about 50 percent of capacity and 20 percent of the working force is unemployed. The Defense Department is planning to purchase 100,000 trucks from Japan. Apparently Washington is not greatly interested in reducing unemployment in the United States or halting the outflow of gold.

Statement for the Senate Finance Committee Relating to the Provisions of H.R. 11970 Concerning Readjustment Allowances to Displaced Workers

(By Charles H. Taylor, executive vice president, Virginia Manufacturers Association, Richmond, Va.)

Mr. Chairman and members of the Senate Finance Committee, the purpose of our statement is to make known our complete opposition to that portion of

H.R. 11970 dealing with additional unemployment compensation for workers displaced by reason of foreign competition, and to point up the rank discrimination involved and the consequent weakening of our State unemployment compensation insurance system.

However described or explained, the proposed trade readjustment allowances for displaced workers resulting from foreign competition are additional unemployment compensation benefits. It proposes to pay more benefits in terms of duration and dollars to a small, select group of workers because of the nature of their unemployment. How can this kind of discrimination be justified to the larger group of unemployed workers who have been laid off because of technological advances, termination of defense contracts, or as an indirect result of foreign competition? We find it difficult to see a superior virtue in federally caused unemployment resulting from trade agreements over the closing of a defense industry or the obsolescence of a particular operation. We, also, believe it would be difficult to accurately determine what unemployment actually resulted from foreign competition.

To give preference to workers laid off by reason of foreign competition by paying them additional unemployment compensation benefits would clearly discriminate against the large majority of the jobless—out of jobs for all other reasons. We cannot believe that such discrimination would be long tolerated, because it would simply be indefensible, morally and politically. We are confident that the prime movers behind this proposal would be the first to press for the elimination of the gross inequity involved.

Recognizing the arbitrary discrimination involved in the readjustment allowance proposal and the inevitable pressures to treat all unemployed workers equally can only lead to the conclusion that this is another deliberate attempt to "Federalize" State unemployment compensation by an indirect approach. The principal backers of this proposal have made it abundantly clear over the years that their objective is Federalization of State unemployment compensation insurance systems and that they propose to achieve it through any means available—directly or indirectly.

The proposed Trade Expansion Act requires that each State enter into an agreement which provides that unemployment compensation otherwise payable to any adversely affected worker will not be denied or reduced for any week by reason of any right to allowances under the act. Section 60-46(f) of the Code of Virginia renders an individual ineligible to receive State unemployment compensation benefits for any week he is receiving, has received, or is seeking unemployment compensation under the unemployment compensation law of the United States. This section precludes Virginia from signing such an agreement. This safeguard was written into the Virginia statute for good reason, and to circumvent it would be to seriously impair existing State unemployment insurance programs.

We sincerely urge you to reject the trade adjustment features of H.R. 11970, which would be in direct conflict with our State law and which would ultimately dissolve our State unemployment compensation insurance system.

STATEMENT OF DR. LEWIS E. LLOYD, ECONOMIST, MIDLAND, MICH.

This country faces a critical situation. Internally, there has been a slowing down in our rate of growth and a gradual structural increase in the percentage unemployed. Externally, there is a continuing and growing negative balance of payments. I am disturbed by this situation and would like to bring to the attention of the committee the nature and extent of the impact of our foreign economic policies on our problem.

Proponents of H.R. 11970 offer this bill and the "trade liberalization" which it proposes as a solution to many of our economic ills. They claim that the program proposed by this bill would—

1. Improve our balance-of-payments position.
2. Accelerate the growth of our economy.
3. Increase employment.
4. Prevent domestic inflation.
5. Benefit the consumer.
6. Save us from the threat of the Common Market.
7. Do all this by greatly increasing our export surplus, particularly to the Common Market.

In explaining how this is to be accomplished, discussion has seldom gotten beyond the point of generalities. It is time to examine the consequences of this proposed trade policy in depth. This can only be done by examining the basic economics of trade and relating this proposal to the economic consequences.

In a division-of-labor society, a group of workers produce a given goods or service and exchange this with other workers for the products of their labor. In a complex, industrialized society barter is impractical and so money is used be pictured by the following equation:

GOODS ⇄ MONEY ⇄ GOODS

It is important to note that the economic exchange process is not complete with the first step of exchanging goods for money, but only after the second step of exchanging the money for another economic good. If one individual or group of individuals exchanges goods and services for money and retains or hoards part of this money, failing to exchange it for other goods or services, then an imbalance results. Other workers have production for which there is no market, no customer.

In this basic equation of economic exchange we see the fundamentals of trade between nations. Normally, one nation will exchange goods and services for money and then with that money buy goods and services from other nations. If the total exports and imports do not balance, however, then money will flow into or out of a given country and there are economic consequences both for the countries that lose money and from those that gain.

It is obvious from the exchange equation that trade in and of itself does not increase the amount of goods or services available. It merely brings about redistribution of goods already produced. If a nation or a community wants a higher standard of living, it must either produce more or induce somebody else to give a part of their production to them.

Proponents of H.R. 11970 claim that the tariff reduction and tariff elimination proposed in this bill would greatly increase our exports to the Common Market. They reason that the more rapid growth of the Common Market and their rapidly increasing standard of living will increase their market for consumer appliances and hardgoods. They assume that we can capture a large part of that increased market. Those who hold this dream are doomed to disappointment. To whatever extent we might increase our exports to the Common Market, we would have to increase our imports either directly or indirectly by an equal amount, else the Common Market would soon face a balance-of-payments problem. Many of the unsound claims for this bill are based on a lack of understanding of the basic economics of trade.

As pointed out above, a standard of living consists of just the goods and services that are produced by a given nation or community. This can be expressed by the equation:

$$MMW=NR+HE\times T$$

where: MMW=Man's material welfare
NR=Natural resources
HE=Human energy
T=Tools

Now there are ways in which international trade can indirectly contribute to total production. For example, no nation has all the natural resources it might wish to use and therefore will need to import minerals or natural products for which it lacks suitable climate. Recognizing this, the United States has long had free trade on the import of tropical products and most minerals and natural resources.

The second reason involves tools. If a nation represents too small a market to permit mass production and therefore cannot use mass production efficiency, it will need world trade to increase the market. Switzerland is a good example of a small nation which has built up an efficient industry and extended its market around the world.

The Common Market was designed specifically to meet this problem. The nations who signed the Rome Treaty sought to develop a free trade area like that of the United States. The EEC is large enough to sustain mass production and is designed to have a common external tariff and trade policy which will foster the interests of the member countries.

These countries will have to import many raw materials and food products. They will have to export enough to cover their imports. If they attempt over

the long run to export more than they import, or vice versa, they or their trading partners will face a chronic balance-of-payments problem even as we now do.

The whole "trade liberalization" crusade is based on a doctrinaire belief in the free trade theory. Generally overlooked is the fact that free trade, like any other theory, is based on certain assumptions. The free trade theory assumes that all the economic relations between nations would be on a truly free market basis. If international trade took place under these conditions, then world markets would allocate production such that the most efficient natural resources, labor and tools, would be used.

When the assumptions for a theory are not met in actual practice, however, application of the theory inevitably will give results different than proposed by the theory. If free trade were to maximize economic efficiency, the following conditions would be reasonably well met:

1. No cartels or government enterprise.
2. No government subsidies.
3. Essentially uniform business laws uniformly enforced.
4. No major differences in taxes on business.
5. No immigration restrictions to prevent movement of workers.
6. A completely free market in exchange rates and the movement of capital.
7. No overriding defense requirements.

None of these conditions are met in the world today, even as between the nations of the free world. Those who propose a major step forward toward free trade are getting the cart before the horse. Those developing a trade policy for the United States should be given first attention to reducing government interference in all the economic relations within and between nations. Then it would be time to eliminate trade barriers. Tariffs and other trade regulations are the means of adjusting to the realities of nonideal conditions.

Those who propose H.R. 11970 as a solution to our balance-of-payments problem base their argument on two false premises. First of all, they assume that U.S. industry is competitive costwise with respect to the rest of the world, and secondly, they assume that foreign tariffs are the chief hindrance to sizable increase in our exports of manufactured goods.

The facts are that, on the average, American producers are not competitive in world markets; and that, for the most part, lower foreign costs and nontariff restrictions are the chief bar to increased U.S. exports.

CHART 1

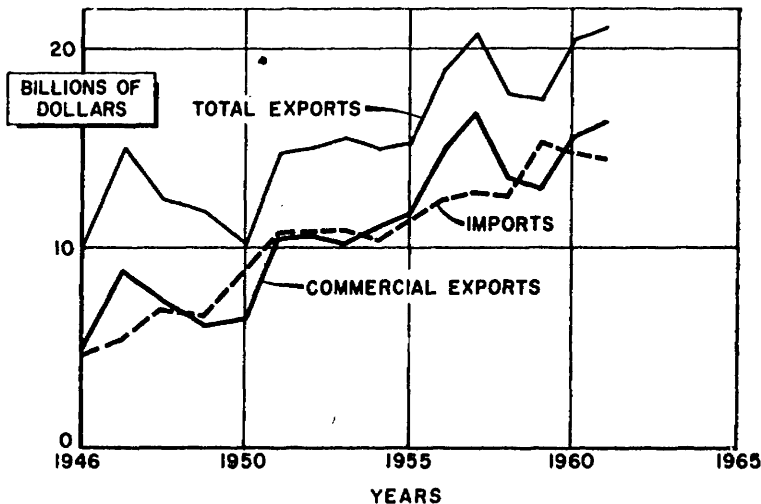
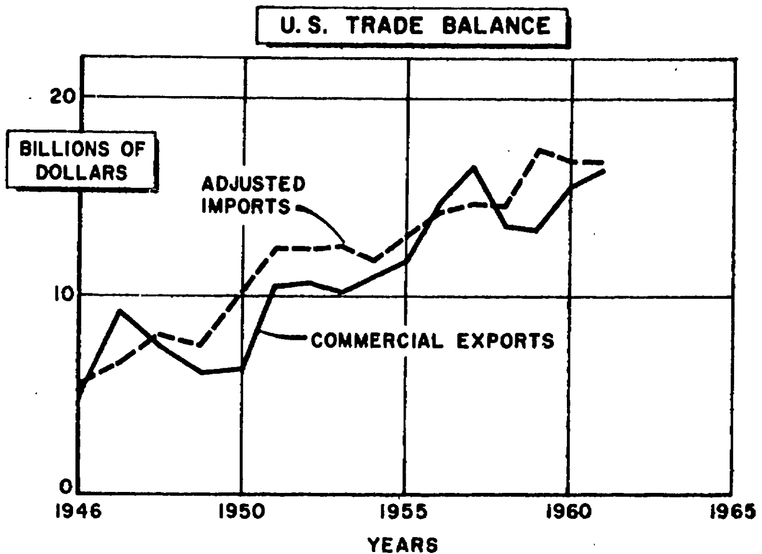


CHART 2



Proponents of "trade liberalization" point to Department of Commerce data and note that our recorded exports appear to exceed imports by $4 to $5 billion in recent years. They say this favorable trade balance proves that we are competitive in world markets.

Careful examination shows, however, that the export figure is a phony. Included in it are sizable quantities of agricultural products sold under Public Law 480 to nations for soft currencies which are blocked and cannot be converted to dollars. Included also are sizable quantities of shipments to our Military Establishments overseas. Likewise included are our subsidized agricultural exports and even included are relief shipments of grain sent to famine areas. When these exports which are paid for with American taxpayers' dollars are subtracted from the export data, we find that the so-called trade surplus vanishes. Chart 1 shows the recent history of our exports, imports, and the exports corrected to remove that portion bought with our own money.

Moreover, we follow the practice of tabulating our foreign trade on the basis of f.o.b. (this means at foreign factory or shipping point) values. Other nations use a c.i.f. basis (cost, including insurance and ocean freight; that is, landed cost). Practically all of our imports and most of our exports move on foreign bottoms. In the case of imports, therefore, we pay out dollars for the landed cost. To convert our imports to a c.i.f. basis, we would have to add about 25 percent in the case of most countries. Chart 2 shows the balance between our commercial exports and our imports adjusted upward by a modest 15 percent to estimated c.i.f. basis. Thus, a careful examination of our foreign trade data shows that in truly commercial exports, we have a deficit, not an excess.

And, finally, even the commercial exports exaggerate our competitiveness. A significant portion of our exports are from U.S. firms to oversea subsidiaries. In the case of autos and machine tools, it probably runs higher than 25 percent because of maintenance parts. Those shipments are no indication of competitiveness, and they are not balanced by a reverse flow because of the few foreign subsidiaries in this country.

It is clear from a careful examination of the U.S. trade data that we not only do not have a favorable trade balance but actually an unfavorable one as far as commercial exports are concerned. Instead of this data proving that we are competitive in world markets, it tends to indicate the opposite. Moreover, there are other independent and even more convincing evidences that we are, on the average, noncompetitive with efficient foreign producers.

Mr. Ashley, of the Trade Relations Council, in testifying before the House Ways and Means Committee discussed the changing character of our exports and imports in the decade of the 1950's. He showed that whereas formerly the United States imported primarily tropical products, raw materials, and products of low labor content, and exported primarily manufactured goods, we have in the past dozen years seen a reversal. We now export more agricultural products, raw materials, scrap iron, chemical intermediates, and products of low labor content, and import more of manufactured goods of high labor content. This striking change in the character of our trade is a clear-cut indication that our labor costs are pricing us out of world markets.

Another indication of our noncompetitiveness is the fact that we have high, continuing unemployment and efficient plants which are not being utilized to capacity; whereas, in Europe and Japan they cannot find enough workers nor build plants fast enough to meet their demands. This is a clear-cut indication that, on the average, products from their plants are preferred in world markets to those from our plants. This means only one thing, of course; namely that their selling price is lower.

A final and clinching evidence of our noncompetitiveness is our continuing and growing negative balance of payments. Merchandise exports and imports are, of course, only a part of our economic exchange with other nations. We have to look at the balance of payments to see the whole picture. The balance of payments shows the sum of the net of our foreign trade, the net of our exchange of services (shipping, insurance, etc.), the net on capital flow, and the net on gifts and loans. As is shown by chart 3, we have had a negative balance of payments since 1949, except for the year 1957 when the Suez crisis forced Europe to buy quantities of oil from the dollar area. This means that year after year more dollars have left our shores than have returned. This continuing and growing deficit exists because foreigners who get dollars from our imports, from tourism and from gifts, can, on the average, use these dollars to buy elsewhere cheaper than in the United States.

In the early part of 1961 a divergence between the economies of Europe and the United States gave a temporary respite from the outflow of dollars. As recovery in the U.S. economy advanced, however, we find that the negative balance of payments are increasing again. In spite of the fact that an Executive order has required more of our foreign aid dollars to be spent in the United States, there is a tendency for our total export shipments to level off. By con-

CHART 3

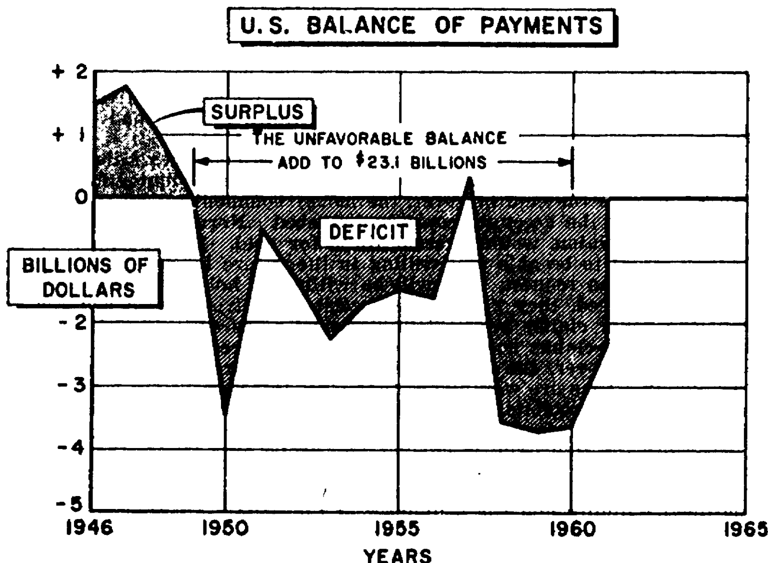
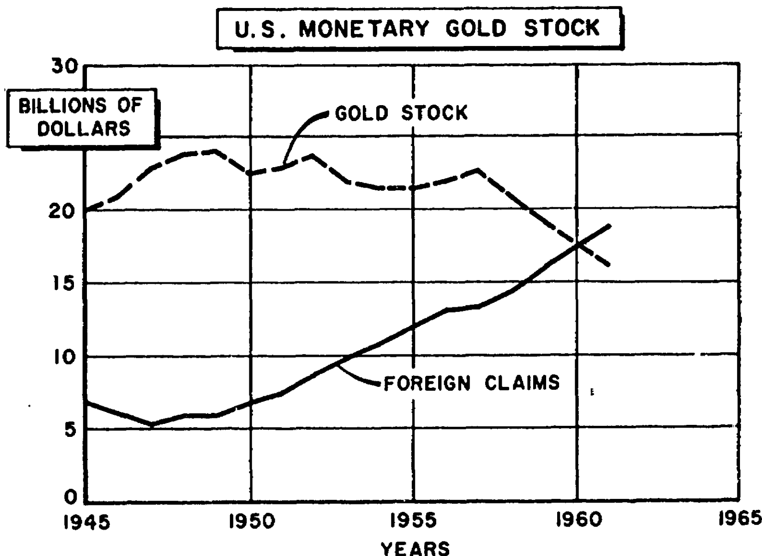


CHART 4



trast, imports continue to rise. The short-term fluctuations in our balance-of-payments situation reflect primarily temporary changes in short-term capital flow and obscure the deterioration of our worsening trade picture.

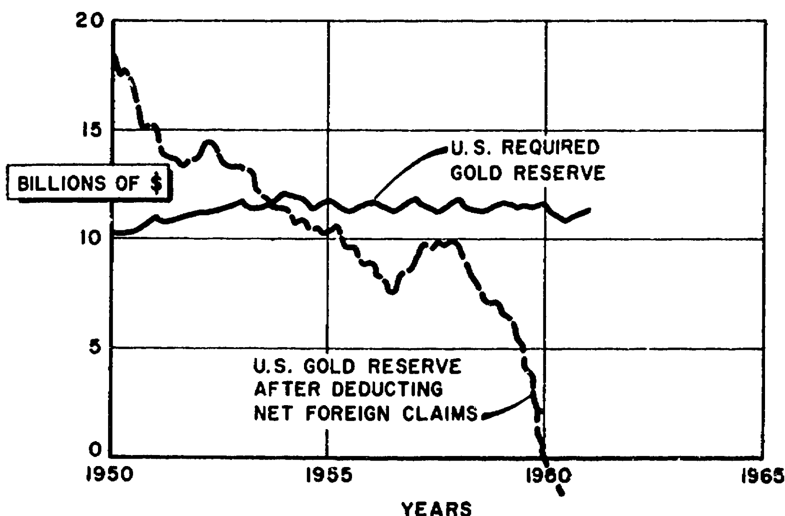
This sustained and growing negative balance of payments has resulted in loss of part of our gold reserve and increased foreign claims against our gold. Chart 4 shows this data for the postwar years. We should call attention to the fact that while U.S. citizens cannot exchange dollars for gold, foreigners can. We have a commitment to furnish gold at $35 an ounce to foreign central banks. Consequently, any foreigner can take his dollars to his central bank which can then convert them into gold.

Chart 5 shows the amount of gold we would have left if we paid off all the foreign claims outstanding, and also shows the amount of gold which is needed to meet the 25 percent reserve requirements of our banking law. It is obvious that since 1954 we have been unable to meet all our commitments if at any time the foreigners had decided to cash in all their claims. In the past year we could not even have met our foreign commitments if we had disregarded any gold reserve to support our own banking system.

When the exchange of goods and services between countries fails to balance, one country may be willing to hold claims against another country for a limited period of time. In the end, however, the money commodity—gold—is the only tangible way that the accounts could be balanced. Normally, foreigners with mounting dollar claims would present these for gold. So long as they trust the United States to be able and willing in the future to meet its obligations to supply gold upon request, they will be willing to hold the dollar claims in lieu of gold. Indeed, they have some special incentives not to ask for gold. Much of the dollar claims are held in Treasury notes and bills which pay interest. When the claims are converted to gold, there is a slight charge for safekeeping. Moreover, the industrial nations of Europe who hold the bulk of these dollar claims are well aware that were they to call for large amounts of gold, this would precipitate a liquidity crisis and force us to eliminate most or all of our foreign aid. Since many of our foreign aid dollars have found their way into the industrial economies of Europe and Japan, they are loath to make any move which would force us into cutting our foreign aid.

Thus, we see that through the continuing balance-of-payments deficit our international liquidity and the soundness of the dollar is now dependent upon the confidence of foreign nationals. Our own fiscal policies now must face the discipline of international finance.

CHART 5



Returning now to the basic economics of exchange, we note that our negative balance of payments indicates the extent to which dollars have not returned to buy goods and services from American workers. In the past 4 years this outflow of dollars has averaged almost $3½ billion per year. If these dollars had come back to this country to buy manufactured goods, it would have created at least a million and a half more jobs than we had.

Much has been made by the proponents of free trade of various "guesstimates" of the number of jobs created by our exports. These proponents fail to mention the jobs that are lost as a result of imports. What they do, in effect, is to talk only about the credit side of the ledger and completely ignore the debit entries. Actually, of course, it is balance between the credits and debits which tells the only meaningful story. This is precisely what the balance of payments tells us. It is the overall balance between the jobs created by the dollars that enter our economy from overseas and the jobs lost due to dollars that go overseas. Since there has been a net loss of dollars, it is obvious that there has been a net loss of jobs. We can make a rough approximation of how many jobs are involved by dividing the $3½ billion outflow of dollars of recent years by the average annual earnings of a factory worker. This number of jobs must then be increased by what the economists call a multiplier factor to take account of the service jobs which increased factory worker earnings would support. For example, the chamber of commerce reports that for every 100 factory jobs in a community, 174 other jobs will be added.

U.S. PRODUCERS NONCOMPETITIVE

The reason for the large and growing negative balance of payments is that U.S. labor and U.S. manufacturers have priced themselves out of the world market. When the foreigners get our dollars, they find that they can use these dollars to buy goods elsewhere in the world cheaper than from the United States. There are three dominant factors which have contributed to the noncompetitive position of U.S. producers.

During the war the plants of Europe and England and Japan were destroyed by bombs or by overworking and inadequate maintenance. As a consequence,

when these industrial nations rebuilt their plants—for the most part with our foreign aid dollars—they built modern, new, automated plants. We went to great lengths to help them do this. We invited and paid the expenses of teams of foreign industrialists to come to this country and see our plants and learn our methods. With new plants and advanced methods, productivity in industrial Europe and Japan advanced by leaps and bounds. Unions in these foreign countries moderated their demands so that much of this increased productivity could find its way into selling price reductions in order that industry in each country could become highly competitive in world markets.

As a result labor costs, including fringe benefits in Western Europe, are now one-fifth to one-third those in the United States, and in Japan about one-seventh. Proponents of "trade liberalization" shrug off this major cost difference by saying that labor costs are only a small part of total costs and are really unimportant. What they do is to confuse direct labor cost in a given factory with total labor costs. They fail to realize that most of the dollars for feedstock or parts, for shipping, for telephones, for advertising, and even for taxes, go to pay workers. Studies for companies, for industries, and even for the country as a whole, show that 82–85 percent of all costs goes to pay labor. The cost of labor times the productivity in most cases gives a meaningful comparison on costs.

Another factor which is only now beginning to have its effects is the creation of the European Economic Community. As the so-called Common Market develops, there will exist in Europe a mass market sufficient to support mass production industries—sufficient to permit maximum efficiency through large production plants. In the past the United States had the only truly mass market in the world and hence had an enormous advantage, in a sense a monopoly of mass production. This is no longer true. First of all, Europe is building its own mass market, and secondly, through successful tariff reductions and particularly if H.R. 11970 is passed and implemented, we will have opened our mass market to any producer in the world so that we will have completely lost any special advantage through large-scale production.

The most significant factor in the pricing of ourselves out of world markets is the inflation with which we chose to finance World War II. During the war and a little more during Korea and since, we have poured more than $90 billion of worthless, paper, fiat money into our banking system. Monetary inflation always brings with it certain consequences—maladjustments in the economy which show up in various ways. The first thing that happened during the war when this excess purchase media was created was that the velocity in the use of money dropped very low. There were no houses to be bought, no automobiles for civilians, no consumer hard goods, not even good-quality clothing available. Moreover, it was patriotic to save and to buy bonds. Consequently, consumers paid off their installment debt, paid on their mortgages, bought Government bonds, and increased the size of their checking accounts. In a word, consumers became more "liquid." After the war as consumer goods became available, they began to use their savings to buy on time, and thus gradually, little by little, the inflationary money began to be used.

Since more than one worthless, "printing press" dollar had been created for every good one, and since two dollars came to the marketplace to buy a dollar's worth of goods, and since the marketplace couldn't tell the good dollar from the worthless dollar, naturally the prices were bid up until a dollar's worth of goods sold for two dollars. Thus, we find that our dollar is now worth only 46 cents as compared to prewar.

Now the price of labor went up along with the price of everything else—in fact, faster than the price of goods. Thus, through the well-known processes of inflation, American labor and American manufacturers have established price levels above the average for world markets. This is the major maladjustment in our economy which has come out of our monetary inflation of the past two decades.

We see the real consequences of this when we turn our attention again to the basic exchange equation:

$$\begin{array}{c} \text{GOLD} \\ \updownarrow \\ \text{GOODS} \rightleftarrows \text{DOLLARS} \rightleftarrows \text{GOODS} \end{array}$$

When foreigners exchange goods and services to us for our dollars, normally they would exchange those dollars for other goods and services from us. It

just so happens, however, that one of the goods which we offer the world is gold. Through the process of inflation the prices of our other goods and services have essentially doubled, but the price of gold remains at $35 an ounce as it was fixed in 1934. Thus, today gold is the cheapest commodity we offer the world. It is not surprising, therefore, that foreigners who get dollars, prefer to keep part of those dollars to exchange for gold. Of course, as we have seen, they don't actually have to exchange them for gold as long as the world has confidence that we will honor our obligation to furnish gold upon demand. What they do is to keep part of these dollars and to use them to trade with other nations. The dollars which they keep and do not use to buy from us, reduces the total purchases from our economy and leads to reduction in rate of our industrial growth and causes unemployment here.

Thus, we see that oversea tariffs are not the basic reason why we are noncompetitive; is not the reason for our balance-of-payments difficulties. Our difficulties are imbedded in the fundamental economics of our inflation and the exchange rate which is pegged at a level which overvalues the dollar in world markets.

Time is running out. Foreigners will not continue indefinitely to increase their holdings of our I O U's. A solution must be found—and quickly—to our balance-of-payments problem. H.R. 11970 is not an answer. First of all, we haven't time to wait until the United Kingdom has joined the Common Market and negotiations could be completed under the new legislation. Secondly, the proposed actions under this legislation will certainly worsen the balance of payments, not correct it.

The only action which will give us a permanent correction to our balance-of-payments problem is to make U.S. producers again competitive in world markets. H.R. 11970 proposes to do this by removing tariffs. Since there is no chance of reducing our wage rates so as to be able to compete with foreign producers, this action would lead to massive unemployment of labor and facilities in the United States. This is a result which would be disastrous.

Some have proposed that we can become competitive by intensifying research, innovation, and automation. Such proposals overlook the fact that in the past decade Europe and Japan have been increasing productivity considerably faster than we have. It overlooks the fact that they are alert to the advantages of automation and that they are competent researchers themselves. There is not the remotest chance that we can take a spurt forward in productivity which will outdistance them and offset our major disadvantage in labor costs.

Others propose that increases in foreign wage rates will solve our problem. It is true that foreign wage rates are increasing at the present time faster than ours percentagewise, but this offers a solution only in the distant future. For example, last year German labor costs increased about 10 percent while ours increased only 5 percent. However, a 10 percent increase of a 75c wage is only 7½ cents an hour, while a 5 percent increase of a $3 wage is 15 cents an hour. This illustrates the difficulty of the problem in the short range. In fact, if the increase in labor costs continues at present rates both here and abroad, the difference in wage rates in cents per hour between the U.S. and European workers would actually increase until about 1970; thereafter, the gap would begin to decrease.

There is one way by which we could arrange to become competitive again in world markets without jeopardizing the vigor of our own economy. As was indicated above, in order for free trade to work, exchange rates should be set on a free market basis. Prior to World War I, this condition actually existed. Now, however, exchange rates are set by an international bureaucracy—the International Monetary Fund. The exchange rates between the dollar and other currencies of the industrial world were set soon after the close of World War II, before anyone could visualize the rapid gains in productivity which have taken place in Europe and Japan. As a consequence, present exchange rates do not truly reflect the value of the several currencies. Were we to allow a free market to establish the exchange rates, the dollar would be valued with respect to other currencies at a level such as to balance out the average productivity times the wage rate of the producers in different countries.

Bill H.R. 11970 now under consideration before the Senate Finance Committee will not solve the balance-of-payments problem but will only aggravate it. The committee should table this bill and turn its attention to consideration of a realistic exchange rate between the dollar and other currencies. Unless this is done, we may be forced to isolate ourselves from world markets with quantita-

tive restrictions and might even be forced to resort to barter trade only, as did Germany prior to World War II. A realistic exchange rate would increase our exports by making the products of our factories competitive in world markets. This would not only solve the outflow of dollars but would create jobs for our workers. It would also increase the growth rate of our industrial economy. Until the exchange rate is corrected, we will see our factories bypassed and most of the industrial growth taking place overseas. If punitive tax legislation makes it impossible for American capital to participate in this growth, then the growth opportunities will be reserved solely for foreigners, and America will not even reap profits, let alone jobs, from the expanding world markets.

STATEMENT SUBMITTED BY MONROE LEIGH, STEPTOE & JOHNSON, WASHINGTON, D.C., ON BEHALF OF ALUMINUM ASSOCIATION

This statement is presented by the Foreign Trade Committee of the Aluminum Association on behalf of that association. The association has 44 members and includes all of the six primary domestic aluminum producers, as well as the principal domestic firms engaged in the fabrication of aluminum products.

We have also been authorized to state that the following trade associations concur in this statement of position:

Aluminum Smelters Research Institute.
American Die Casting Institute.
National Association of Aluminum Distributors.

These four aluminum industry trade associations appear in support of the President's new foreign trade program and they support generally the enactment of H.R. 11970.

However, they strongly recommend to the Senate Finance Committee that several strengthening amendments be added before the House version of the bill is reported out. These amendments fall into three broad categories as follows:

1. Amendments to the statement of purposes in section 102 to provide a clear declaration that one of the primary purposes of the act is to achieve for American companies access to world markets on equal terms with competing companies from other industrialized countries.
2. Amendments to assure that the President for purposes of negotiation is armed with full power to raise the tariffs as well as to lower the tariffs.
3. Amendments to assure that the President has authority to appoint industry advisory committees to advise him on trade policy and to assist him in carrying out the trade policy.

The need for each of these categories of amendments is more fully explained in the succeeding paragraphs of this statement.

EQUAL ACCESS TO WORLD MARKETS

We believe that a primary objective of U.S. trade policy should be to assure that American products have a fair and equal opportunity to compete in world markets. This is not an objective applicable to the aluminum industry alone. Rather it is a general objective applicable across the board. We assume that there is a national consensus that one of the principal, if not indeed the principal, objective of the U.S. foreign trade policy must be the expansion of U.S. exports. The President has repeatedly so stated. Our balance-of-payments situation requires it.

We must have an increase in exports to pay the foreign exchange costs of maintaining our military forces overseas, to support the foreign-aid program, to sustain our worldwide system of defensive alliances and, generally, to enable this country to play its role as a leader of the free world alliance. It is clear that American aluminum industry does not now have as ready access to foreign markets as its oversea competitors have to U.S. markets.

Let us consider first the comparative tariff aspect. American tariffs on aluminum products have been reduced since 1934 by approximately 80 percent, with the result that on an ad valorem basis the present U.S. tariff on primary aluminum is 5.2 percent and on fabricated aluminum products it ranges between 5 and 6 percent.

What is the comparable tariff in the Common Market countries? West Germany has a 9-percent tariff on primary aluminum and 12-percent tariff on most

fabricated products. France has a 15-percent tariff on primary aluminum and a 15.6-percent tariff on fabricated products. Italy has a 20.5-percent tariff on primary aluminum and a 22.5-percent tariff on fabricated products.

Thus the major Common Market nations' individual tariffs range from two to four times the U.S. tariffs, at a time when the balance of trade is already in their favor.

Under the Treaty of Rome, the tariffs of the member nations will be averaged and thus by the time the treaty is fully effective, there will be a common external aluminum tariff. This tariff is scheduled to be 9 percent on primary aluminum products and 15 percent on fabricated products, two and three times the U.S. tariff.

It will be useful to put in the record at this point two tables which show in tabular form comparative aluminum tariffs for the United States and its principal competitors for the years 1947 and 1962.

TABLE I.—*Comparative tariffs on primary aluminum ingot in major consuming countries*

Country	Ad valorem rates (percent)	
	1947	1962
United States	20.0	5.2
Canada	27.5	[1] 5.4
Japan	(2)	15.0
Switzerland	[3] 45.0	[4] 27.0
United Kingdom	[5] Free	[5] Free

[1] Plus 5 percent surtax effective June 24, 1962.
[2] Country under military occupation.
[3] Estimated. Specific duty in 1947 identical to 1962, but domestic price of ingot lower in 1947.
[4] Tariff 16 percent to members of European Free Trade Association.
[5] The United Kingdom has no duty on unalloyed ingot, but has a 10-percent duty on alloyed ingot; however, alloyed ingot may be imported from Canada and other Commonwealth countries duty free. The duty on alloyed ingot from other EFTA countries is 6 percent.

European Economic Community	1947	1962		Projected common external tariff to nonmembers
		Nonmember countries	Internal tariff to EEC countries	
Belgium-Luxembourg	Free	1.5	Free	9
Netherlands	Free	1.5	Free	9
West Germany	[1] 12	[2] 9.0	5.0	9
France	20	15.0	10.0	9
Italy	35	20.5	12.5	9

[1] Country under military occupation. Rate shown is for 1948.
[2] Quota of 80,000 metric tons at rate of 5 percent; remainder at 9 percent.

TABLE II.—*Comparative tariffs on a major semifabricated aluminum product in major consuming countries*

Country	Ad valorem rates on aluminum sheet (percent)	
	1947	1962
United States	23.0	5.0-6.0
Canada	27.5	[1] 8.0
Japan	(2)	20.0
Switzerland	(3)	[4] 16.0
United Kingdom	12.5	[5] 12.5

[1] Plus 5 percent surtax effective June 24, 1962.
[2] Country under military occupation.
[3] Not available.
[4] Tariff 9 percent to members of European Free Trade Association.
[5] Tariff 7½ percent to members of EFTA; duty free to British Commonwealth countries.

European Economic Community	1947	1962		Projected common external tariff to nonmembers
		Nonmember countries	Internal tariff to EEC countries	
Belgium-Luxembourg	[1] 4	7.8	3.00	15
Netherlands	4	7.8	3.00	15
West Germany	[1] 18	12.0	7.65	15
France	[1] 20	15.6	10.00	15
Italy	[1] 30	22.5	13.50	15

[1] Rate for 1948; previous year not available.

As these tables show, the U.S. reductions of aluminum tariffs have been much more drastic than the reductions agreed to by West Germany, France, and Italy.

Moreover, a comparison of tariffs between the United States and the Common Market countries does not give the full story of the tariff advantage enjoyed by the latter group. By 1970 the Treaty of Rome calls for the elmination of all tariffs between the nations making up the Common Market. This step might be accelerated so that free trade within the Common Market could become a reality as early as 1966. When this occurs, the Common Market aluminum companies will not only have the advantage that their common external tariff is twice or three times as great as the U.S. tariff; they will also be able to sell throughout the Common Market area in competition with U.S. aluminum without any tariff barriers at all.

There are, of course, many trade barriers besides tariffs. U.S. aluminum products encounter a variety of these nontariff barriers.

These restrictive barriers, which are employed in conjunction with or supplementary to tariffs, add to the difficulties of the U.S. aluminum industry's efforts to sell aluminum abroad. If American firms are to compete on more equitable terms with foreign suppliers, elmination of the following types and examples of restrictive trade barriers is necessary:

(*A*) *Special taxes*

(1) In West Germany an equalization tax is levied on imported goods whenever comparable products manufactured in Germany are subject to the turnover tax during the production process. The tax is not applied to raw materials produced in Germany, and German aluminum producers do not have to pay the turnover tax of 4 percent on sales of primary aluminum. Imported primary aluminium, nevertheless, is subject to the 4-percent equalization tax.

(2) France levies a custom stamp or statistical tax of 2 percent on the value of total customs charges.

(3) Italy imposes an administrative fee on all imports at one-half of 1 percent ad valorem on the dutiable value, as well as an additional statistical fee of 2 cents per 100 kilograms gross weight.

(4) Belgium levies a transmission tax, ranging from 1 to 12 percent, on all imported goods. Although the transmission tax is also applied to domestic transactions, it may be somewhat higher for imports in order to compensate for the tax which would have been collected had the product been produced in Belgium.

(5) Luxembourg imposes a 2-percent import tax on the value f.o.b. Luxembourg.

(6) Switzerland levies a 3-percent sales tax on total customs charges.

(7) Austria levies a surcharge of 5.25 percent of duty paid value on all aluminum imports.

(*B*) *Exchange and licensing controls*

The subject of foreign exchange controls is complex, and there is hardly a country that does not have some form of foreign control. In some countries, these control measures become an almost insurmountable trade barrier. Moreover, it is extremely hard to draw a line between foreign exchange controls and many forms of import quotas, licensing arrangements, extra taxes, and the like.

Problems can arise for the U.S. exporter when close financial ties exist between two or more other nations. These ties usually do not go as far as the

creation of a foreign exchange clearing union, but something of that nature often results. In such cases, potential customers of U.S. exporters will have difficulty in securing foreign exchange to buy U.S. aluminum. Aluminum exporters in the affiliated countries will get the bulk of the business.

Another problem faced by the U.S. exporter is the import license deposit or the foreign exchange deposit. In a number of countries, foreign exchange certificates are not available unless the importer makes a deposit with some Government instrumentality before the order is placed. The amount of the deposit is sometimes greater than the value of the goods.

Finally there is the practice of administrative foot dragging on issuance of foreign exchange certificates. Even though, officially, the foreign exchange is available, there are often delays which can seriously handicap the foreign trader.

The above devices, either singularly or in combination, frequently interfere with the participation by U.S. firms in a number of oversea markets.

(*C*) *Antidumping regulations*

Antidumping regulations vary widely from country to country. An example of a country in which these laws tend to restrict imports from the United States is Canada. The very rigidly enforced Canadian antidumping laws prevent U.S. suppliers from absorbing normal Canadian tariffs in most instances. These laws impose an additional duty on imports equal to the difference between the fair value of the imported item in the country of origin and the sales price to a Canadian customer. Thus, if aluminum sheet sells for 50 cents per pound in the United States, a Canadian buyer must always pay a total of 53 cents (purchase price plus duty) for such sheet. And if the U.S. supplier charges less than 50 cents, the Canadian buyer will pay not only the normal duty of 3 cents per pound but also a dumping duty equal to the difference between 50 cents and the U.S. supplier's lower price. Of course, the result is that U.S. suppliers of aluminum sheet are always at least at a 3-cent price disadvantage in competing for business in Canada with Canadian suppliers.

(*D*) *Miscellaneous restrictive devices*

(1) At least eight countries (Venezuela, Chile, Colombia, Brazil, India, Argentina, Israel, Turkey) generally require that imports into their country be transported by vessels accepting payment in local currency. The availability of such vessels is very difficult at times, and even when service is unavailable it is sometimes difficult to obtain waivers.

(2) In Colombia, importers are allowed to barter coffee for materials with the countries that are not major buyers of Colombian coffee. Since the United States is a major buyer of Colombian coffee, U.S. aluminum suppliers are excluded from barter arrangements. The same restrictions, for example, do not apply to aluminum products from Belgium and Germany.

(3) In Brazil, an importer must present proof that he has purchased 30 percent of the amount to be imported from local Brazilian production, if available. With such proof, he can import at a 10-percent duty instead of the normal 50-percent rate. The Brazilian subsidiary of the major Canadian supplier furnishes "proof" in the form of a letter if it obtains the import order. They also offer the importer a 10-percent lower price on the 30-percent quantity purchased domestically, providing the remaining 70 percent of the order is placed with the Canadian supplier for import.

(4) Tied in with the preferential tariff system enjoyed by Commonwealth suppliers is the so-called imperial preference granted to products manufactured in the Commonwealth nations. This can be illustrated by using Hong Kong as an example. Each Commonwealth nation indicates for various products the amount of minimum empire cost which must be built up on a Hong-Kong-manufactured basis before these goods will be admitted at a preferential duty rate by the particular country.

For example, if the United Kingdom requires 50 percent empire cost content, the Hong Kong manufacturer must necessarily buy his aluminum ingot or raw material from a Commonwealth source so that when the local direct wages and factory overhead are applied the manufacturer's empire cost will be over 50 percent. This in turn will then qualify the particular product for the United Kingdom's preferential duty rate. It would be impossible to start with U.S. ingot with zero empire cost content and apply sufficient Hong Kong labor and overhead to bring the total empire cost up to 50 percent. U.S. suppliers are thus excluded

from the Hong Kong market, since the manufacturers there, even though they export to many non-Commonwealth nations, do not wish to stock and operate separate accounting on both Commonwealth and non-Commonwealth raw materials. The net effect of the imperial preference can be illustrated as follows: If a U.S. supplier ships ingot to a Hong Kong manufacturer who produces flashlight cases from this ingot and ships them to Australia or New Zealand, the duty on the flashlight cases using U.S. ingot would be 15 percent or 20 percent higher than the cases made from Commonwealth ingot.

OTHER INEQUALITIES HAMPERING U.S. FIRMS IN WORLD COMPETITION

The ability to compete on equal terms with foreign suppliers involves more than tariff adjustments and the elimination of other trade restrictions imposed by foreign governments on U.S. products. Even though U.S. firms have equal access to foreign markets, they may still be competing both abroad and at home on unequal terms. One type of inequality consists of direct and indirect aid given by foreign governments to their firms which export aluminum products. To the extent that such government subsidies exceed the assistance given U.S. firms, foreign competitors enjoy an unfair trading advantage in world markets. Some examples of such aids are:

(*A*) *Tax rebates or relief*

(1) West German exports are exempt from the turnover tax which is applied to all aluminum sales in Germany at any stage of production. Assessed on the duty-paid value, this turnover tax ranges from 4 percent to 6 percent of various aluminum products.

(2) French exports are exempt from the 20-percent tax on added value which is collected on all transactions at the production level in France.

(3) Japan and Spain give their exporters at least some relief against profits tax.

(*B*) *Special financing for exports*

The Export-Import Bank has recently put into effect a comprehensive credit and political risk insurance program for sales from U.S. exporting companies. This program has not been in effect long enough for evaluation, but is in a long overdue step in the right direction.

Most industrial nations, however, have had similar financing programs for a long time. Unfortunately, the recent Export-Import Bank program does not cover sales to foreign governments, which is a big gap. While recent changes in the export insurance program have closed some of the gap, we believe the U.S. program is still considerably behind the programs of major European countries. The U.S. program can fall further behind unless it is flexible enough to be competitive enough with foreign programs.

With regard to governmental financing, a recent example concerns a large hydroelectric project under construction in Mexico. One of the bidders on the project was a French syndicate, which bid on the turbines, generators, transmission lines, and other equipment. The terms of the French bid allowed 14 years to repay all borrowed money and also agreed to lend $1 of unrestricted loan for every $1 of purchase, with the loan being made at 6½-percent interest. An American supplier bid on the aluminum cable for the transmission line, and although its price for this item was more than 10 percent under the French bid, it could not compete against the overall financing terms offered by the French syndicate and therefore lost the order. While documented proof is lacking, there can be little doubt that the French syndicate must have had some form of Government guarantee in order to offer such favorable terms.

Another type of inequality hampering U.S. firms in world competition results from the sharp differences which prevail between national economies. Governmental policies and practices vary so widely from country to country that they result in significantly different cost burdens on their respective aluminum industries without regard to the efficiency or skill of individual companies. Among these differences in costs which are relatively burdensome to the U.S. industry are those resulting from less favorable tax and depreciation policies, higher labor costs, and much heavier expenditures for product and market development.

Differences in national economies also involve differences in antitrust laws. For example, the two French aluminum producers use the same sales organiza-

tion to market their products in France, and this single sales organization also carries on research to develop new uses for aluminum products which presumably work out to the mutual benefit of both French producers. The two major Italian aluminum producers likewise use a joint sales agency to sell their metal in the home market, and they jointly control the largest fabricator in Italy.

In the 1957 Rome Treaty, articles 85 and 86 relate to cartels and restrictive business agreements and actions whereby improper advantage is taken of a dominant economic position within the Common Market. The initial regulation relating to cartels and monopolies in the EEC went into force on March 13 of this year to implement the two foregoing articles of the Rome Treaty. Whether the cited practices of the French and Italian producers will be permitted under the new regulation is unknown at this time, as indicated by a dispatch from the U.S. mission to the European Communities. With respect to the future impact of the regulation, the U.S. mission commented: "What the effect of the regulation will be is hard to say. The mission has heard only the most cautious remarks from responsible officials * * *."

In the light of the foregoing summary of foreign restrictions, the aluminum industry strongly recommends that the statement of purposes in section 102 of H.R. 11970 be amended so as to contain an explicit declaration to the effect that one of the principal objectives of the Congress in delegating extensive new powers and authority to the President under the act, is to obtain for American products equal access to foreign markets. What is needed is the negotiation of agreements which will provide an equal opportunity for American products to compete in foreign markets. We believe the evidence summarized in the preceding paragraphs illustrates that American products do not now have that equal opportunity and that the barriers to the import of American aluminum products seeking to enter foreign markets are substantially greater than those encountered by foreign aluminum imports seeking to enter the U.S. market.

PRESIDENTIAL POWER TO RAISE AS WELL AS TO LOWER TARIFFS

The trade bill as passed by the House does not, in the judgment of the Aluminum Association, provide the President with adequate authority to negotiate effectively Such negotiating authority is indispensible if the President is to achieve the objectives of the trade bill in general and particularly if he is to achieve for American products equal access to foreign markets and the elimination of the substantial trade restrictions described in the preceding section.

The administration's bill, H.R. 9900, as originally introduced did not give the President adequate authority to raise as well as to lower tariff and other trade restrictions. This deficiency was pointed out during the hearings before the Ways and Means Committee and Under Secretary of State Ball stated to that committee on March 13, 1962, that he would have no objection to the inclusion of authority to raise tariffs. Previously, on June 6, 1962, the Joint Economic Committee had recommended the inclusion of such authority in the trade legislation. Moreover, it should be noted that such authority has traditionally been included in the trade legislation, at least since the inauguration of the reciprocal trade program in 1934.

Although the bill as passed by the House in some respects increased the President's authority to raise tariffs, it is still inadequate because the President's power in this respect cannot be quickly and effectively exercised. The recent controversy about U.S. duties on carpets and glass and the European reaction to the increases proclaimed by the President, will serve to illustrate the point we have in mind.

It will be recalled that as a result of recommendations made by the Tariff Commission the President proclaimed substantial increases in the U.S. duties on certain glass products and on certain carpets. This proposed tariff action by the United States met with an immediate and violent protest from the Belgium authorities. Shortly thereafter the Council of Ministers of the European Economic Community, acting with remarkable dispatch, approved tariff increases in reprisal against the U.S. increases. It is significant that the Common Market declined an American offer to negotiate compensating reductions on other commodities in the American tariff. Instead, the Common Market chose the items on which it would raise the tariff for American products. As a result tariffs on American polyester and polyethylene were raised from 20 to 40 percent and the tariffs on American synthetic and artificial cloth were raised

from 17 to 40 percent and the tariff on American varnishes and water paints from 15 to 19 percent.

What is instructive about the episode just related is the promptitude with which the European authorities were able to act notwithstanding the fact that it was necessary for six governments to come to agreement on the action to be taken.

It is not our purpose to debate at this point the merits of the U.S. position on carpets and glassware. Rather our purpose is to ask, Would the United States be able to act with comparable promptness in a like situation under the trade bill now before this committee? We believe that it would not as the bill is now drafted. What is needed is not so much a power in the President to raise the general level of U.S. tariffs but rather a strong retaliatory power to cope with those of our trading partners who persist in maintaining unreasonably high or discriminatory tariffs or other trade barriers against American products.

The changes made by the House in the administration's trade bill which are relevant to this question are found in section 201(a), in section 252 and in section 351 of H.R. 11970. None of these, in the judgment of the Aluminum Association, has been sufficiently strengthened to permit the kind of action by the President which we have in mind. Section 201 grants the President authority to raise duties pursuant to the carrying out of trade agreements. However, if there is no trade agreement, there is no authority to proclaim an increase in tariffs under section 201. Obviously a foreign nation which had determined to maintain an unreasonably high or discriminatory tariff would not be willing to enter into a trade agreement with the United States for lowering that tariff or removing that discrimination.

Similarly, section 252 falls short of what is needed. Section 252 authorizes and directs the President when "unjustifiable foreign import restrictions" are being maintained by a particular nation, to suspend the application of the benefits of the trade agreement concessions to the products of that country. However, this authority would only permit the President in effect to restore the tariff to the level which existed prior to entering into the trade agreement in question. He could not raise the tariff above that level. The Aluminum Association believes that the President should have the authority to raise the tariff without any restriction as to the amount of the increase and it, therefore, recommends that section 252 be amended to permit this.

Nor are the deficiencies just cited in sections 201 and 252 cured by the somewhat broader authority contained in section 351. Section 351 would permit the President to raise the duty as much as 50 percent above the rate existing on July 1, 1934, if the Tariff Commission had made the necessary affirmative finding of injury under the appropriate provisions of the act relating to the escape clause. The trouble about this authority is that it may not be promptly exercised because it would be necessary for the Tariff Commission to publish notice of hearing, to allow time for hearings, and the filing of briefs, as well as for its ultimate report to the President. In addition, the President would have to act with respect to the Tariff Commission's report. As a matter of fact, section 351 was intended for a rather different purpose than the one which the association has in mind, and it is clear that retaliatory action loses its effect if it is not taken with the utmost promptness.

INDUSTRY COOPERATION WITH GOVERNMENT

The third category of amendments recommended by the aluminum industry contemplates an increasingly close cooperation between industry and Government through the mechanism of industry advisory committees. The conditions prevailing today in the aluminum industry illustrate the role which such industry advisory committee could play in cooperation with the Government in developing and carrying out the foreign trade policy of the United States.

There has been a sharp decline in industry profits during recent years. By contrast, the industry is booming and running at capacity in continental Europe and Japan, our principal foreign competitors.

A variety of conditions account for this contrast. For one, aluminum markets outside the United States are at a much earlier stage of development although the industry is as old in Europe as it is here. The national economic growth rates are also sharper in those countries than they are here. They have much more tariff and other types of protection from imports than we have here. In addition, they have the benefits of more liberal tax and depreciation policies, much lower labor costs no matter on what basis they are compared, and much more Government financial support in their export drives.

The significance of this situation to trade policy is that the failure of the domestic industry to enjoy the booming prosperity which has characterized much of the foreign industry cannot be blamed on any lag here in efficiency, technology, or marketing effort. Since nonbusiness factors, such as contrasting Government policies, are in large measure responsible for the market situation, the domestic industry feels that it should not resign itself to the current situation and continue to carry, almost alone, the burdens of the imbalance in free world aluminum markets. We are confident that a constructive solution can be found through trade expansion, a solution satisfactory to foreign as well as domestic aluminum companies.

More than tariff bargaining is required to achieve the necessary trade expansion. In the aluminum industry, it required continuous product and market development, involving considerable expenditures of man-hours and money, and in competition with other industries. The U.S. industry cannot rely on national economic policies alone to accomplish its marketing objectives. The big domestic markets developed since World War II, for such now familiar aluminum products as siding, windows, kitchen foil, auto engines, summer furniture, and boats, required intensive product and market development and competition against other materials. Trade expansion in the aluminum industry requires more of this type of industry action. The new trade policy should therefore encourage not only more equitable competition in the old markets but also the development of new uses and markets where that is feasible.

Fortunately, the prospects for further growth of aluminum markets are good if the industry is healthy and strong enough to develop better products than are made from other materials and effectively reaches the potential customer. This has to be done internationally as well as domestically. We recognize that the responsibility to do this work rests with private industry. At the international level, however, Government cooperation is needed to help remedy market obstacles, beyond the control of private industry, which impede the necessary developmental work. Consequently, the aluminum industry urges that the Trade Expansion Act establish appropriate Governmental machinery for the review and implementation of industry programs which promote trade expansion by accelerating—

(*a*) the removal of trade barriers, and

(*b*) the development of new and bigger markets.

Essentially, we are proposing that this type of program approach be used when an industry is able to present one which contributes more to trade expansion than can be accomplished by tariff bargaining alone. Our concern here is with results, not with tariffs per se.

Industry program procedures, as an integral part of the Trade Expansion Act, offer these advantages:

1. They make it possible to take a selective industry-by-industry approach wherever it contributes to trade expansion, over and above what can be accomplished through tariff bargaining.

2. They enlist the initiative and resourcefulness of private industry more directly and vigorously in the problems of trade expansion. The responsibility for preparing these programs and for doing the development work falls squarely on industry itself.

3. They enable industry to alert Government to those market inequalities, beyond the control or responsibility of private business, which inhibit trade expansion. Government and industry would then be able to determine their impact and what should be done, in addition to tariff bargaining, to reduce or eliminate these barriers to healthy world trade.

4. The special problem of excess supplies as they effect trade expansion could be considered selectively.

5. Private industry would be able to devote more of its resources to the product and market development which stimulates increased consumption and provides the only lasting basis for trade expansion.

6. By putting the accent on increased consumption and market growth, there would be less need for the costly adjustment assistance provided by the Trade Expansion Act for industries hurt by lowered tariffs.

The industry program, as outlined, is an effective vehicle for Government-industry cooperation in creating larger markets and in eliminating trade barriers.

The addition of industry program machinery to H.R. 11970 would strengthen and broaden it, making it a more direct and forceful instrument of trade expansion than it is now. If "expansion" is to be a meaningful part of this Act's title, there should be at least as much recognition of the special world market problems of healthy industries, with prospects of growth, as is given in the Act

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to the problems of industries hurt by lowered tariffs. Otherwise we cannot hope to achieve the growth and trade expansion goals of the proposed new trade policy.

WASHINGTON, D.C., *August 1, 1962.*

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

DEAR MR. CHAIRMAN: The American Association of Aluminum Importers & Warehouse Distributors, Inc., wishes to endorse, and urge the enactment of H.R. 11970, embodying the program for the liberalization of trade proposed by the President.

The association is composed of American firms which import and distribute aluminum semifinished products, particularly sheets, coils, circles, rods, bars, and foil. The original impetus for the import trade in these products came during periods of recurrent shortages when domestic industries were desperately in need of more aluminum products than the domestic aluminum fabricators could supply, notably during the Korean war crisis. The importers, thus established, have continued to hold a stable, although very modest, place in the market, and continue to supply imported aluminum semifinished products to help meet the requirements of domestic industries manufacturing metal products. In doing so, the importers have introduced a measure of price competition into an area of trade in the United States where, in the past, it was otherwise notably lacking.

The existing rate of duty on the principal products imported by the members of the association, sheets, coils, circles, rods, and bars, is moderate, and has not proved a major obstacle to the maintenance of this trade. In the case of aluminum foil, the import duties are heavier, but it has, nevertheless, been possible to maintain an import movement, some of it consisting of specialized types of foil. Other aluminum semifinished products, notably wire, tubing and extrusions, are not imported at all in commercial quantities, due to prohibitive rates of duty.

Thus, the members of the association are not seriously handicapped in the conduct of their business by the existing rates of duty on their major products. The association's interest in endorsing H.R. 11970 does not stem from any immediate benefits anticipated for its members from reductions in tariff rates, but rather is based on the broader advantages for the American economy, and for the development of the free world, which this measure promises. The expansion of healthy international competition, and the increased exchange of goods between the United States and friendly countries, particularly the rapidly developing European Economic Community, would tend to strengthen competitive forces in our own country and abroad, and would contribute to the economic well-being and strength of our own country and of its allies.

In our letter of March 23, 1962, to the Committee on Ways and Means on this bill, we recommended explicit provision for public hearings by the Tariff Commission on prospective tariff rate negotiations, tariff adjustment and adjustment assistance. The House accepted these proposals fully. However, at the same time, the period permitted for the consideration of such matters was severely limited. Thus, the Tariff Commission would be required by section 301(f)(2) to complete an investigation of a tariff adjustment case (akin to an escape clause proceeding) in 120 days. The time limit for escape clause investigations was reduced in 1953 from 1 year to 9 months, and in 1958 to 6 months. A 4-month limit would make it extremely difficult, if not impossible, to complete a proper study. However, section 301(f)(3) goes even further, and makes the incongruous requirement that the Commission decide eligibility for adjustment assistance within 60 days while, at the same time, it is required by section 301(c)(1) to include "an industry determination," for which the bill elsewhere allows 120 days. The 60-day period (which must cover public notice, an opportunity to importers to organize their defense, a public hearing, reasonable time for briefs and Commission determination based upon the full record) is so short as to preclude judicious consideration.

The Tariff Commission, uniquely among Federal agencies, has long been subject to rigid time limits. To compel it to decide the complex issues of industrial injury in 60 days is to make a farce of the proceedings.

Sincerely yours,

GEORGE BRONZ,
Counsel to the American Association of Aluminum Importers & Warehouse Distributors, Inc.

STATEMENT FILED ON BEHALF OF THE FINE & SPECIALTY WIRE MANUFACTURERS' ASSOCIATION, WASHINGTON, D.C.

This statement on H.R. 11970 is presented on behalf of the Fine & Specialty Wire Manufacturers' Association. This association consists of 17 companies who account for the manufacture of approximately 70 percent of the fine and specialty wire made in the United States. Some of the end uses of fine wire are as follows:

Basket handle wire
Bobbypin wire
Bookbinder wire
Box binding wire
Box stapling wire
Box stay or box stitching wire
Broom wire
Brush wire
Coathanger wire
Core wire
Cotter pin wire
Florist wire
Hairpin wire
Baling wire
Mattress wire
Metal stitching wire
Paper clip wire
Pin ticket wire
Pin wire
Pipe cleaner wire
Preformed staple wire
Rivet wire
Rope wire
Screen cloth wire
Signal Corps wire
Spiral binding wire
Spring wire
Stone wire
Tag wire
Tire bead wire
Shoe wire

Practically every appliance or machine containing movable parts utilizes specialty wire, round or flat, for springs, fasteners, or some other important component. Wire is also vital for military uses, as in communications equipment, vehicles, rifles, aircraft, and missiles.

IMPORT-EXPORT POSITION

Over the past 3 years imports of steel products generally have exceeded exports. The segment of the steel industry represented by this association has been affected quite seriously since the items it manufactures have an extremely high labor content as compared to average steel items. Whereas heavy steel may average around 10 man-hours per ton, fine and specialty wire averages 35 man-hours per ton, with some items as high as 140 man-hours per ton.

Exhibit A shows imports versus exports on the broad category of drawn wire. Actually these statistics, compiled by the American Iron & Steel Institute, include tonnages of heavier items that are lower in labor content than are products of the association's members. Even so, the trend is very apparent. During 1959 and the first quarter of 1960 imports were unusually high because of the steel strike and imports in 1961 were down somewhat due to depressed business conditions. Nevertheless, if these tonnage statistics could be translated into lost man-hours of employment by American workers, the picture would be much more shocking.

Exhibit B shows domestic industry shipments of drawn wire, again a broad category, which includes a sizable amount of low-labor-content items. Note that the trend is irregularly downward. On this same chart, with the scale at the right, the trend in the gross national product is pictured. Note its steady growth, one in which this industry is not participating despite the fact that demand for its products is high.

Graphs C and D show the growth of imports of wire items in which this association's members are most vitally interested; i.e., wire less than one-fifth of an inch in diameter, coated and uncoated. Again the chart is distorted somewhat by the steel strike and depressed conditions in 1961, but the pattern is unmistakable. In addition, there are no compensating exports, for as far as this industry is concerned, exports are a thing of the past and would hardly show up on a graph.

MARKETS

The graphs described above have shown that foreign manufacturers have benefited from the growth in the demand for wire that results from expansion of the economy of the United States. There are those both in Government circles and outside who feel that all American industry needs is a more aggressive approach to foreign markets and more imagination in the design of its products. This is probably true to some extent in consumer goods and machinery where

design, imagination, and innovation allow some leeway in the finished product. However, in a basic material such as wire, all types, foreign and domestic, must meet certain standard specifications. Once these specifications are met price is the determining factor. Foreign producers, thanks to American assistance, both financial and technical, can readily meet the standard specifications. Their lower labor costs, plus our inadequate tariffs, enable them to underprice us.

The industry's problem is further compounded by the loss of an important segment of its market. Many manufacturers of items such as typewriters, adding machines, sewing machines, etc., have been forced by high costs and low tariffs to move their manufacturing operations overseas. These machines use important quantities of high-quality wires, both round and flat, that are now purchased abroad. As an example, sewing machines formerly had a tariff of 30 percent and now have a tariff of 10 percent. The result is there is not a domestic sewing machine 100 percent American made.

ADVANTAGES FOREIGN MANUFACTURERS HAVE

1. Foreign manufacturers have plants and equipment that have been built since World War II, much of it with the help of various American foreign aid programs.

2. Foreign manufacturers enjoy much more rapid depreciation rates than are available to American companies, under present tax laws.

3. Foreign manufacturers have tax concessions and in some cases outright Government subsidies. One of the association members made an interesting analysis which showed that 16 cents of his sales dollar went for local, corporate and employee withholding taxes. In contrast, imported wire is "taxed" at the 8½-percent tariff rate.

4. A great many foreign manufacturers have affiliations with American companies on development programs, so that, in effect, they get their research free.

5. Under the point 4 program we have shared our technology with them.

6. The basic problem, of course, and the most difficult to cope with is the wide disparity in wage rates. Whereas in 1934 our wages were about 1.7 times those of Western Europe, they are now about three times, and their technology and productivity has vastly improved. With Japan the disparity is greater—American wages being 7–10 times Japanese wages. Wages and standards of living are increasing both in Western Europe and Japan. However, other nations such as India, South America, and South Africa are becoming industrialized. With the extremely low standards of living existing in these areas we are going to have the wage-differential problem from other areas.

7. Our tariffs are appreciably lower than tariffs on comparable items in other countries despite their wage differentials. This enables foreign manufacturers to deliver wire into the United States at 25–30 percent under domestic price.

REASONS FOR OPPOSITION TO H.R. 11970, SECTIONS ENDORSED

The association vigorously opposes granting further tariff-cutting powers to the executive branch of the Government. Setting tariffs is constitutionally a function of the Congress and must remain there. Consequently, if any additional power is to be given the President, the association strongly endorses the checks provided by sections 221, 226, and 351 on the President's use of that power.

In addition to the higher foreign tariff structure other nations use additional restrictive devices such as quotas, currency restrictions, import licenses, purchase taxes, docking fee, and embargoes. Did we, in our last round of tariff concessions, receive assurance that these restrictions will be eliminated?

One of the goals of the Common Market is to become agriculturally self-sufficient. Since one of the goals of the trade expansion program is to increase agriculture exports this is in conflict with their interests. Even so, the advantage of increasing agricultural exports, which are already heavily subsidized, is a questionable contribution to our economy. Recently Western Germany applied an impost of $42 per ton on American wheat and passed a regulation that German flour must contain at least 75 percent German wheat. This certainly is not favorable for our aims.

"The across the board" or "basket category" approach of the original bill (H.R. 9900) was obviously unfair since all segments of an industry are not

injured to the same extent. Consequently, the association endorses the change made by section 221 of H.R. 11970 in requiring a listing of articles on which tariff reductions are contemplated.

This association's members do not feel that providing assistance to help "injured" companies get into other lines of manufacture is a practical solution for industries and workers annihilated by foreign competition. Any product made here could be manufactured abroad at less cost than it can be made here with the high wage levels prevailing in the United States. Libbey-Owens-Ford recently made a very interesting study, which I understand has been made available to your committee. This analysis showed the decline of U.S. exports of a number of articles having an appreciable labor content. U.S. exports held their own or improved slightly on basic raw materials such as synthetic rubber, fibers, leather, pig iron and scrap, wood, grains, hides and furs. However, exports of manufactured articles made from these materials declined. Since the United States has an industrial manufacturing economy it is difficult to see how this country can be relegated to the position of a raw materials supplier and hope to maintain or increase its level of employment. Aside from loss of exports, American industry will be hard put to maintain a fair share of its domestic markets if tariff protection is withdrawn.

For yet another reason this association believes that Government loans or subsidies to injured industries cannot provide a realistic solution. To obtain relief there must be "significant idling of plants" plus "prolonged and persistent" operation at a loss or without a profit. We cannot visualize any well-managed company permitting situations of this kind to continue without taking independent action. The obvious independent action in such a case would be to move manufacturing operations abroad. Further, such adjustment assistance could only expand the area of Government paternalism and controls and lend itself to discrimination, favoritism, and possible corruption.

The association is fully in accord with the goals of the trade expansion program and recognizes the necessity of eliminating our balance of payments deficit. We do not feel, however, that the proposals in H.R. 11970 will achieve these ends, but rather that the results will be to the contrary. Further concessions from a tariff structure that is already lower than those of foreign nations cannot improve our export position and can only open the gates to a further flood of ruinous competition.

Respectfully submitted.

R. W. Elder,
Chairman, Tariff Committee, Fine and Specialty Wire Manufacturers' Association.

CHART A

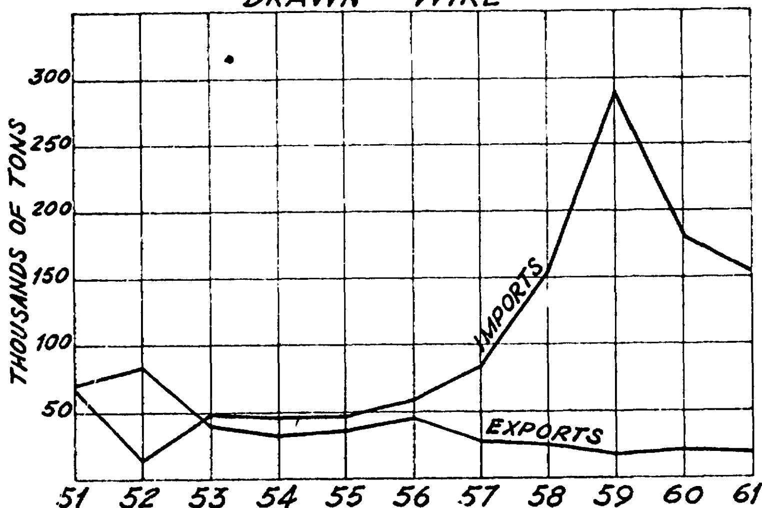


CHART B

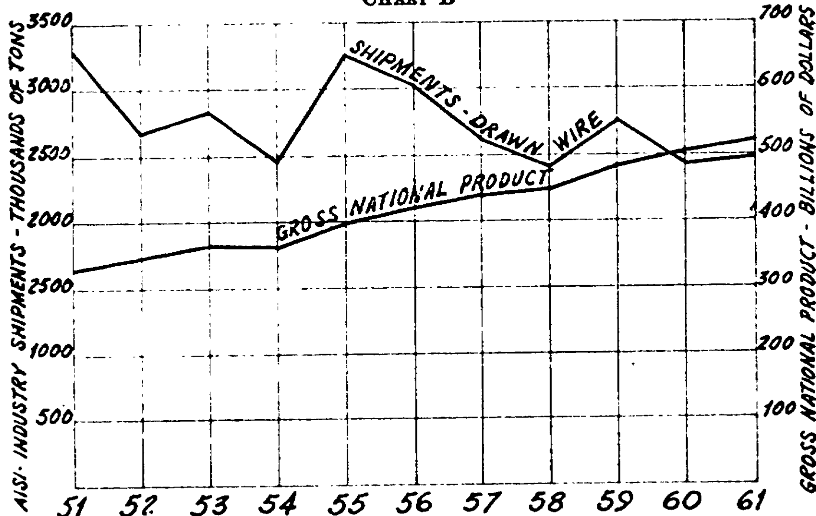


CHART C

IMPORTS OF ROUND IRON & STEEL WIRE SMALLER THAN 1/5" DIA. VALUED ABOVE 6¢/LB. COMMODITY #6094-300

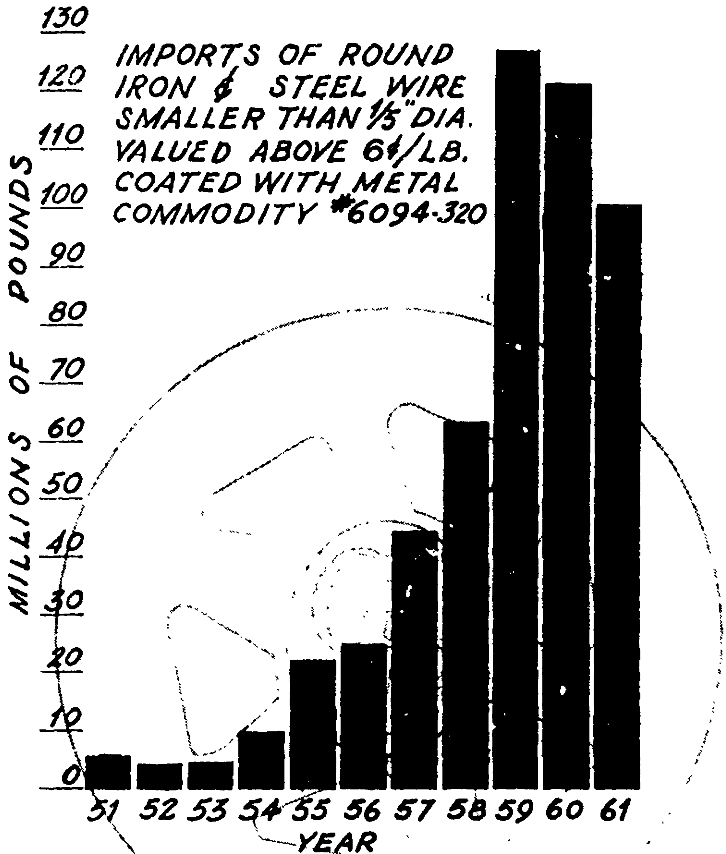
MILLIONS OF POUNDS

130 120 110 100 90 80 70 60 50 40 30 20 10 0

51 52 53 54 55 56 57 58 59 60 61

YEAR

CHART D



STATEMENT OF THE SOFT FIBRE MANUFACTURERS' INSTITUTE IN OPPOSITION TO H.R. 11970 ("TRADE EXPANSION ACT OF 1962")

The Soft Fibre Manufacturers' Institute comprises the domestic organizations which manufacture products from jute, flax, and hemp, the fibers commonly known as "soft fibers." The techniques and processes developed for handling them are separate and distinct from those needed in the processing of cotton on the one hand and of the "hard fibers" (Manila, sisal, and allied materials) on the other. The U.S. soft fiber industry is, therefore, a natural group of domestic producers, and it has a long history. It opposes the Trade Expansion Act of 1962 because the measure, even after the careful redrafting that it has sustained at the hands of the Ways and Means Committee of the House of Representatives, still presents a threat to the industry's continued existence.

The essential feature of this bill is the power which it would grant to the President to lower tariff rates now in effect by as much as 50 percent, with provision for even greater reductions in certain areas and under certain conditions. Leaving the latter out of account entirely, it is still a fact that the power to cut in half the duties that protect established American industries is, for many of them, the power to destroy them completely. Soft fiber manufacturing is such an industry. It believes that its situation is by no means unique.

It is necessary first of all to examine, and to dispose of, the idea that a domestic industry, which announces its dependence on tariff protection, advertises at the same time its lack of efficiency or its inherent unsuitability as a component of the American economic scheme. Granting that there may be some inefficient units in this country, and also that a few activities of an exotic nature may be carried on, it is nevertheless true that many established industries of high efficiency in their operations are dependent upon the equalizing effect of import duties. The reason is not difficult to discover.

The early national policy of the United States was to encourage the development of industries by the imposition of duties on competing imports. The growth which ensued was accompanied by the establishment of a large number of industrial enterprises; and it has also become a part of national policy to encourage competition between these enterprises within the ample domestic market. While this development has been going on, however, American wage rates expressed in terms of currency have drawn away from those prevailing in other industrially developed countries. For this reason, although internal competition promotes a high level of efficiency and of productivity in domestic industries, they are dependent nevertheless on continued tariff protection to compensate for the wide differences in wage levels between this country and its competitors. Tariffs cannot be reduced in the drastic manner contemplated by this bill, without the elimination of large sections of U.S. manufacturing.

The U.S. soft fiber industry provides a good example. Its raw materials are not produced in this country, for reasons which are in some cases climatic and in others economic. The industry is not one, therefore, which is based upon some fortuitous natural advantage. Its raw materials are available on the same terms to all its competitors abroad. The same is true of the specialized machinery developed for the soft fiber industry, because a great deal of this is made in foreign countries. The American wage level observed by the domestic industry is much higher than those which govern its foreign competitors; and this is particularly true, because some of the most substantial of them are located in developing countries having extremely low-wage levels. When the industry operates on equal terms with these competitors, with respect to its raw materials and its machinery, it is evident that no conceivable efficiency will offset such extraordinary labor cost differentials. (To cite an example, a ratio of 14 to 1 is established in one case, in a brief filed by the industry in 1960 with the U.S. Tariff Commission and the Committee for Reciprocity Information.) The tariff on the items competitive with those made by the American soft fiber industry merely serves, therefore, to control a volume of low-cost imports that otherwise would overwhelm the domestic market and completely destroy the earning opportunities of all those engaged in domestic production.

The present law governing tariff concessions recognizes this, and provides procedures (essentially, those of section 7 of the Trade Agreements Extension Act of 1951, as amended) for consideration of the effects of such concessions on domestic industry, both before they are made and after they have been in operation. The first of these phases is that which is commonly called the peril point determination. The second is well known as the escape clause procedure.

In place of the first phase, the bill provides for consideration by the Tariff Commission of any proposals for concessions, but its findings are to be directed to their probable economic effects, whereas under present law the Commission must set a precise limit to which each concession can go without causing or threatening serious injury. The bill's proposals are less specific, and therefore less calculated to maintain protection where it is essential to survival. The sections of the bill, which would replace the escape clause arrangements now operative, likewise are less specific in their safeguards. They appear to require a finding of serious (and therefore, perhaps, fatal) damage before corrective action can be contemplated.

The soft fiber industry must express great concern over the proposed weakening of these safeguarding provisions, in a measure which would permit tariff concessions of the order now proposed. The alleged justification for these dilutions is, undoubtedly, that for industries encountering difficulties through tariff reduction, the bill includes some very elaborate provisions for assisting them by methods other than the restoration of their tariffs. The soft fiber industry submits, however, that these provisions are a dangerous inversion of the procedures which should be followed by a country devoted to free enterprise. It has been shown already that the dependence of such free enterprise on tariffs

is a natural result of the long term economic policy pursued by this country, and that it implies no inefficiency or unsuitability. The measure, in fact, tacitly recognizes the truth of this assertion, by undertaking to assist industries which may be subverted by tariff reduction. In affording such assistance, however, the bill would permit the substitution, for the completely natural method of tariff protection, of a highly artificial and cumbersome adjustment procedure, involving all the disadvantages inherent in administration by Government agencies.

When this touches not merely one industry, but a large number of industries throughout the country, the halting effect on the national economy can readily be imagined. Moreover, since the bill clearly envisages the diversion of affected organizations to other industries, presumably those not marked for destruction, one undesirable result of its application would be, in the outcome, a reduction in the number of different kinds of activity carried on in this country. It seems almost self-evident that this in turn would exaggerate the intensity of cyclical economic fluctuations. While the free enterprise system has not yet discovered how to eliminate such fluctuations, it is agreed on all sides that they should be kept to a minimum. The reduction would come about because the adjustment features of the bill would tend to direct the affected organizations, after their primary purpose had been eliminated, into lines of endeavor already occupied by other concerns. The result would be unsatisfactory both for the invaders and for the invaded.

This flaw in the "adjustment" concept, important as it is, is not as vital as the major objection to it, which is to the partiality inherent in a measure that would provide special treatment for injuries caused by tariff action, as distinguished from distress arising from other changes within the U.S. economy. Finally, it may be asserted with confidence that the effective operation of the adjustment provisions would be a task of great difficulty.

The powers for massive tariff reduction, which this bill would grant, are sufficient to destroy numerous long-established domestic industries, the soft fiber industry among them. It is most important, therefore, that adequate safeguards shall be a part of the measure. Those provided by the present law are more efficient for their purpose than the corresponding parts of the Trade Expansion Act. The alternative offered by the adjustment provisions is repugnant to any long-established industry. The soft fiber industry in the United States wishes to record, therefore, its general opposition to the bill, and, more particularly, to urge elimination of the adjustment proposals and further improvement of the safeguarding procedures along the lines of those provided by the law now effective.

Respectfully submitted.

W. A. PENROSE, *Secretary-Treasurer.*

JULY 17, 1962.

Re title III of the Trade Expansion Act of 1962 (H.R. 11970).

SENATE FINANCE COMMITTEE,
Senate Office Building,
Washington, D.C.

GENTLEMEN: During your forthcoming hearings on the Trade Expansion Act of 1962, I respectfully urge you to give careful consideration to the long-range effects of the proposals presented in title III of this bill.

As you know, these proposals would allow unemployment benefits far in excess of those provided by the States. The certain results of this situation would be more liberal State programs in keeping with the Trade Act benefits which would cost employers millions of dollars in additional unemployment compensation taxes. Obviously, this is nothing more than a back-door approach to putting into effect the program presented in the Federal unemployment standardization bill, H.R. 7640, a bill that Congress already has refused to consider.

If I may, I would like to point out to the members of the committee that contrary to the theoretical views of the professors running the executive branch of our Government, it is the businessmen of this country who keep our economy healthy. It is management who provides jobs, not labor unions. It is management who must, in spite of the profit squeeze brought about by Government intervention, meet payrolls and I am sure if the schoolteachers in the White House ever had the pressure of meeting payrolls on their shoulders, they would have an entirely different attitude toward business. I cannot understand Gov-

ernment's friendliness toward labor unions in the face of profit controls placed on management, nor do I understand the advocation of further profit reducing legislation as title III. On this basis therefore, I respectfully urge the committee to amend this section of the Trade Act.

In general, Government needs business and business needs Government. Certainly, the Trade Expansion Act has far-reaching effects on the future of the business community and of the Nation. All of us, of course, favor expansion of trade, and we can appreciate the complex problems involved. However, in view of the critically important effects this bill would have and the potentially dangerous concentration of powers it would bring about, I respectfully request the committee to make every effort to study each of the proposals in its perspective.

Very truly yours,

B. R. McNULTY,
The Dia-Log Co., Houston, Tex.

HIBBING, MINN., *July 17, 1962.*

Senator HARRY FLOOD BYRD,
Washington, D.C.

DEAR SENATOR BYRD: I am enclosing herewith for filing relative to the Senate Finance Committee hearings on the Trade Expansion Act my statement made before the U.S. Tariff Commission in October 1960,[1] and my statement before the House Subcommittee on the Impact of Imports and Exports on American Employment made in December 1961.

Yours very truly,

ROBERT S. NICKOLOFF.

STATEMENT SUBMITTED BY ROBERT S. NICKOLOFF, OF HIBBING, MINN., RE TAX CREDIT FOR EXPORTS

The administration has done an outstanding job in selling the Trade Expansion Act; however, it is now apparent throughout the Nation that the act has been oversold. In other words, the American public believes that the Trade Act will be a great immediate step forward and our business and production in the United States will increase under the act. As I see the situation, nothing could be further from reality, and Trade Act or no Trade Act, we are in serious trouble in the United States unless we can devise a unique means of substantially increasing our exports. Almost all of the 500 major corporations in the United States now have oversea production facilities and, therefore, we will not get any drastic export increase from them. We presently have between 12,000 to 14,000 U.S. firms in the export business out of a total potential of about 190,000 U.S. companies. If we are to be realistic about our present situation, we must face the fact that we have to increase the number of U.S. firms in the export business from 14,000 to 50,000 in order to increase our exports to $24 billion by 1965.

The Commerce Department's "E" for export program is a fine program, as is the export insurance plan. The Department of Commerce trade centers and trade missions are also good, slow-moving programs; however, the efforts of the Commerce Department to increase exports have been basically ineffective and the small manufacturer has just not as yet been properly motivated to get into the export market.

As I previously stated, I feel the American public has been unintentionally misled as a result of the promotion of the Trade Act. For one thing, the average American, as a result of the tremendous publicity on the Trade Act, believes we are presently a protectionist nation with high tariffs. Of course, as you know, this is not true. We are also told that production in foreign countries by U.S. firms does not hurt employment in the United States because it actually increases exports; however, it is not pointed out that while it is true foreign production by U.S. firms has helped to increase our exports, exports by U.S. firms with oversea production facilities have actually declined as a percentage of total foreign sales of these firms. In other words, foreign production

[1] The statement made before the U.S. Tariff Commission was made a part of the committee files.

sales of these large U.S. companies is rising more rapidly than their export volume.

We must make every effort to have U.S. firms manufacture their products in the United States for their foreign sales. To accomplish U.S. based production for foreign sales, we have to stimulate 50,000 more U.S. companies to get into the export market in the next 3 years or else our exports will continue to remain stagnant at about $20 billion or decrease as imports increase in the years ahead.

The markets for American products overseas are good and improving all the time as the prices of foreign goods increase; however, it now seems apparent that we need some vital additional stimulant to increase exports substantially in the next 2 to 5 years or we will be in ever-increasing trouble in our domestic employment and general economic climate. After analyzing the trade conferences I have attended over the last few years, I am firmly convinced that the one and only stimulant that we can use to substantially increase exports in the next few years is a tax credit for exporting. Just think of the tremendous job which lies ahead wherein we must stimulate 50,000 U.S. companies to go into exporting within the next few years if we are to survive with a strong economy in this new international enocomic complex we find ourselves in. If we analyze the situation closely we can plainly see that the Trade Act, trade centers, and trade missions are not going to generate even 30,000 new U.S. exporters in the next 3 to 5 years. I submit, the only answer is a tax credit for exporters. If any foreign countries object to a tax credit for exports on the grounds that the credit is a subsidiary for exports, I believe the said objection could be overcome through negotiation on the basis that our liberal taxation law on foreign production by U.S. companies has and is of tremendous economic benefit to every foreign country. I propose a tax credit for exports along the following pattern:

For the first $500,000 of dollar value in exports a firm would get a tax credit of 10 percent of such value, or $50,000.

For the next $1,500,000 of dollar value in exports, a firm would get a tax credit of 5 percent of such value, or $750,000.

And for all dollar value in exports over $2 million a firm would get a tax credit of 2 percent of such dollar value.

My main premise is a tax credit for exports and I admit that my formula may be unworkable; however, I believe we should strive for a workable formula based on dollar value of exports because dollar volume is what we are striving for. In 1961 we had a gold deficit of $2½ billion. Trade, as you know, actually produced a net inflow of $3 billion. Thus, if we had increased our exports by another $3 billion, we actually would have had a small dollar surplus. Only a tax credit for exports will give us the increase in exports required to give us a dollar surplus.

STATEMENT OF ROBERT S. NICKOLOFF ON BEHALF OF SPECIAL STATE OF MINNESOTA GOVERNOR'S COMMITTEE TO INVESTIGATE HOW THE IMPORT OF FOREIGN ORES IS AFFECTING THE UNEMPLOYMENT SITUATION IN NORTHEASTERN MINNESOTA

Before the House Subcommittee on the Impact of Imports and Exports on American Employment, U.S. House of Representatives

We represent an area in northeastern Minnesota known as the Mesabi Range, or Iron Range. Our economy is governed principally by the operation of the iron ore industry. The population of our area, including Duluth-Superior, is 231,000.

Approximately 50 years ago Chisholm, one of the towns on our Mesabi Range, was leveled and wiped out by a sudden fire. Something like a fire, sudden and devastating, has struck our domestic iron ore industry. After years of shortages and predictions that our domestic ore reserves would soon be exhausted, we all at once find there is too much iron ore. Instead of too little too late, there is now too much too soon. What has happened? Foreign ores have come in to preempt our domestic markets.

In order to establish the seriousness of the impact of foreign ores upon our domestic iron ore market, I am going to read excerpts from a speech made by Robert M. Lloyd, administrative vice president, international and raw materials, for the United States Steel Corp. The speech was made for a University of Minnesota mining symposium in Duluth, Minn., on January 12, 1960. Mr. Lloyd said: "The United States is the world's largest producer of iron ore and its

largest consumer and, at the same time, it possesses one of the world's largest reserves of iron ore. Yet, its own iron ore industry is in the midst of a far-reaching change. It is affecting its relationship with many countries. There are international and domestic aspects to this revolution in the industry. In the first place, the United States has since the war *changed from being a net exporter of iron ore, to a net importer of iron ore. In fact, by 1956 it had become the world's largest importer, consuming about a third of the world's exports and this in spite of its huge domestic reserves * * *.*" [Italic ours.]

I believe it is important to note Mr. Lloyd's next statement: "*Domestic opportunities have already been unattractive dangerously long.* [Italic ours.] Prompt action is needed to prevent the situation from deteriorating still further * * *"

Note that Mr. Lloyd has stated that the longer we wait to take affirmative action on our domestic scene, the harder it will be to pick up the pieces later on. Also, in his speech he noted that the development of a domestic taconite industry in the United States will require a tremendous investment and we must convince investors that an investment in the domestic taconite industry will be justly rewarded.

Before proceeding further, I will answer the question "What is taconite?" Taconite is the name, given in Minnesota, to the original iron-bearing formation from which the high-grade ores were derived through millions of years by the action of circulating water which followed fractures or folds. This basic formation is fine grained and hard rock containing from 20 to 35 percent iron. The taconite industry, born early in this century in the minds of men like Prof. E. W. Davis at the University of Minnesota, came of age in the mid-1950's. The Reserve Mining Co. plant, jointly owned by Republic Steel and Armco Steel, located at Silver Bay in northern Minnesota, started producing taconite pellets in October 1955. Although the original production capacity was rated at 3.7 million tons of taconite pellets, the plant now has demonstrated the ability to produce 5.5 million tons of pellets per year.

The Erie Mining Co.'s Hoyt Lakes plant near Aurora, Minn., has a present capacity of 7.5 million tons of pellets.

Since 1953 Oliver Iron Mining Division of United States Steel has had a taconite plant in operation near Mountain Iron, Minn., with a rated capacity of 500,000 tons of taconite capacity per year. The plant, known as Pilotac, is operated to gain information which might prove valuable when and if the company decides to build a large-scale commercial plant.

These plants produce high-grade pellets averaging about 64 percent iron which have proved to be a highly desirable blast furnace feed because of their iron content and physical structure.

The taconite formation in northern Minnesota stretches for about 100 miles. In testimony before a Minnesota State legislative committee, Robert J. Linney, president of Reserve Mining Co., said "The most conservative estimate of usable magnetic taconite on the Mesabi Range is 5 billion tons of crude taconite capable of making 1.5 billion tons of concentrate. We in Reserve, however, believe that much more than that will be usable as improved methods are developed." I will refer later to our ideas on the requirements to develop the domestic taconite industry.

I believe it is no secret that ore imports are being used in ever-increasing amounts at our U.S. blast furnaces. In fact, ore imports into the United States have tripled since 1951. In 1960 we had a total U.S. production of 87 million tons of ore. We also imported 34½ million tons of iron ore last year. Thus, our domestic ore industry has lost almost 30 percent of its market to foreign competition. In any business, if you lost 30 percent of your market you are badly hurt businesswise. The tragic part about our story is the fact that the worst is still to come. In another 2 or 3 years Canada alone will have another 22 million tons of yearly iron ore production, and because the vast majority of all Canadian ore flows into the United States, we can reasonably expect our production to drop 22 million tons or more and foreign ore imports to increase by the same amount. Thus, we will have lost almost 50 percent of our domestic production, and it is apparent that the deterioration of our domestic ore production will continue at a rapid pace in the face of ever-increasing foreign ore imports. We maintain there is nothing on the horizon to indicate that the trend to foreign ore imports and foreign capital investment will slow down; therefore, unless immediate action is taken, our domestic producers will not be able to hold on, or will not care to continue to operate in the United States but will leave permanently for foreign soils.

Because we feel that in a very basic sense we in northern Minnesota are essentially the domestic iron ore industry of the United States, we believe there is little doubt but that this substantial domestic tonnage loss has had a direct adverse effect on our local employment and economic picture.

As I previously stated, we are basically a one-industry community. In our northern Minnesota area, including Duluth-Superior, with a present potential work force of 73,000 persons, we have over 7,390 unemployed, or over 10 percent of our labor force. This unemployment has been caused primarily by a reduction in mining operations. Unemployment in the mining industry has also cast its shadow on the majority of other businesses in our community.

For the following information I refer to statistics published monthly by the Minnesota Department of Employment Security. In May 1956, there were 19,700 individuals employed in the iron mining industry of Minnesota who averaged 42.5 hours per week work. In May 1961, we had 13,000 miners employed; however, they had an average employment of only 34.9 hours per week. It is bad enough to have 6,700 less mining jobs now than in 1956, but please note that in 1956 we had an average weekly employment of 42.5 hours, whereas now in 1961 the average is 34.9 hours. This means that now, although we have 13,000 people working in the mining industry, a great many of these individuals are only working 8 hours a day, 4 days a week, thereby only working 32 hours a week and naturally not earning a living wage.

According to the last U.S. census report, we are rapidly losing the people in the 20-to-44 age bracket in our community. This age bracket is the mainstay, economically speaking, of any community. In our St. Louis County in 1950 we had 72,403 persons in the 20-to-44 age bracket. In 1960 we had only 66,654 people in this age group. Thus, we had almost an 8-percent decrease in our potential work force and our local loss of this age group was over 100 percent greater than the total State of Minnesota loss. It is also important to note that almost half of our unemployment insurance applicants are in this so-called prime age group of 20-to-44 years of age.

The real estate market in our area has dropped 15 to 20 percent, based on 1957 sales valuation, as compared to 1961 sales value. This means that a miner who paid $13,000 for a home in 1957 can only get about $10,700 today for his property, if he can sell it at all. Naturally, with our weak employment situation and bleak economic outlook there are a great many homes for sale in our area. It should also be noted, I believe, that a great many people look upon their home as their savings account and with this deterioration of real estate values in our community, in effect the savings account of these affected miners has been wiped out.

Our increased annual relief costs due to unemployment has been tremendous. Naturally, the majority of this money comes from our real property tax levies. Our real estate taxes have almost doubled since 1957. Real property taxes are now almost to the point where the average miner working 4 days a week cannot pay the taxes on his home.

The last point I wish to raise concerning our local economic situation is the lack of confidence of the people in the future of our area. Our local people have a tremendous fear of foreign ore imports. We are constantly reminded by mining company spokesmen that there is a great deal of ore outside the United States and mining operations in our area may come to a screeching halt in a few years because of the competition of foreign ores. If the threat of foreign ore competition is reduced, the people of our area would regain their confidence. I feel the confidence of the people is one of the mainstays to a sound local, as well as national, economy.

Prior to developing what we believe is a solution to our problem, I will return to the threat of foreign ore imports to our domestic ore industry. I refer to a speech made by John S. Wilbur, vice president, ore sales and marine, Cleveland Cliffs Iron Co., made on January 12, 1960, at the University of Minnesota annual mining symposium in Duluth. In his speech Mr. Wilbur gives us an insight into the thinking of U.S. mining companies relative to our area. He stated: "With foreign properties there is an added incentive to keep production high in order to get the invested capital back as fast as possible before conditions change. Since the new properties with the large capital investments have to be operated at or near capacity, and since there is too much ore available, something has to give. Unfortunately, standard Lake Superior mines with their greater flexibility and relatively lower investment have had to take it on the chin and adjust their production rates far below the optimum. It looks as

though Lake Superior mines producing standard ore may be used as a safety valve with rather low rates of production until a real big year or some emergency comes along."

We feel it is absolutely wrong in every respect for our U.S. companies to use us in the Lake Superior district as a safety valve, causing unemployment in our area and yet actually creating employment in foreign lands.

Apparently one of the main problems of our domestic ore industry is the inability of the industry to attract investment capital for the expansion and development of our domestic taconite industry. This problem was pointed out by Christian F. Beukema, president of the Oliver Iron Mining Division of United States Steel Corp., in a speech made at Virginia, Minn., on September 25, 1960, to the fall meeting of the Minnesota Associated Press. He said Minnesota's iron mining industry is failing to share the way it should in the Nation's economic growth. Instead, investment capital that might come to Minnesota is being channeled to other areas of the world where new, high-grade deposits of ore are being opened. In discussing the planning by ore companies he stated, "these companies must do their planning for raw material sources far in advance of the day when the ore is actually required. Once a decision has been reached and the investment committed elsewhere, the capital investment and the jobs thus created have been lost forever to the State."

Note that Mr. Beukema stressed the importance of long range planning in the ore industry. Once a plant is built in a foreign country, it means less ore will be produced here in the United States. It, therefore, seems apparent that as more capital is invested in foreign ore installations, our domestic production will be curtailed by a corresponding ratio.

It is interesting to note that when investment capital can be attracted to the domestic taconite ore industry it can apparently be a profitable operation. As I previously mentioned, Reserve Mining Co. built a taconite processing plant in Northern Minnesota between 1951 to 1955. This plant presently has a capacity of five and one-half million tons, with a dry iron content of about 64 percent. Reserve Mining is presently expanding to increase production to over 9 million long tons annually. I believe it should be noted that Reserve built its initial plant in 1951–55 during a period when the U.S. Government, because of ore conditions, allowed an accelerated amortization program to encourage the construction of such plants.

We feel that our immediate solution to the import and unemployment problem is the development of domestic taconite plants and beneficiation plants in Minnesota. Pricewise our Minnesota taconite can compete in the world market, and in our Minnesota area we have by far the largest taconite reserves in the United States. Federal taxation is a competitive factor affecting Minnesota iron ores, particularly in relation to iron ore developments in Canada. Canadian Federal laws, which give a 3-year income tax moratorium for iron ore mining and processing facilities, plus a fast tax writeoff under which 50 percent of the investments in such facilities can be depreciated in 2 years and 75 percent in 4 years, provide a competitive advantage to U.S. firms investing in Canadian ore facilities. We, therefore, strongly recommend a Federal law permitting accelerated depreciation of investments in taconite, semitaconite and ore beneficiation facilities; however, because our problem is immediate, we recommend that only those companies starting construction of a taconite, semitaconite or beneficiation facility within 4 years be allowed to take advantage of the law. A fast tax writeoff reduces some of the risks of the enterprise by enabling a company to recover its investment quicker, and also protects against obsolescence which always faces a new industry.

Thanks to the Federal Area Redevelopment Act and our own Minnesota Redevelopment Act and the leadership of our good friend, Commissioner DeYoannes of the Iron Range Resources and Rehabilitation Commission, I believe we in northern Minnesota are on the road to economic diversification and a broadening of our economic base; however, this is a long-range plan and we must always have a basic iron ore industry if we are to return to our former economic position in northeastern Minnesota. The construction of even three small taconite plants would mean an investment of about $200 million and could generate up to 7,000 jobs over a 5-year period while the plants are being constructed.

During the next session of Congress we feel it is imperative that we get a fast tax writeoff for we feel this would encourage investment capital to move into our Minnesota taconite industry and allow some of our smaller companies

to develop plants. This, in turn, would take the pressure off the Federal Government for any direct financial aid to our northern Minnesota area.

We also recommend that the allowance of escape clause action for iron ore be retained in any new trade act passed by the Congress in 1962 and also that the findings of the Tariff Commission under escape clause investigation be made binding upon the President. For we feel if our U.S. mining companies fail to act within the next 2 years to develop the domestic taconite industry in proportion to foreign development, we must act to attempt to obtain restrictive quotas.

In iron ore mining we have a somewhat unique situation in that our domestic producers also own and operate the vast majority of the foreign ore sources; therefore, they are in a position to turn down one source and turn up another. Because the companies are American owned, we feel they should not allow foreign ore to take more than 30 percent of our domestic market. Also, from a defense security standpoint, more of our Minnesota taconite should be developed. It takes from 2 to 5 years to build a taconite plant and if our foreign ore sources were cut off during a national emergency, our blast furnaces would be in trouble.

Our U.S. ore producers have been exponents of free trade. If they develop our domestic taconite in reasonable proportion to foreign development, the foreign ore will still bother us but it will not be fatal; however, if our domestic producers fail to act in taconite development, we will get some quotas no matter how long it takes us and the iron ore producers will have brought it on themselves. They control the ore market and, therefore, they alone must be held responsible.

In conclusion, in looking at the United States as a whole, when an oversea investment is made with a simultaneous shutdown or curtailment of a U.S. based division, we are actually "exporting jobs." Certainly this is one "item" we do not wish to export. Thus, we must do everything possible to keep development capital in this country. There appears to be little question but that we are now in a direct battle for survival economically with 18 or 19 other countries. Our standard of living will be directly dependent upon how successfully we fight this battle from year to year, and our own U.S. companies must show more responsibility to U.S. based production or we will soon be in more serious trouble than we are now.

STATEMENT SUBMITTED BY JOHN N. THURMAN IN BEHALF OF PACIFIC AMERICAN STEAMSHIP ASSOCIATION

TRADE EXPANSION ACT OF 1962: UNEMPLOYMENT FEATURES

Pacific American Steamship Association has long been a supporter of the Reciprocal Trade Act and, in the current Congress, has supported the principle of wider presidential authority to meet changing conditions arising from regional tariff blocs in Europe and elsewhere. In our view, however, the American people are being asked to pay an exorbitant price for the liberal handling of tariffs by the President by reason of the drastic unemployment compensation features of the Trade Expansion Act of 1962 (H.R. 11970) (title III).

Apart from our objections to the scheme of subsidies to State compensation funds as being costly in the extreme, and adding an unknown factor to inflation, we regard it as an opening salvo in every State legislature in the country to provide for 52 weeks of compensation for all causes of unemployment. We see no difference between unemployment due to imports and unemployment due to any other cause, and we would presume that the State legislatures will view the matter likewise.

It is a certainty that every possible group of workers will use this legislation to seek 52 weeks of relief (or 78 in the case of persons who are undergoing training at the end of 52 weeks) and as more and more certifications are granted by the Labor Department, there will be created in the mind of workers and the public the impression that all export/imports are an evil thing since they cause unemployment. This will certainly be a self defeating byproduct of the efforts of this and previous administrations to expand our world trade consciousness in this country.

The bill discriminates between workers who are unemployed due to tariff reductions (52 weeks at 65 percent of weekly wage) and those whose misfortune might be due to some other cause, governmental or private (26 weeks at State rates) and is completely devoid of reason or logic. Nowhere in the hearings or

the House report, or the House debate, is there any evidence as to why tariff actions carry such a high degree of responsibility to a worker in a firm affected. If the 52-week feature is allowed to stand, the pressure will be on for similar subvention by Congress of State Compensation Acts for unemployment due to Government action of any kind. Nobody can predict where the line will be drawn, and indeed, it will be almost impossible to draw the line anywhere short of total Federal subvention of State Acts for any cause of unemployment whatsoever.

In a very real sense the compensation features of this legislation defeat the very purposes for which the bill was introduced. The bill was intended to make American export trade as competitive with its European colleagues as it has been in the past. Yet the compensation features, by reason of setting the stage for the ultimate provision for 52 weeks of compensation, introduces a cost figure which will further make American exporters noncompetitive in world markets. Thus the act is self-defeating.

Unemployment compensation presently costs many California employers (and the employers of seafarers are an example) in excess of 3½ percent of payroll. This is for 26 weeks of coverage. There is every reason to anticipate that if Federal precedent being set in this legislation were to find its way into State legislation that the percentage of payroll would go to as much as 6 percent. While this eventuality will take a number of years to accomplish, the fact is the stage is being set here and should be recognized for the danger it represents.

In full compliance with the basic principles of providing for dislocated workers, we earnestly request that this legislation be amended to provide for no greater number of weeks of compensation than the 26 weeks which most State Compensation Acts currently provide, and that the rate of compensation be confined to 50 percent of the gross average weekly earnings of production workers as published by the Burea of Labor Standards.

If the Congress desires to provide unemployment compensation, it should be done in separate legislation and not through the process of including it in a trade agreements extension bill. In no uncertain terms, this legislation, with its fantastic workmen's compensation arrangements, does the greatest violence possible to America's ability to compete in world markets. In failing to adjust this feature of the legislation, the Congress will have defeated its own intended purposes.

U.S. SENATE,
Washington, D.C., August 16, 1962.

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

DEAR MR. CHAIRMAN: On May 21, this year, the Pineapple Growers Association of Hawaii filed, with the Finance Committee, a statement of their views and recommendations on the administration's proposed trade bill (H.R. 9900).

I am writing you today to advise your committee of the association's current views on the Trade Expansion Act of 1962 (H.R. 11970), which passed the House of Representatives and is now pending before your committee. I regret the enclosed statement of the association reached me too late for inclusion in the printed hearings, but I am condident you will bring this information to the attention of your committee during its deliberations on the bill.

I cannot emphasize too strongly the importance of the pineapple industry to the State of Hawaii. It is a mainstay of Hawaii's economy, ranking third among our industries as a source of income. Hawaii's pineapple industry provides employment for 8,000 year-round workers and an additional 15,000 seasonal workers, and produces, annually, income of $117 million.

Hawaii's pineapple industry is the most modern and efficient in the world. Its wage scales surpass all other pineapple-producing countries. It produces the finest pineapple in the world and quality control is excellent.

But many countries impose not only tariff restrictions but other import restrictions which discriminate against Hawaiian pineapple in favor of other pineapple-producing countries. All terms being equal, Hawaiian pineapple could compete very successfully, but unfair discrimination that exists today is definitely hurting Hawaii's pineapple export trade. Further discriminatory actions by other nations loom in the immediate future, and the Trade Expansion Act, before your committee, poses additional hazards.

As the association points out in the enclosed statement: "We still have some concern about the broad powers conferred upon the President. Our concern is that under these broad powers, agreement might be reached which could put Hawaiian pineapple at a disadvantage in the domestic market, without achieving compensating improvements in the tariff situation in foreign markets.

"Frankly, the current U.S. tariff on canned pineapple of three-quarters of a cent per pound, which is roughly 6 percent ad valorem, is already so low that it appears to offer little or no barrier to the importation of canned pineapple * * *

"On the other hand, the tariff on canned pineapple in the Common Market countries is currently 25 percent ad valorem. In addition, under the EEC, associated oversea territories of member states will have duty-free entry in the EEC; thus, the French possessions of Guinea, Ivory Coast, and Martinique are likely to increase pineapple production, since they could export to the EEC duty free. Moreover, if the United Kingdom becomes a member, and should Australia thereby obtain duty-free access to the EEC markets, Australian canned pineapple products would have a decided advantage over Hawaiian canned pineapple in our principal export market area in Western Europe, which is already highly competitive.

"The point is that with an EEC duty of 25 percent on canned pineapple and a U.S. duty of approximately 6 percent, the United States would obviously not be in a good bargaining position."

Further, may I call your attention to the fact that the Pineapple Growers Association recommends retention of the peril point and escape clause safeguards, "for, if there were a 'peril point' provision and if the Tariff Commission were to establish a 'peril point' for canned pineapple, it would be possible, under H.R. 11970 as we understand it, for the tariff on canned pineapple to be increased by 50 percent over the rate prevailing on July 1, 1934. Since the rate prevailing on that date was 2 cents per pound, this would make possible a duty of 3 cents per pound, as contrasted with the duty of ¾ cent per pound now in effect."

In regard to the proposed "adjustment assistance," the pineapple growers assert, "It is difficult to see how such assistance 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 on research, centered in the industry-supported Pineapple Research Institute of Hawaii, which is recognized throughout the world as outstanding in research on pineapple."

In summary, the association recommends "that H.R. 11970 should be amended to strengthen prenegotiation safeguards by inclusion of a 'peril point' provision, with congressional review and veto of proposed tariff reductions to be exercised within a reasonable period of time. We believe this would eliminate the need for the 'adjustment assistance' portion of title III."

With best personal regards and aloha,

Sincerely yours,

HIRAM L. FONG.

PINEAPPLE GROWERS ASSOCIATION OF HAWAII,
Honolulu, Hawaii, August 8, 1962.

Hon. HIRAM L. FONG,
U.S. Senate, Washington, D.C.

DEAR SENATOR FONG: Following receipt of your letter of July 21, with which you sent a copy of H.R. 11970, passed by the House, and a copy of the Engle amendment, we have reviewed the bill and the amendment.

Some of the concern expressed in our statement to the Senate Committee on Finance on H.R. 9900 has been taken care of in the bill passed by the House

as H.R. 11970. So far as we can see, the Engle amendment would not apply to pineapple.

While we are in agreement with the general objectives of the bill, which, as we understand it, is to provide industry and agriculture in the United States with greater access to the markets of the European Economic Community, we still have some concern about the broad powers conferred upon the President. Our concern is that under these broad powers, agreements might be reached which could put Hawaiian pineapple at a disadvantage in the domestic market, without achieving compensating improvements in the tariff situation in foreign markets.

Frankly, the current U.S. tariff on canned pineapple of ¾ cent per pound, which is roughly 6 percent ad valorem, is already so low that it appears to offer little or no barrier to the importation of canned pineapple. This is reflected in recent imports, which are listed in the table enclosed. On the other hand, the tariff on canned pineapple in the Common Market countries is currently 25 percent ad valorem. In addition, under the EEC, associated oversea territories of member states will have duty-free entry in the EEC; thus, the French possessions of Guinea, Ivory Coast, and Martinique are likely to increase pineapple production, since they could export to the EEC duty free. Moreover, if the United Kingdom becomes a member and should Australia thereby obtain duty-free access to the EEC markets, Australian canned pineapple products would have a decided advantage over Hawaiian canned pineapple in our principal export market area in Western Europe, which is already highly competitive.

The point is that with an EEC duty of 25 percent on canned pineapple and a U.S. duty of approximately 6 percent, the United States would obviously not be in a good bargaining position.

In our statement of May 21, 1962, we recommended retention of the peril point and escape clause safeguards, and we still believe that such provisions would be desirable in principle, for if there were a peril point provision and if the Tariff Commission were to establish a peril point for canned pineapple, it would be possible, under H.R. 11970, as we understand it, for the tariff on canned pineapple to be increased by 50 percent over the rate prevailing on July 1, 1934. Since the rate prevailing on that date was 2 cents per pound, this would make possible a duty of 3 cents per pound, as contrasted with the duty of ¾ cent per pound now in effect.

Additionally, we have concern with the adjustment assistance provisions of the act under title III. It is difficult to see how such assistance 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 on research centered in the industry-supported Pineapple Research Institute of Hawaii, which is recognized throughout the world as outstanding in research on pineapple.

In summary we believe to adequately protect the American canned pineapple industry, which is such an important contributor to the economy of the State of Hawaii, that H.R. 11970 should be amended to strengthen pre-negotiation safeguards by inclusion of a peril point provision, with congressional review and veto of proposed tariff reductions to be exercised within a reasonable period of time. We believe this would eliminate the need for the adjustment assistance portion of title III.

We appreciate your assurance that you will do everything you can to see that the Senate Finance Committee is apprised of our position, and if we can provide you with any additional information, we will be happy to do so.

Sincerely,

R. L. CUSHING, *President*.

Imports of canned pineapple

[Converted to 45-pound cases from pounds]

Calendar year	Australia	Cuba	Formosa	Malaya	Mexico	Philippines	South Africa	Others	Total imports
1954		308,028			260,849	722,838		1,853	1,293,568
1955		433,573	8,050		262,675	945,430		483	1,650,211
1956		611,939	25,855		271,075	1,057,224		16	1,966,085
1957		750,661	16,531		238,688	1,216,902		44	2,222,826
1958		583,094	12,247		398,422	873,161			1,866,924
1959	9,667	563,499	96,389		337,246	1,049,754	7,411	3,821	2,067,787
1960	86,627	538,875	387,390	92,872	421,577	1,039,613	95,745	3,553	2,666,252
1961		157,453	476,498	154,566	405,071	1,209,056	121,055	6,137	2,529,836
1st 3 months of 1961		29,295	68,123	26,078	108,534	331,514	13,498	2,167	579,209
1st 3 months of 1962			272,992	29,853	94,887	225,999	23,375	5,357	652,463

Source: U.S. Department of Commerce.

JULY 31, 1962.

HON. HARRY F. BYRD,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: We have been in touch with a number of agricultural groups in our State that are concerned about the trade bill. We would like to briefly communicate to you the substance of their position.

The leading farm commodities produced in New York State are dairy products, fruits (e.g., apples, grapes, peaches, and cherries), and vegetables (including mushrooms). Of the total production of farm products in New York State, less than 1 percent is exported—as compared with a national average of approximately 10 percent. Even with the higher national average of farm exports, there has developed an unfortunate and rather serious reliance by many other countries on nontariff barriers against farm imports. A number of these countries, particularly those in the EEC, use such devices as licenses, discriminatory entrance levies, quarantines, limited shipping seasons, quotas, and size and weight requirements to effectively preclude the entrance of farm products into their markets. This general issue has been one of the major stumbling blocks in the inclusion of Great Britain in the Common Market and in working out the relationship between the United States and the EEC.

We urge that your committee, in the course of its deliberations on the trade bill, give consideration to the various proposals which have been put forward to make certain that our farmers are fairly and equally treated in world markets. Believing as we do in reciprocal trade, we point out that reciprocity entails the willingness of other nations to accept ur products in the same way and to the same degree in which we accept theirs.

The problem of trade in agriculture products is twofold. On the one hand, it involves seeing to it that our exports are accepted in oversea markets. On the other, there are some producers of farm commodities grown in this country who maintain that the pressure of increased imports has seriously jeopardized the continued production of these crops—which if discontinued entirely, would displace workers and equipment in certain areas of the country. Certainly, if our farm commodities are not accepted in foreign markets, then there is little justification for us to accept farm imports in amounts so large as to jeopardize the survival of our own domestic industries. This is particularly true in those cases where imports are from those same countries which maintain artificial nontariff barriers against U.S. farm exports.

This entire question is a most serious and complicated one. While we are not at this point certain as to what is the best approach, we are aware that a number of proposals have been put forward and we sincerely urge that your committee give complete and careful attention to this problem and to the ways in which it can be most effectively dealt with within the traditional structure of the reciprocal trade program.

We appreciate this opportunity to call this matter to your attention and we request that a copy of this letter be made a part of the record of your hearings. A copy of our letter is also being sent to Senator Williams of Delaware.

Very sincerely yours,

JACOB K. JAVITS.
KENNETH B. KEATING.

GENERAL FEDERATION OF WOMEN'S CLUBS,
WASHINGTON, D.C., *August 9, 1962.*

Senator HARRY F. BYRD,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.

DEAR SIR: In the light of the present world situation, the General Federation of Women's Clubs wishes to reiterate its support of the liberalization of U.S. trade policy as presented in the Trade Expansion Act of 1962. Our position is outlined in the attached statement which we made before the House Ways and Means Committee on March 12, 1962.

We would like to request that this letter of transmittal together with our attached statement be made a part of the record of the hearings of the Senate Finance Committee.

Sincerely yours,

Margaret Long Arnold
Mrs. DEXTER OTIS ARNOLD,
President.

STATEMENT OF GENERAL FEDERATION OF WOMEN'S CLUBS, WASHINGTON, D.C., ON RECIPROCAL TRADE AGREEMENTS PROGRAM

The General Federation of Women's Clubs has since 1938 consistently supported the renewal of this program and in 1958 urged that it be for 5 years and not the usual 3-year extensions of the past.

Today, with the changing economy, it is vitally necessary that the United States continue its efforts in the international economic growth if we are to preserve our own economic stability. The trade proposals this year are a logical extension of previous reciprocal trade policy in the light of worldwide economic developments and the need for free world unity, which the General Federation of Women's Clubs has consistently supported.

The President of the United States pointed out five new developments which will affect our trade policies; namely, (*a*) growth of European Common Market, (*b*) growing pressures on our balance-of-payments position, (*c*) need to accelerate our own economic growth, (*d*) the Communist aid and trade offensive, and (*e*) need for new markets for Japan and other developing nations.

The women know that the economy of every State in the Union depends on foreign trade to some degree, some States more than other perhaps, but the fact remains that we all know reciprocal trade is very important and vitally essential not only to the economy of our Nation but to the individual well-being of our people.

U.S. economy is built upon the basis of competition under which our high standards of living have excelled. It would seem that the proposals that the United States cannot compete with foreign trade are not really valid. The free enterprise system of Government is being challenged today, as we all know. We dare not be afraid to have a bold program that shows our courage to meet challenge, not a program based on fear.

In 1958 the general federation reaffirmed our resolution of 1938. I quote:

"RECIPROCAL TRADE AGREEMENTS

"(Convention, 1938; reaffirmed, 1958)

"*Resolved*, That the General Federation of Women's Clubs reaffirms its support of the reciprocal trade agreements program, and urges the renewal of the Reciprocal Trade Agreements Act at 5-year intervals without crippling amendments."

The general federation recognizes that the workers, and industry as well, have needed certain economic protection because of the cost of production but for many years this organization has realized the fact that we could not have certain restrictive laws with regard to our trade with "other mutually dependent freedom-loving nations."

The following resolution points out the Federation's stand.

"RESTRICTIONS ON WORLD TRADE

"(Repeal of Section 104 of Defense Production Act, Convention, 1952)

"Whereas the General Federation of Women's Clubs has long held that restrictions on world trade which prevent other countries from purchasing prod-

ucts from the United States because they cannot, in turn, sell their products here, are unwise; and

"Whereas interference with the healthy development of world trade will delay the economic recovery and the building of adequate defense systems by our Allies; and

"Whereas the weakening of the economy and defenses of any one country fighting for freedom is a weakening of the economy and defenses of all: Therefore

"*Resolved*, That the General Federation of Women's Clubs opposes legislation which will place unwarranted restrictions on trade between this country and other mutually dependent freedom-loving nations."

Also in 1954 in convention the delegates passed a resolution under the caption of "Trade Barriers" which read as follows:

"TRADE BARRIERS

"(CONVENTION, 1954)

"Whereas economic progress in the United States is tied closely to the economic progress of the rest of the world; and

"Whereas a program promoting economic progress in the United States must provide for an extension and a strengthening of economic ties with the rest of the world; and

"Whereas an accelerated flow of goods and of capital across national boundaries would contribute to economic progress everywhere: Therefore

"*Resolved*, That the General Federation of Women's Clubs declares its belief that a gradual reduction of trade barriers between nations is necessary to an increased flow of goods in a world market and should be undertaken by the United States and further sponsored as a world policy."

I submit these resolutions to your committee at this time to show the consistent support of such foreign-aid programs that would lead to economic progress and which would strengthen U.S. economic ties with the rest of the world.

The clubwomen of this country definitely support the President of the United States in his effort to maintain the economic security of our country through the proposed reciprocal trade agreements program.

STATEMENT OF GEORGE P. BYRNE, JR., REPRESENTING MANUFACTURERS OF SMALL TOOLS, SCREWS, NUTS, AND TACKS FOR INCLUSION IN THE RECORD OF A HEARING ON H.R. 11970 BEFORE THE SENATE FINANCE COMMITTEE IN WASHINGTON, D.C. ON AUGUST 13, 1962

INTRODUCTION

I am George P. Byrne, Jr., 53 Park Place, New York, N.Y. My position is secretary of the Service Tools Institue, United States Wood, Machine, Tapping & Cap Screw Bureaus, Machine Screw Nut Bureau, Socket Screw Products Bureau, and the American Institute of Tack Manufacturers. These are trade associations of domestic manufacturing companies, most of which are small business concerns employing less than 500 persons and in many cases less than 100 persons. Since the manufacturers I represent as well as their employees are being injured by low-wage-cost imports, I give below pertinent information regarding such injuries and the further injury to these companies and their employees which would result should House bill H.R. 11970 be entacted into law.

WOOD-SCREW INJURY IS TYPICAL

The wood-screw industry is typical of the standard common variety threaded product which is being displaced by imports. To show how that industry has lost business and employment as the result of massive imports of foreign made low-wage-cost wood screws, we attach to this statement chart marked "Exhibit I." As indicated by tables attached to this chart, in the 1930–39 prewar period, sales of imported wood screws amounted to only 0.84 percent of domestic sales of wood screws. In the year 1961, imported wood screws averaged 42 percent of domestic sales of wood screws in this country. In May 1962 such imports

amounted to 67 percent of domestic sales of wood screws. This substantial increase in imports has continued since 1939 while in the same period the import duty on wood screws was reduced from the full rate of 25 percent ad valorem, as provided in the Tariff Act of 1930, to the present rate of 12½ percent ad valorem. Therefore, the logical question is: What will happen to the domestic wood-screw industry if the present inadequate import duty on wood screws is reduced or eliminated? The obvious answer is complete annihilation of the U.S. wood-screw industry and resultant loss of jobs by people employed in that industry.

The wood screw is the type of standard stock item on which the average manufacturer depends to keep his people employed, machines running and enough work to keep his plant operating and to make a reasonable profit to stay in business. When such "heart of line" items are lost to imports that leaves the low-profit specialties, odd lengths, varieties of different heads, thread lengths, etc., to the domestic producers. Such "specials" do not provide long runs that make profits and keep plants running. American producers have been ingenious in the development of some special types of threaded products which are found highly useful by foreign users and are not available from foreign sources. However, for the most part, they are low-profit, short-run, hard-to-make items. See exhibits 2a and 2b showing general economic trends in handtool, screw, and nut industries from 1950 to 1962 with impact of imports on decline in sales, production, and employment.

IMPORT INJURY HIDDEN FROM GOVERNMENT

Lack of adequate import statistics makes it difficult, if not impossible, for the Government to realize the extent of imports of other types of metal products, including handtools, machine screws, tapping and cap screws, machine screw nuts, socket screws, and tacks. However, bitter experience is proving that the rising volume of imports of those products is having a strong impact upon the business of the domestic producers and contributing to considerable unemployment in the screw, nut, handtool, and tack industries. To show how extensive such imports are we attach exhibits 3a and 3b showing the comparative imports of handtools, screws, bolts, nuts coming in the United States of America during the periods from 1957 to 1962 and 1951 to 1962, respectively. Data for this exhibit was obtained from ships' manifests at various ports of entry and reproduced in the Import Bulletins of the New York Journal of Commerce. As in the case of wood screws, the import duties on all of these products have been substantially reduced below the full rates established by the Tariff Act of 1930. Needless to say, reductions or eliminations of the present low duties on these products which would result from the enactment of H.R. 11970 would inflict further serious and crippling injury upon the above industries.

LOW FOREIGN LABOR COSTS MAKE COMPETITION WITH IMPORTS IMPOSSIBLE

It is a known fact that the low labor costs of foreign countries such as West Germany, Italy, and Japan enable foreign producers to export their products to the United States at prices anywhere from 20 to 40 percent below those at which domestic producers are able to sell the same products and obtain even a small profit. This is particularly true in the case of screws, nuts, and small handtools. Examples of comparative tool prices and other predatory unfair competition from imported merchandise is shown in exhibit 4.

The disparity between U.S. labor costs and those in foreign countries is clearly indicated by the following comparative tables of rates obtained from the Trade Relations Council of New York City:

Country	Average hourly earnings (1960-61)	Average hourly earnings plus fringe benefits (1960-61)	Country	Average hourly earnings (1960-61)	Average hourly earnings plus fringe benefits (1960-61)
United States	$2.34	$2.84	West Germany	$0.63	$0.82
Canada	2.03	2.48	Belgium	.57	.77
Sweden	1.02	1.18	France	.44	.82
United Kingdom	.89	1.00	Italy	.35	.49
Switzerland	.80	.92	Japan	.28	.33

With foreign producers having approximately similar productive equipment (much of which was financed with U.S. foreign aid funds) how can U.S. producers and workers expect to compete with such wage differentials?

VIRTUALLY NO EXPORT MARKET FOR HAND TOOLS, SCREWS, NUTS, AND TACKS

In view of the unfair competitive advantage which foreign manufacturers, due to lower labor costs, have over American producers of hand tools, screws, nuts, and tacks, domestic producers of those products are unable to compete in the export markets of the world. Thus, their export shipments are virtually nil and there is no possibility of increasing them. It will be clearly seen, therefore, that the enactment of H.R. 11970 and the resultant lowering or elimination of U.S. import duties would not help to create export markets for any of the above types of metal fasteners or for hand tools and tacks and would only result in increased injury to the domestic makers of those products and their employees.

IMPORTS ALREADY CLOSING U.S. PLANTS

The impact of low-wage-cost imports of tools, screws, nuts, tacks, and many other products is already causing serious unemployment and financial losses to many U.S. industrial concerns. A glaring example of such injury is the case of the Triplex Screw Division of the Murray Corp. at 5317 Grant Avenue, Cleveland, Ohio. As a result of business lost to low-wage-cost imports, principally from Japan and European countries, this concern closed its doors on April 20, 1962, thus throwing 270 employees out of work. The stories of some of these job losers, as related in the following article from the Cleveland Press of April 18, 1962, are truly pathetic:

[From the Cleveland Press, Apr. 18, 1962]

"How'll We Get a Job, 270 Ask at Triplex

"A troubled future faces most of the 270 employees losing their jobs by the shutdown of Triplex Screw Division of Murray Corp. of America.

"A few will be able to retire on pension, but the great majority will have to look for other jobs in the Cleveland labor market, which still has 45,000 unemployed.

"Many are worried that even if jobs are available, they will be disqualified because they are past 40.

"SALE PROSPECTS DIM

"Some are still hoping that the plant will be sold to a purchaser who will continue operating it. But this does not seem likely.

"J. B. Balmer, Murray Corp. president, said the plant is being closed and its assets liquidated because of operating losses and unfavorable prospects for early future improvement. He said Murray was unable to sell the plant as a complete unit in an effort to assure jobs for the employees.

"MAY CLOSING

"The plant, 5317 Grant Avenue, is scheduled to cease production in early May after customers' current orders are filled.

"The company said it will attempt to find jobs for displaced employees. So did the United Steelworkers, which represents production employees."

Other companies manufacturing screws, nuts, bolts, and kindred products which have been closed in recent months as a result of injury sustained from low-wage-cost imports, and whose employees have been thrown out of their jobs, include the following concerns:

Sterling Bolt Co., Chicago, Ill.
American Screw Co., Willimantic, Conn.
Economy Screw Corp., Chicago, Ill.
Buffalo Bolt Corp., North Tonawanda, N.Y.
Scovill Manufacturing Co., Waterville, Conn.

Thus again, we ask the question "What will happen to domestic industries, such as these, if H.R. 11970 is enacted into law and the present inadequate import duties reduced or eliminated?" The obvious answer again is complete annihilation of these industries and resultant loss of jobs in them.

OTHER DAMAGING FEATURES OF H.R. 11970

Other damaging features of H.R. 11970 which member manufacturers believe would work to the detriment of their companies and employees are as follows:

1. The relief for injured industries prescribed in the bill is scheduled to take effect after serious injury from imports has been sustained. In other words, this relief would be administered "after the patient died." Likelihood of relief to seriously injured industries will be even more remote than under section 7 of the present Trade Agreements Act.

2. Under H.R. 11970, negotiations for the elimination of present duties or for lower duties would be negotiated on groups of products so that domestic manufacturers of screws, nuts, and hand tools and tacks would be unable to tell whether or when they are to be subjected to further injury or damage from low-wage-cost imports.

3. Screws, nuts and hand tools are all vital to the national security in time of war. If enacted, H.R. 11970 would weaken the domestic industries which make those products to an extent where they would not properly function and produce when needed in another war emergency.

4. H.R. 11970 provides that when a firm applies for assistance from the Government, the Federal Government then becomes a virtual partner in the injured firm. When financial assistance including loans and tax relief are extended to the injured firm the administering agency may protect its loans by selling the firm's assets. Or the administering agency may renovate, improve, modernize, complete, insure, rent, sell, or otherwise deal with—any real or personal property conveyed to, or otherwise acquired by it in connection with such guarantees, agreements, or loans. Furthermore, the administering agency and General Accounting Office shall have access for the purpose of audit and examination to any books, documents, papers, and records of the recipient pertaining to adjustment assistance. All of this our manufacturers believe is unrealistic and unworkable and much the same as the present "escape clause" in section 7 of the Trade Agreement Act and would be almost meaningless to small manufacturers.

5. In addition to the above unfair and damaging features of H.R. 11970 that bill in its entirety is unconstitutional since it virtually removes from Congress the power to administer tariffs and hands over that power to the President.

Under the circumstances outlined above we respectfully request and urge that the Senate Finance Committee refuse to report out H.R. 11970 and forego any action whatever on that bill.

This request is presented in behalf of our member manufacturers whose names are listed below, their employees and stockholders, viz:

Manufacturers of Mechanics Hand Service Tools

Advertising Metal Display Co., Chicago, Ill.
Apco Mossberg Co., Attleboro, Mass.
The Apex Machine & Tool Co., Dayton, Ohio.
Armstrong Bros. Tool Co., Chicago, Ill.
Baltimore Tool Works, Baltimore, Md.
Barcalo Manufacturing Co., Buffalo, N.Y.
Bergman Tool Manufacturing Co., Inc., Buffalo, N.Y.
The Billings & Spencer Co., Hartford, Conn.
H. Boker & Co., Inc., New York, N.Y.
The Bridgeport Hardware Manufacturing Corp., Bridgeport, Conn.
C. & G. Wheel Puller Co., Inc., Scio, N.Y.
Champion DeArment Tool Co., Meadville, Pa.
Crescent Tool Co., Jamestown, N.Y.
Diamond Tool & Horseshoe Co., Duluth, Minn.
Duro Metal Products Co., Chicago, Ill.
Fairmount Tool & Forging, Inc., Cleveland, Ohio.
Forsberg Manufacturing Co., Bridgeport, Conn.
Kennedy Manufacturing Co., Van Wert, Ohio.
Mathias Klein & Sons, Chicago, Ill.
Kraeuter & Co., Inc., Newark, N.J.
Lectrolite Corp., Defiance, Ohio.
McKaig-Hatch, Inc., Buffalo, N.Y.
Metal Box & Cabinet Corp., Chicago, Ill.
Midwest Tool & Cutlery Co., Inc., Sturgis, Mich.
Moore Drop Forging Co., Springfield, Mass.

New Britain Machine Co., New Britain, Conn.
Nupla Manufacturing Co., Los Angeles, Calif.
Owatonna Tool Co., Owatonna, Minn.
P & C Tool Co., Division of Pendleton Tool Industries, Inc., Portland, Oreg.
Penens Corp., Division of Pendleton Tool Industries, Inc., Schiller Park, Ill.
Peterson Manufacturing Co., Inc., DeWitt, Nebr.
H. K. Porter, Inc., Somerville, Mass.
Proto Tool Co., Division of Pendleton Tool Industries, Inc., Los Angeles, Calif.
The Quality Tools Corp., New Wilmington, Pa.
Reed & Prince Manufacturing Co., Worcester, Mass.
Ryan Tool Co., Southington, Conn.
The Sherman-Klove Co., Chicago, Ill.
Snap-on Tools Corp., Kenosha, Wis.
Stanley Tools Division, the Stanley Works, New Britain, Conn.
Stevens Walden, Inc., Worcester, Mass.
Stream Line Tools, Inc., Conover, N.C.
P. A. Sturtevant Co., Addison, Ill.
Union Steel Chest Corp., LeRoy, N.Y.
Upson Bros. Inc., Rochester, N.Y.
Utica Drop Forge & Tool Division of Kelsey-Hayes Wheel Co., Utica, N.Y.
Vaco Products Co., Chicago, Ill.
The Vlchek Tool Co., Cleveland, Ohio.
Waterloo Valve Spring Compressor Co., Waterloo, Iowa.
Wilde Tool Co., Inc., Hiawatha, Kans.
J. H. Williams & Co., Buffalo, N.Y.
J. Wiss & Sons Co., Newark, N.J.
The Wright Tool & Forge Co., Barberton, Ohio.
Xcelite, Inc., Orchard Park, N.Y.

Manufacturers of Socket Head Cap and Set Screws

Allen Manufacturing Co., Hartford, Conn.
Brighton Screw & Manufacturing Co., Cincinnati, Ohio.
The Bristol Co., Waterbury, Conn.
The Cleveland Cap Screw Co., Cleveland, Ohio.
Holo-Krome Screw Corp., Hartford, Conn.
Mac-it Parts Co., Lancaster, Pa.
George W. Moore, Inc., Waltham, Mass.
Parker-Kalon Division, General American Transportation Corp., Clifton, N.J.
Safety Socket Screw Corp., Chicago, Ill.
Set Screw & Manufacturing Co., Bartlett, Ill.
Standard Pressed Steel Co., Jenkintown, Pa.
The Standard Screw Co., Bellwood, Ill.

Manufacturers of Self-Tapping Screws

American Screw Co., Wytheville, Va.
Anchor Fasteners, Inc., Waterbury, Conn.
Atlantic Screw Works, Inc., Hartford, Conn.
The Blake & Johnson Co., Waterville, Conn.
Camcar Division, Textron Industries, Inc., Rockford, Ill.
Central Screw Co., Chicago, Ill.
Continental Screw Co., New Bedford, Mass.
Elco Tool & Screw Corp., Rockford, Ill.
Great Lakes Screw Corp., Chicago, Ill.
Illinois Tool Works, Chicago, Ill.
Mid-America Fasteners, Franklin Park, Ill.
Midland Screw Corp., Chicago, Ill.
National Lock Co., Rockford, Ill.
The National Screw & Manufacturing Co., Cleveland, Ohio.
Parker-Kalon Division, General American Transportation Corp., Clifton, N.J.
Pheoll Manufacturing Co., Chicago, Ill.
Reed & Prince Manufacturing Co., Worcester, Mass.
Screw & Bolt Corp. of America, Southington Hardware Division, Southington, Conn.
Southern Screw Co., Statesville, N.C.
United Screw & Bolt Corp., Chicago, Ill.

Manufacturers of Hexagon Head Cap Screws and Set Screws

Chandler Products Corp., Cleveland, Ohio.
The Cleveland Cap Screw Co., Cleveland, Ohio.
E. W. Ferry Screw Products Co., Inc., Cleveland, Ohio.
Ferry Cap & Set Screw Co., Cleveland, Ohio.
Keer-Lakeside Industries, Inc., Cleveland, Ohio.
Lake Erie Screw Corp., Cleveland, Ohio.
National Lock Co., Rockford, Ill.
The Wm. H. Ottemiller Co., York, Pa.
Pheoll Manufacturing Co., Chicago, Ill.
Reed & Prince Manufacturing Co., Worcester, Mass.
Rockford Screw Products Co., Rockford, Ill.
Standard Screw Co., Bellwood, Ill.
  Chicago Screw Division, Bellwood, Ill.
  Hartford Machine Screw Division, Hartford, Conn.
  Western Automatic Machine Screw Division, Elyria, Ohio.
Towne-Robinson Fastener Co , Dearborn, Mich.
Tru-Fit Screw Products Corp., Cleveland, Ohio.
United Screw & Bolt Corp., Cleveland, Ohio.

Manufacturers of Machine Screws and Machine Screw Nuts

American Screw Co., Wytheville, Va.
Anchor Fasteners, Inc., Waterbury, Conn.
The Blake & Johnson Co., Waterville, Conn.
Camcar Division, Textron Industries, Inc., Rockford, Ill.
Central Screw Co., Chicago, Ill.
Clark Metal Products, Inc., Bridgeport, Conn.
Continental Screw Co., New Bedford, Mass.
Elco Tool & Screw Corp., Rockford, Ill.
Great Lakes Screw Corp., Chicago, Ill.
Harvey Hubbell, Inc., Bridgeport, Conn.
Illinois Tool Works, Chicago Ill.
International Screw Co., Detroit, Mich.
Mid-America Fasteners, Inc., Franklin Park, Ill.
Midland Screw Corp., Chicago, Ill.
National Lock Co., Rockford, Ill.
The National Screw & Manufacturing Co., Cleveland, Ohio.
Pawtucket Screw Co., Pawtucket, R.I.
Pheoll Manufacturing Co., Chicago, Ill.
Reed & Prince Manufacturing Co., Worcester, Mass.

Screw & Bolt Corp. of America, Southington Hardware Division, Southington, Conn.
Southern Screw Co., Statesville, N.C.
United Screw & Bolt Corp., Chicago, Ill.

Manufacturers of Wood Screws

American Screw Co., Wytheville, Va.
Atlantic Screw Works, Inc., Hartford, Conn.
Continental Screw Co., New Bedford, Mass.
Elco Tool & Screw Corp., Rockford, Ill.
National Lock Co., Rockford, Ill.
The National Screw & Manufacturing Co., Cleveland, Ohio.
Reed & Prince Manufacturing Co., Worcester, Mass.
Screw & Bolt Corp. of America, Southington Hardware Division, Southington, Conn.
Southern Screw Co., Statesville, N.C.
Whitney Screw Corp., Nashua, N.H.

Manufacturers of Tubular and Split Rivets

Aluminum Co. of America, Lancaster, Pa.
American Rivet Co., Chicago, Ill.
Chicago Rivet & Machine Co., Bellwood, Ill.
Miami Rivet Co., Miami, Fla.
Milford Rivet & Machine Co., Milford, Conn.
National Rivet & Manufacturing Co., Waupun, Wis.
The Parmenter & Bulloch Manufacturing Co., Ltd., Gananoque, Ontario, Canada.
Shelton Tubular Rivet Co., Shelton, Conn.
Judson L. Thomson Manufacturing Co., Waltham, Mass.
Thomason (Canada) Rivet Co., Ltd., Gananoque, Ontario, Canada.
Townsend Co., Beaver Falls, Pa.
Tubular Rivet & Stud Co., Quincy, Mass.

Manufacturers of Tacks

Atlas Tack Corp., Fairhaven, Mass.
Holland Manufacturing Co., Baltimore, Md.
Plymouth Cordage Industries, Inc., W. W. Cross & Co. Division, Boston, Mass.
Shelton Tack Co., Shelton, Conn.
Snell-Jones Tacks, Inc., New York, N.Y.

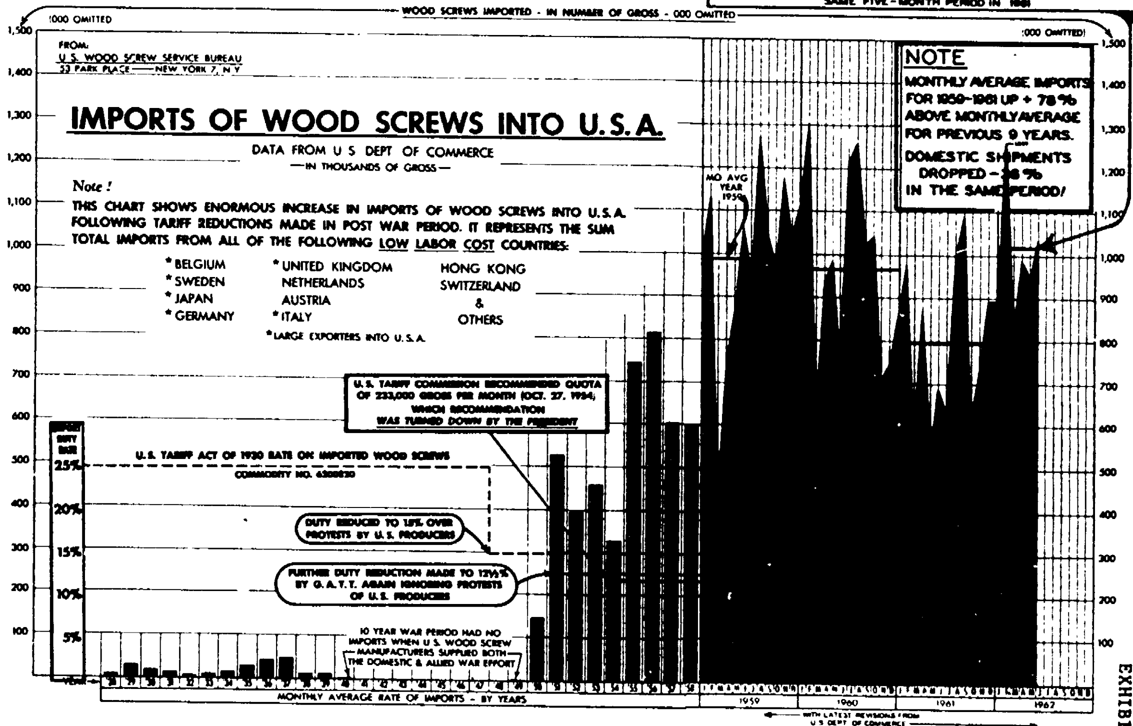


EXHIBIT 1

BEST AVAILABLE COPY

U. S. WOOD SCREW SERVICE BUREAU
33 Park Place, New York 7, N.Y.

IMPORTS OF WOOD SCREWS INTO U.S.A.

- Data from U.S. Dept. of Commerce -

WOOD SCREWS OF IRON AND STEEL

[illegible] - Current Wood Screw Tariff Rate - 12-1/2% Treasury - Domestic

Includes imports for immediate consumption & withdrawals from warehouse for immediate U.S.A. consumption

Total Year	Total Imports from All Countries Combined: Gross	Value	Belgium: Gross	Value	Sweden: Gross	Value	Japan: Gross	Value	Germany: Gross	Value
1945	55	$ 60	-	$ -	-	$ -	-	$ -	-	$ -
1946	404	1,119	-	-	-	-	-	-	-	-
1947	1,066	1,040	-	-	-	-	-	-	-	-
1948	404	361	-	-	-	-	-	-	-	-
1949	2,316	1,022	-	-	130	91	3,300	871	-	-
1950	1,760,267	352,332	487,815	91,143	497,025	87,318	390,000	50,864	40,372	6,863
1951	6,330,367	1,174,426	1,621,727	302,192	654,700	131,438	1,222,300	150,226	761,366	127,653
1952	4,739,300	877,370	1,084,362	230,068	306,770	101,664	1,437,150	166,460	309,700	73,862
1953	5,321,495	930,010	1,080,900	219,800	220,685	48,093	1,903,326	197,322	370,300	63,313
1954	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1955	[illegible]	[illegible]	1,421,304	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1956	9,790,692	1,432,310	1,072,678	200,256	690,843	143,361	6,120,500	636,260	2,116,750	[illegible]
1957	7,209,073	1,173,129	607,426	162,625	560,037	140,371	4,801,320	518,120	1,360,420	153,460
1958	7,366,026	1,120,460	366,061	127,450	486,927	122,969	4,095,205	407,164	780,920	162,707
1959	11,830,440	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7,060,425	[illegible]	[illegible]	[illegible]
1960	11,660,103	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1961	9,557,991	1,567,904	518,037	155,202	343,373	122,906	6,041,835	810,091	637,300	120,670
1962										

Other columns: United Kingdom, Netherlands, Austria, Italy, Canada, From Other Countries (Gross / Value); monthly data for 1958–1962 Jan–Dec.

U.S. WOOD SCREW SERVICE BUREAU
53 Park Place, New York 7, N.Y.

COMPARISON OF WOOD SCREW ORDERS RECEIVED & SHIPMENTS
MADE BY U.S. MANUFACTURERS TO DOMESTIC CONSUMERS
COMPARED WITH IMPORTATIONS OF WOOD SCREWS
(Reports from 14 U. S. Manufacturers)

YEAR	- DOMESTIC - Monthly Average ORDERS (Gross)	SHIPMENTS (Gross)	IMPORTS OF WOOD SCREWS INTO U.S.A. (Mo.Avg.Gross)	PERCENT IMPORTS OF DOMESTIC ORDERS	SHIPMENTS
1928	4,658,837	4,900,829	7,879	.17%	.16%
1929	4,651,367	4,740,092	29,204	.63	.62
1930	3,126,982	3,038,209	17,596	.56	.58
1931	2,293,745	2,339,854	12,923	.56	.55
1932	1,570,658	1,627,570	5,342	.34	.33
1933	2,397,476	2,303,708	10,671	.44	.46
1934	2,254,589	2,277,835	14,491	.64	.64
1935	3,140,866	2,891,017	27,155	.86	.94
1936	3,049,753	3,031,882	43,852	1.44	1.45
1937	2,344,171	2,654,333	48,782	2.08	1.84
1938	1,925,929	1,936,490	13,918	.72	.72
1939	2,749,412	2,621,773	12,042	.44	.46
1940	2,803,477	2,668,931	2,229	.08	.08
1941	4,540,936	4,351,851	11	--	--
1942	3,810,778	3,812,598	None	--	--
1943	3,744,580	3,791,818	None	--	--
1944	3,153,931	3,247,862	None	--	--
1945	3,337,249	3,119,669	5	--	--
1946	5,253,600	3,936,848	41	--	--
1947	3,874,916	4,210,695	156	--	--
1948	3,029,845	3,637,110	57	--	--
1949	2,674,422	2,628,030	776	.03	.03
1950	4,992,249	4,239,436	146,689	2.94	3.46
1951	4,053,356	4,365,027	528,214	13.03	12.10
1952	3,238,101	3,301,706	394,448	12.18	11.95
1953	3,530,049	3,578,088	460,141	13.03	12.86
1954	3,405,458	3,362,306	336,896	9.89	10.02
1955	3,255,423	3,147,195	744,026	22.86	23.64
1956	2,829,452	2,807,322	816,558	28.86	29.09
1957	2,393,595	2,408,141	605,489	25.30	25.14
1958	2,290,339	2,201,109	603,[illegible]36	26.36	27.43
1959	2,453,429	2,454,731	985,537	40.17	40.15
1960	1,914,835	1,922,138	972,422	50.78	50.59
1961	1,902,043	1,930,188	796,466	41.87	41.26
By Months					
1961-Jan	1,648,226	1,801,281	978,203	59.35	54.31
Feb	1,640,005	1,874,114	598,498	36.49	31.93
Mar	2,085,539	2,207,809	876,635	42.03	39.71
Apr	1,990,873	1,912,424	535,734	26.91	28.01
May	1,962,430	1,961,664	688,575	35.09	35.10
Jun	1,915,593	1,992,837	633,659	33.08	31.80
Jul	1,730,847	1,627,549	1,000,062	57.78	61.45
Aug	2,007,193	1,915,170	1,096,894	54.65	57.27
Sep	2,452,521	2,148,182	623,417	25.42	29.02
Oct	1,890,050	2,177,863	740,702	39.19	34.01
Nov	1,882,978	1,867,410	892,183	47.38	47.78
Dec	1,692,523	1,618,258	893,029	52.76	55.18
1962-Jan	1,865,431	1,708,619	1,268,043	67.83	74.21
Feb	1,907,720	1,723,653	829,327	43.47	48.11
Mar	2,030,880	1,866,167	994,482	48.97	53.29
Apr	1,779,919	1,801,915	953,540	53.57	52.92
May	1,549,715	1,725,179	1,036,515	66.88	60.08
Jun					
Jul					

EXHIBIT 2-A

DOMESTIC MANUFACTURERS' COMBINED SALES OF MECHANICS' HAND SERVICE TOOLS

- IN INDEX NUMBERS - YEAR 1950=100 -

Approximate tonnage shipments trends from statistics supplied from nearly 60 American Manufacturers

INDEX NUMBERS

1950 1951 1952 1953 1954 1955 1956 1957 1958 1959 1960 1961

125 120 115 110 105 100 95 90

DECLINING TREND

EXHIBIT 2-B

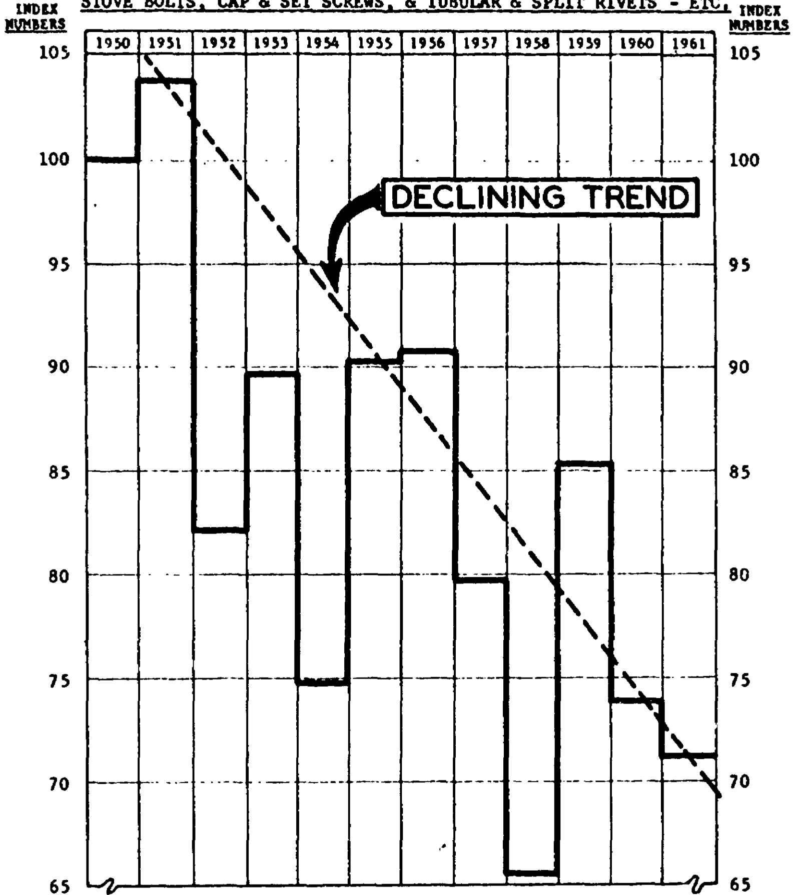


EXHIBIT 3-A

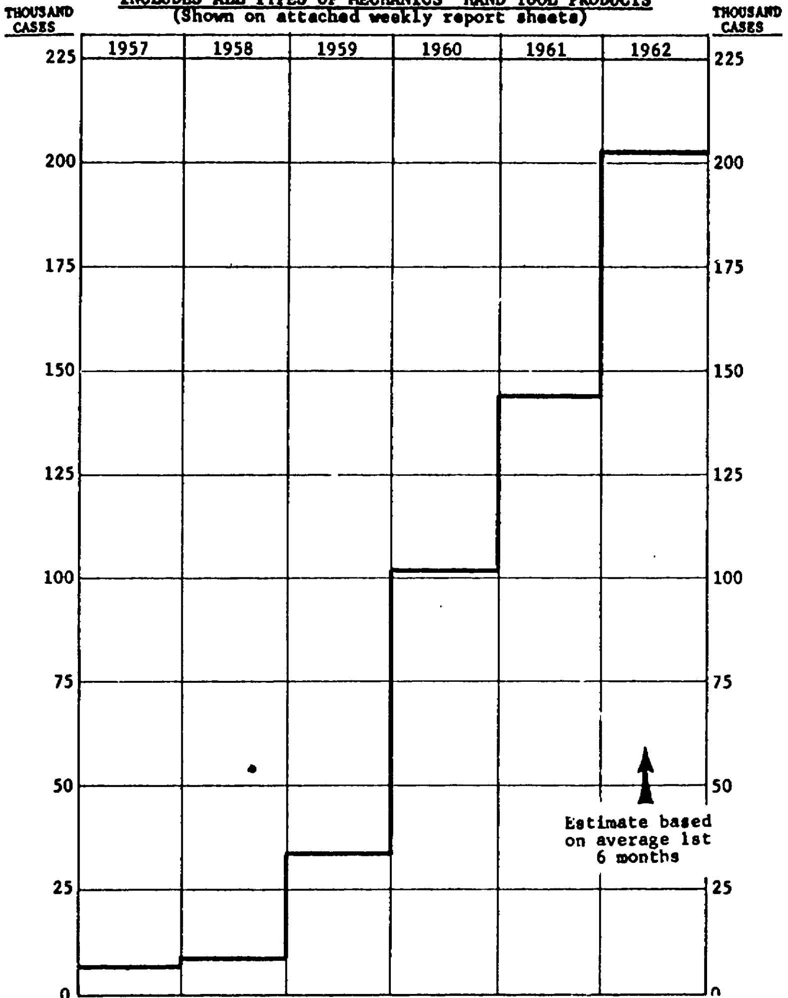
IMPORTS OF ALL CLASSES OF MECHANICS' HAND TOOLS INTO U.S.A.

(Annual Total Case Quantities, Lots, Packages, etc.)

From Ships' Manifests Data - Import Bulletin - N. Y. Journal of Commerce

INCLUDES ALL TYPES OF MECHANICS' HAND TOOL PRODUCTS

(Shown on attached weekly report sheets)



87270 O—62—pt. 4——22

FROM: SERVICE TOOLS INSTITUTE
53 Park Place
New York 7, N. Y.

Issued

IMPORTS OF MECHANICS' HAND SERVICE TOOLS INTO U.S.A.

Case Quantities (400 lbs.) brought in by Import Agents or Consignees

- Ships' Manifests Data - Import Bulletin - N.Y. Journal of Commerce -

ACTUAL OR PROJECTED ANNUAL RATE OF IMPORTS AT END OF EACH QUARTER

- In Number of Cases -

AT END OF:	1957	1958	1959	1960	1961	1962	1963
1st Qu.	4,444	7,176	9,172	58,340	136,508	183,312	
2nd Qu.	5,472	8,376	10,682	80,540	148,468	202,756	
3rd Qu.	5,436	8,505	14,056	96,280	153,277		
4th Qu.	6,161	8,675	33,569	101,840	144,572		

MONTHLY TOTAL RATE OF IMPORTS - DERIVED FROM WEEKLY DATA

- In Number of Cases -

	1957	1958	1959	1960	1961	1962	1963
Jan...	377	658	804	4,952	13,247	21,726	
Feb...	277	511	825	4,738	9,607	9,449	
Mar...	457	624	664	4,895	11,273	14,653	
Apr...	326	419	547	7,097	17,896	18,179	
May...	423	745	1,094	9,169	9,728	15,346	
Jun...	874	1,231	1,407	9,419	12,483	22,025	
Jul...	374	660	1,479	10,298	14,188		
Aug...	495	618	886	11,621	14,714		
Sep...	473	913	2,836	10,021	11,822		
Oct...	726	903	6,348	11,645	10,368		
Nov...	469	742	6,964	10,326	7,536		
Dec...	890	651	9,715	7,659	11,710		
Total Year...	6,161	8,675	33,569	101,840	144,572		

WEEKLY CASE QUANTITIES BASED UPON TOTAL SHIPS' MANIFEST DATA

1961	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1st Wk	1,517	3,307	2,119	3,875	4,544	4,121	3,116	5,399	2,054	2,550	1,842	2,374
2nd Wk	2,804	2,273	3,695	5,665	1,961	2,637	3,027	2,271	4,030	3,330	1,323	5,193
3rd Wk	3,249	1,681	2,169	2,405	1,773	2,581	3,036	2,878	2,534	1,022	1,652	465
4th Wk	2,625	2,346	3,290	3,703	1,450	3,144	2,677	4,166	3,204	2,062	2,719	3,678
5th Wk	3,052	-	-	2,248	-	-	2,332	-	-	1,406	-	-
Total	13,247	9,607	11,273	17,896	9,728	12,483	14,188	14,714	11,822	10,368	7,536	11,710

1962	Jan	Feb*	Mar*	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1st Wk	3,398	5,102	3,224	2,813	3,579	3,076						
2nd Wk	3,047	1,228	5,422	3,420	4,210	7,757						
3rd Wk	2,856	1,513	3,370	4,205	2,977	6,726						
4th Wk	4,498	1,606	2,637	2,982	4,580	4,466						
5th Wk	7,927	-	-	4,759	-	-						
Total	21,726	9,449	14,653	18,179	15,346	22,025						

*Revised

IMPORTS OF MECHANICS' HAND SERVICE TOOLS INTO U.S.A.

Week Ending April 3, 1962

Quantity	Product	Country	Port of Entry	Consignee
12 Cases	Pliers	England	New York	F. W. Woolworth, NYC
4 Cases	Screw Drivers	France	" "	Order
60 Cases	Hand Tools	Japan	" "	Anglo Affiliated Corp., NYC
34 Cases	Adjustable Angle Wrench Pliers	"	" "	Anglo Affiliated Corp., NYC
6 Cases	Hand Tools	"	" "	Lewis Bros., Montreal
169 Cases	Hand Tools (11,146 lbs.)	"	" "	Pioneer Mdse. Corp., NYC
126 Cases	Hand Tools (8488 lbs.)	"	" "	N. G. Jensen, Minneapolis
80 Cases	Hammers	"	" "	N. Y. Merchandise, NYC
165 Cases	Dunlop Adj. Wrenches &			
275 Cases	Hammers, Axes	"	" "	Fuller Orient Corp.
84 Cases	Pliers	"	" "	Truecraft Tool, Chic.
183 Cases	Wrenches, Hammers	"	" "	Intern. Expediters, Chic.
12 Cases	Screw Drivers	"	" "	Pentapco, Inc., NJ
40 Cases	Hand Tools	"	" "	L. Golday
40 Cases	Slip Joint Pliers (6350 lbs.)	"	" "	Fuller Orient Corp.
482 Cases	Hand Tools (26,678 lbs.)	"	" "	Order
104 Pks.	Hand Tools (9640 lbs.)	"	" "	J. H. Graham & Co.,Inc., NYC
586 Pks	Hand Tools (27,018 lbs.)	"	" "	Waltham Tool Mfg. Co.,Mass.
8 Cases	Hand Tools	"	" "	Pacific Import
100 Cases	Hand Tools	"	" "	Order
5 Cases	Steel Hammers	"	" "	F. W. Woolworth, NYC
30 Cases	Pliers	"	" "	Fuller Orient Corp.
59 Cases	Hand Tools (2801 lbs.)	"	" "	Tempo Products Co., NYC
58 Ctns.	Hand Tools	"	Baltimore	N. G. Jensen, Minneapolis
91 Ctns.	Hand Tools	"	"	N. G. Jensen, Minneapolis
2,813				

Week Ending April 10, 1962

Quantity	Product	Country	Port of Entry	Consignee
5 Cases	Hand Tools (610 lbs.)	England	New York	W. R. Keating, NYC
17 Cases	Pliers (3377 lbs.)	"	" "	Penson & Co., NYC
2 Cases	Hand Tools (422 lbs.)	"	" "	Order
14 Cases	Pliers	Italy	" "	J.E.Bernard, Chic.
12 Cases	Polygrip Pliers	"	" "	N. G. Jensen, Minneapolis
13 Cases	Snips	"	" "	Universal Co., Montreal
9 Cases	Chisels (1445 lbs.)	"	" "	Fuller Tool Co., Montreal
10 Cases	Pliers	"	" "	Order
276 Cases	Hand Tools (9711 lbs.)	Japan	" "	Royal Mdse.Corp., LIC, NY
129 Cases	Hand Tools (7326 lbs.)	"	" "	Order
30 Cases	Wrench Sets (2778 lbs.)	"	" "	Tempo Products Co., NYC
240 Cases	Hand Tools (11,225 lbs.)	"	" "	Banner Industries, St. Louis
30 Cases	Pliers (2130 lbs.)	"	" "	Tempo Products Co., NYC
10 Cases	Pliers	"	" "	Globe Machine Co., Phila.
25 Cases	Vise Grip Wrenches (2771 lbs.)	"	" "	Tempo Products Co., NYC
18 Cases	Hand Tools & Forgings (3497 lbs.)	"	" "	P. A. Bernacki
83 Cases	Hand Tools (5242 lbs.)	"	" "	Tempo Products Co., NYC
120 Cases	Hand Tools (9670 lbs.)	"	" "	Lang & MarshallCo.,Inc.,NYC
100 Cases	Hand Tools (8820 lbs.)	"	" "	Anglo Affiliated Corp., NYC
261 Cases	Hand Tools (12,669 lbs.)	"	" "	Order
50 Cases	Pliers	"	" "	Order
9 Cases	Hand Tools (659 lbs.)	"	" "	P. A. Bernacki
334 Cases	Hand Tools (19,864 lbs.)	"	" "	Royal Mdse.Corp.,LIC, NY
159 Cases	Hand Tools (10,003 lbs.)	"	" "	Order
11 Cases	Hand Tools (4600 lbs.)	"	" "	Pioneer Mdse. Co., Montreal
38 Cases	Hand Tools (8603 lbs.)	"	" "	Pioneer Mdse. Co., Toronto

Week Ending April 10, 1962 - continued

Quantity	Product	Country	Port of Entry	Consignee
249 Cases	Hand Tools	Japan	New York	Order
371 Cases	Hand Tools (23,862 lbs.)	"	" "	Pioneer Mdse. Co., NYC
100 Cases	Hammers (6820 lbs.)	"	" "	D. S. Andrews, NYC
11 Pkgs.	Pocket Handy Tool Cutters (1216 lbs.)	"	" "	Elpo Products
16 Cases	Pocket Handy Tool Cutters (1869 lbs.)	"	" "	Edge Import Corp.
60 Cases	Fuller Wrenches	"	" "	Fuller Orient Corp.
1 Case	Hammers	Germany	Baltimore	Va. Log Co., Richmond
117 Ctns	Hand Tools	Hong Kong	Los Angeles	Laco Supply
97 Ctns	Hand Tools	" "	" "	Fed Bros.
24 Cases	Hand Tools	Japan	Miami	Southland Trading Co.
100 Pks.	Hand Tools	"	Philadelphia	Order
265 Cases	Mechanics' Hand Tools	"	"	James S. Baker, NYC, Balt.
4 Cases	Pliers	England	San Francisco	F. W. Woolworth
3,420				

Week Ending April 17, 1962

Quantity	Product	Country	Port of Entry	Consignee
38 Cases	Hand Tools (1196 lbs.)	England	New York	Order
7 Cases	Pliers (1492 lbs.)	Italy	" "	J. E. Bernard, Chic.
95 Pkgs.	Hand Tools	Japan	" "	N. G. Jensen, Minneapolis
100 Cases	Hand Tools	"	" "	Ross Prod., Inc., NYC
24 Cases	Hand Tools (1896 lbs.)	"	" "	Academy Import Corp.
190 Cases	Hand Tools, etc., (19,360 lbs.)	"	" "	Pioneer Mdse. Corp., NYC
30 Cases	Hand Tools (1588 lbs.)	"	" "	Marine Mdld. Tr. Co., NYC
128 Pks.	Hand Tools (8523 lbs.)	"	" "	N. G. Jensen, Minneapolis
83 Cases	Hand Tools (5856 lbs.)	"	" "	J. H. Graham & Co., Inc.,NYC
10 Cases	Hammers (550 lbs.)	"	" "	Seaway Import Co., Chic.
402 Cases	Hand Tools (18,248 lbs.)	"	" "	James S. Baker, NYC, Balt.
145 Cases	Fuller Slip Joint Pliers & Wrenches, Adj., Carded (10,740 lbs.)	"	" "	Fuller Orient Corp.
54 Cases	Hand Tools (6670 lbs.)	"	" "	Tempo Products Co., NYC
100 Cases	Hand Tools (5400 lbs.)	"	" "	Order
72 Cases	Combination End Wrenches (5,061 lbs.)	"	" "	Fuller Orient Corp.
84 Cases	Mech. Hand Tools (5909 lbs.)	"	" "	J. H. Graham & Co., Inc.,NYC
253 Cases	Hand Tools (12,753 lbs.)	"	" "	Royal Mdse. Corp., NYC
185 Pks.	Hand Tools (12,919 lbs.)	"	" "	J. H. Graham & Co., Inc.,NYC
199 Cases	Hand Tools (9555 lbs.)	"	" "	Banner Industries, St. Louis
264 Cases	Hand Tools (8034 lbs.)	"	" "	Order
30 Cases	Hand Tools	"	" "	Sanyei NY Corp., NYC
246 Cases	Hand Tools (11,660 lbs.)	"	" "	Lang & Marshall Co.,Inc., NYC
36 Cases	Hand Tools (3898 lbs.)	"	" "	Lang & Marshall Co.,Inc.,NYC
280 Cases	Hand Tool Sets (8435 lbs.)	"	" "	Chase Bank, NYC
20 Cases	Hand Tools (1900 lbs.)	"	" "	Marine Midl. Tr. Co., NYC
80 Cases	Hand Tools (9810 lbs.)	"	" "	F. W. Woolworth Co., NYC
1,060 Cases	Hand Tools (26,830 lbs.)	"	" "	Order
30 Cases	Slip Joint Pliers (5760 lbs.)	"	" "	Fuller Orient Corp.
20 Cases	Hand Tools (1411 lbs.)	"	" "	Jerome Trdg. Co.
4,205				

Week Ending April 24, 1962

Quantity	Product	Country	Port of Entry	Consignee
7 Cases	Mechanics' Hand Tools (922 lbs.)	England	New York	W. R. Keating, NYC
33 Cases	Wrenches (5827 lbs.)	Germany	" "	Atlas Hardware, NYC
14 Cases	Wrenches (3650 lbs.)	"	" "	Atlas Hardware, NYC
352 Pkgs.	Hand Tools (20,944 lbs.)	Japan	" "	Pioneer Mdse. Corp., NYC
40 Cases	Pocket Handy Tool Cutters	"	" "	Hazan Mercantile
220 Cases	Hand Tools (10,492 lbs.)	"	" "	Order
476 Cases	Hand Tools (10,492 lbs.)	"	" "	Order
100 Pks.	Hand Tools (6574 lbs.)	"	" "	N. G. Jensen, Minneapolis

Week Ending April 24, 1962 - continued

Quantity	Product	Country	Port of Entry	Consignee
56 Pks.	Hand Tools	Japan	New York	N. G. Jensen, Baltimore
180 Cases	Hand Tools (7144 lbs.)	"	" "	Order
180 Cases	Hand Tools (2920 lbs.)	"	" "	James S. Baker, San Francisco
20 Cases	Pliers &			
143 Cases	Wrenches (9131 lbs.)	"	" "	Int'l. Exped., Chicago
126 Cases	Slip Joint Pliers (2874 lbs.) &			
39 Cases	Adj. Wrenches (4295 lbs.)	"	" "	Fuller Orient Corp.
12 Cases	Pliers (2311 lbs.)	"	" "	Fuller Orient Corp.
118 Cases	Files, Rasps, Wrenches, etc., (11 tons)	Poland	" "	Lang & Marshall Co., Inc., NYC
247 Ctns	Hand Tools	Japan	Baltimore	M I & Co.
77 Pks	Hand Tools	"	"	N. G. Jensen, Minneapolis
218 Ctns	Hand Tools	"	Boston	Waltham Tool Co., Waltham, Mass
78 Cases	Pocket Handy Tool Cutters	"	Jacksonville	American Knife
6 Cases	Hand Tools	"	Los Angeles	Pep Boys
79 Ctns	Hand Tools	"	" "	James S. Baker,
59 Ctns	Hand & Garden Tools	"	" "	Bruce Duncan, NYC
20 Cases	Pliers	"	SanFrancisco	Int'l. Exped., NYC, Chic.
154 Cases	Hand Tools	"	" "	Order
153 Pkgs.	Hand Tools (2085 lbs.) &			
75 Pkgs.	Hand Tools (3193 lbs.)	"	Seattle	Order
2,982				

Week Ending May 1, 1962

Quantity	Product	Country	Port of Entry	Consignee
8 Cases	Screwdrivers	England	New York	Witherby Products Div.
135 Cases	Pliers, Pincers & Fence Tools	"	" "	J. H. Graham & Co., Inc., NYC
1 Case	Steel Wrenches (138 lbs.)	"	" "	Order
19 Cases	Hand Tools (2282 lbs.)	Japan	" "	P.A.Bernacki
520 Cases	Hand Tools	"	" "	Norman G. Jensen, Minneapolis
24 Cases	Hand Tools (3540 lbs.)	"	" "	Norman G. Jensen, Minneapolis
29 Cases	Wrenches, Hammers, Pliers, Tool Kits, etc., (5739 lbs.)	"	" "	Express Fwdg. & Storage, NYC
45 Cases	Hand Tools (2103 lbs.)	"	" "	Lang & Marshall Co., Inc., NYC
380 Cases	Hand Tools (10,006 lbs.)	"	" "	Usalite Imp.
32 Cases	Pliers (451 lbs.)	"	" "	Express Fwdg. & Storage, NYC
583 Cases	Hand Tools	"	" "	Order
15 Cases	Wrenches	"	" "	American Shipping Co., NYC
80 Cases	Hand Tools	"	" "	Anglo Affiliated Corp., NYC
43 Pks.	Hand Tools	"	" "	Lang & Marshall Co., Inc., NYC
33 Cases	Lever Punches	"	" "	Elbe Filer & Binder Co., Fall River, Mass.
34 Cases	Hand Tools	"	" "	Academy Import Co.
30 Cases	Hand Tools	"	" "	N. G. Jensen, Minneapolis
265 Pks.	Hand Tools	"	" "	Lang & Marshall Co., Inc., NYC
20 Cases	Hand Tools	"	" "	Sanyei NY Corp., NYC
333 Pks.	Hand Tools	"	" "	Pioneer Mdse. Corp., NYC
85 Cases	Hand Tools	"	" "	Academy Import Co.
163 Cases	Hand Tools (8463 lbs.)	"	" "	N. G. Jensen, Minneapolis
39 Cases	Hand Tools (2398 lbs.)	"	" "	E. Miltenberg Inc., NYC
100 Cases	Wrench Sets (3800 lbs.)	"	" "	Lang & Marshall Co., Inc., NYC
45 Cases	Hand Tools (1320 lbs.)	"	" "	Tempo Products Corp., NYC
127 Cases	Hand Tools (9872 lbs.)	"	" "	Tempo Products Corp., NYC
83 Cases	Hand Tools (6040 lbs.)	"	" "	J. H. Graham Co., Inc., NYC
63 Cases	Hand Tools (9629 lbs.)	"	" "	Shinko Sangyo Trdg. Co., NYC
459 Cases	Hand Tools	"	" "	Pioneer Mdse. Corp., NYC
30 Cases	Pliers (3045 lbs.)	"	" "	Fuller Orient Corp.
59 Cases	Wrenches (3000 lbs.)	"	" "	Intern. Exped., Chicago
4 Cases	Chisels (933 lbs.)	Poland	" "	Marine Mid. Tr., NYC
1 Case	Pliers (396 lbs.)	"	" "	B. Jadow
281 Cases	Mechanics & Garden Tools	Japan	Los Angeles	Goodwin Hdwe.
145 Ctns	Hand Tools	"	" "	West Coast Mercantile
162 Cases	Mechanics' Hand Tools	"	Philadelphia	J. S. Baker, NYC, Balt., Phil.
284 Cases	Mechanics' Hand Tools	"	"	J. S. Baker, NYC, Balt., Phil.
30 Ctns	Hammers	"	SanFrancisco	Seaway Imp.
4,759				

# # #

IMPORTS OF MECHANICS' HAND SERVICE TOOLS INTO U.S.A.

Week Ending May 8, 1962

Quantity	Product	Country	Port of Entry	Consignee
5 Cases	Mechanical Hand Tools (610 lbs.)	England	New York	W. R. Keating
14 Cases	Pliers (2,530 lbs.)	"	" "	Penson & Co. NYC
2 Cases	Hand Tools (746 lbs.)	"	" "	American Express
19 Cases	Pliers (3,681 lbs.)	"	" "	Penson & Co. NYC
9 Cases	Pipe Wrenches (2,750 lbs.)	Germany	" "	Order
15 Cases	Pliers	Italy	" "	J.E. Bernard, Phil.,Chic.,NY
518 Cases	Hand Tools	Japan	" "	Lang & Marshall, NYC
50 Cases	Pliers	"	" "	Order
441 Pkgs.	Hand Tools (25,677 lbs.)	"	" "	Pioneer Mdse., NYC
98 Pkgs.	Hand Tools (6,260 lbs.)	"	" "	C. Jensen, Minneapolis
15 Cases	Pliers (529 lbs.)	"	" "	Fuller Orient Corp.,
105 Pkgs.	Wrenches (10,555 lbs.)	"	" "	Fuller Orient Corp.,
201 Cases	Hand Tools (11,098 lbs.)	"	" "	G. Jensen, Minneapolis
193 Cases	Hand Tools (25,977 lbs.)	"	" "	Pioneer Mdse., NYC
90 Cases	Hand Tools (6,920 lbs.)	"	" "	Victor Machinery Exchange
107 Cases	Hand Tools (7,186 lbs.)	"	" "	Order
14 Cases	Hand Tools (2,562 lbs.)	"	" "	Shinko Sangyo Tradg., NYC
120 Cases	Offset Bars & Ripping Chisels (3,360 lbs.)	"	" "	Lang & Marshall, NYC
200 Cases	Hand Tools (7,498 lbs.)	"	" "	Brechner Bros., NYC
7 Cases	Hand Tools (360 lbs.)	"	" "	Arrow Metal Prod.
919 Cases	Hand Tools (41,679 lbs.)	"	" "	Brechner Bros., NYC
71 Cases	Hand Tools (5,136 lbs.)	"	" "	E. Miltenberg, NYC
292 Cases	Hand Tools (14,910 lbs.)	"	" "	Pioneer Mdse., NYC
54 Ctns.	Hand Tools	"	Baltimore	Norman G. Jensen, Minneapolis
20 Ctns.	Hand Tools	"	Los Angeles	Goodkin Hardware
3,379				

Week Ending May 15, 1962

Quantity	Product	Country	Port of Entry	Consignee
12 Pks.	Screwdrivers (1,558 lbs.)	England	New York	Rosenberg Bros., Smithtown,NY
11 Cases	Pliers (1,961 lbs.)	"	" "	F. W. Woolworth
30 Cases	Diagonal Cutting Pliers (4,050 lbs.)	"	" "	Lloyd Assoc. Ltd., NYC
3 Cases	Hand Tools (1,484 lbs.)	"	" "	C. S. Osborn
4 Cases	Hand Tools (827 lbs.)	France	" "	Hammel Riglander, NYC
3 Cases	Pocket Hand Tool Set (343 lbs.)	Germany	" "	Equipment Distr. Corp.
1 Case	Carving Tools & Hammers (537 lbs.)	Italy	" "	Sculpture Assoc.
123 Cases	Hand Tools (7,414 lbs.)	Japan	" "	Lang & Marshall, NYC
212 Cases	Hand Tools (14,576 lbs.)	"	" "	Steelcraft Tool
198 Pks.	Hand Tools (13,125 lbs.)	"	" "	J. H. Graham, NYC
466 Cases	Hand Tools (24,888 lbs.)	"	" "	Steelcraft Tool
87 Cases	Hand Tools (3,629 lbs.)	"	" "	Lang & Marshall, NYC
100 Cases	Saws & Pliers (4,740 lbs.)	"	" "	Marine Midland Trust, NYC
207 Cases	Hand Tools (13,479 lbs.)	"	" "	Order
250 Cases	Hand Tools (15,000 lbs.)	"	" "	Order
25 Cases	Hand Tools (725 lbs.)	"	" "	Academy Import
15 Cases	Hand Tools (1,215 lbs.)	"	" "	F. W. Woolworth
17 Cases & 60 Cases	Hand Tools (2,732 lbs.)	"	" "	Royal Mdse., LIC, NY
313 Cases	Hammers, Axes, Pliers (31,614 lbs.)	"	" "	Fuller Orient Corp.,
40 Cases	Hand Tools (4,160 lbs.)	"	" "	Marine Midland Trust, NYC
100 Cases	Hand Tools (8,467 lbs.)	"	" "	M. I. & Co.
85 Cases	Screwdrivers (3,990 lbs.)	"	" "	Marine Midland Trust, NYC
341 Cases	Hand Tools (13,981 lbs.)	"	" "	Royal Mdse., LIC, NY
160 Cases	Hand Tools (6,720 lbs.)	"	" "	F. W. Woolworth
17 Cases	Vices, Screwdrivers, Nut Driver Sets (2,605 lbs.)	"	" "	Express Fwdg.,

Week Ending May 15, 1962 - continued

Quantity	Product	Country	Port of Entry	Consignee
130 Ctns.	Hand Tools	Japan	Boston	American Express
80 Ctns.	Hand Tools	"	Norfolk	James S. Baker, Phil.
135 Ctns.	Hand Tools	Hong Kong	Los Angeles	West Coast Mercantile
9 Cases	Hand Tools	Japan	" "	Standard Brand Pat
225 Cases	Hand & Mechanical Tools	"	" "	James S. Baker, Phil.
35 Cases	Hand Tools	"	" "	Hollywood Access.
250 Cases	Hand Tools	"	Philadelphia	Order
334 Ctns.	Hand Tools	"	Portland	James S. Baker, Phil.
5[illegible] Ctns.	Hand Tools	"	"	NY Mdse., NYC
40 Ctns.	Hammers	"	"	Lefco International
42 Ctns.	Hand Tools	"	San Francisco	Banner Industries, St. Louis
4,210				

Week Ending May 22nd, 1962

Quantity	Product	Country	Port of Entry	Consignee
25 Cases	Pliers (4,812 lbs.)	England	New York	Penson & Co., NYC
1 Cases	Pliers (293 lbs.)	Germany	" "	W. Dixon, Newark, NJ
13 Cases	Pliers (2,708 lbs.)	Italy	" "	J.E.Bernard, Phil.,Chic.,NYC
50 Cases	Hammers	Japan	" "	Tempo Products, NYC
33 Cases	Screwdrivers, Pliers (2,605 lbs.)	"	" "	Pentapco Inc.
196 Cases	Hand Tools (7,150 lbs.)	"	" "	Royal Mdse., LIC, NY
63 Cases	Hand Tools (9,776 lbs.)	"	" "	Shinko Sangyo Trdg., NYC
50 Cases	Hand Tools (2,975 lbs.)	"	" "	F. W. Woolworth
70 Cases	Hand Tools (3,375 lbs.)	"	" "	American Express, Boston
186 Cases	Hand Tools (13,576 lbs.)	"	" "	G. Jensen, Minneapolis
40 Cases	Carded Slip Joint Pliers (6,252 lbs.)	"	" "	Fuller Orient Corp.
53 Cases	Hand Tools (3,035 lbs.)	"	" "	Hagemeyer Trdg. NYC
110 Cases	Hand Tools (3,775 lbs.)	"	" "	Anglo-Affiliated Corp.,NYC
85 Cases	Hand Tools (12,445 lbs.)	"	" "	Academy Import
136 Pkgs.	Hand Tools (9,882 lbs.)	"	" "	J. H. Graham, NYC
317 Cases	Hand Tools (12,153 lbs.)	"	" "	Royal Mdse., LIC, NY
23 Cases	Grip Wrench Pliers	"	" "	Anglo Affiliated Corp.,NYC
10 Cases	Tinner Snips	"	" "	Anglo Affiliated Corp.,NYC
40 Cases	Hand Tools (1,800 lbs.)	"	" "	J. H. Graham, NYC
6 Cases	Hand Tools (3,374 lbs.)	"	" "	Tempo Products, NYC
59 Cases	Hand Tools (3,733 lbs.)	"	" "	Anglo Affiliated Corp.,NYC
35 Cases	Hand Tools (2,393 lbs.)	"	" "	Banner Ind. St. Louis
20 Cases	Hand Tools (1,455 lbs.)	"	" "	Tempo Products, NYC
70 Cases	Hand Tools (3,991 lbs.)	"	" "	Tempo Products, NYC
30 Cases	Hand Tools (5,623 lbs.)	"	" "	Reliance Mdse., Chic.
66 Cases	Hand Tools (3,420 lbs.)	"	" "	Anglo Affiliated Corp.,NYC
17 Cases	Hand Tools (2,291 lbs.)	"	" "	Tempo Products, NYC
96 Cases	Hand Tools (12,571 lbs.)	"	" "	Pioneer Mdse., NYC
10 Cases &				
10 Cases	Hand Tools (960 lbs.)	"	" "	Reliance Mdse., Chic.
12 Cases	Hand Tools (372 lbs.)	"	" "	Seaway Import
291 Cases	Hand Tools (12,778 lbs.)	"	" "	Lang & Marshall, NYC
67 Cases	Wrenches (3,032 lbs.)	"	" "	Order - Chicago
129 Cases	Hammers & Wrenches (7,193 lbs.)	"	" "	Internl Expediters, NYC,Chic.
74 Cases	Pocket Tool Cutters (8,838 lbs.)	"	" "	American Knife Co.
8 Cases	Screwdrivers	Italy	Baltimore	G. Jensen, Minneapolis
8 Cases	Wrenches	Germany	Cleveland	Harrold Tool
468 Ctns.	Hand Tools	Japan	Los Angeles	Frank P. Dow, NYC
2,977				

Week Ending May 29, 1962

Quantity	Product	Country	Port of Entry	Consignee
114 Cases	Pliers	England	New York	John H. Graham, NYC
1 Case	Pliers (216 lbs.)	Germany	" "	W. Dixon, Newark, NJ
12 Cases	Pliers (2,798 lbs.)	"	" "	N.G. Jensen, Minneapolis
8 Cases	Pliers (1,575 lbs.)	Italy	" "	J.E.Bernard,Phil.,Chic.,NYC
115 Cases	Hand Tools (9,272 lbs.)	Japan	" "	Tempo Prod., NYC
34 Cases	Hand Tools (4,798 lbs.)	"	" "	Academy Import
25 Pkgs.	Hand Tools (2,471 lbs.)	"	" "	Lefco International, NYC
10 Cases	Hand Tools (320 lbs.)	"	" "	Viking Importrade
37 Pkgs.	Hand Tools (3,315 lbs.)	"	" "	Lefco International, NYC
342 Cases	Hand Tools (7,197 lbs.)	"	" "	M. I. & Co.
407 Cases	Hand Tools (21,949 lbs.)	"	" "	Pioneer Mdse., NYC
80 Cases	Hand Tools (4,376 lbs.)	"	" "	Henry C. Schaerf, NYC
12 Cases	Pliers (2,316 lbs.)	"	" "	Fuller Orient
72 Cases	Comb. Box Open End Wrenches (4,846 lbs.)	"	" "	Fuller Orient
43 Cases	Hand Tools	"	" "	Academy Import
72 Cases	Hand Tools	"	" "	Anglo Affiliated, NYC
373 Pkgs.	Hand Tools	"	" "	N.G. Jensen, Minneapolis
12 Cases	Hand Tools	"	" "	P. A. Bernachi
338 Cases	Hand Tools	"	" "	Royal Mdse., LGC., NY
156 Cases	Hand Tools	"	" "	E. Miltenberg Inc., NYC
85 Cases	Hand Tools	"	" "	Anglo Affiliated, NYC
18 Cases	Hand Tools	"	" "	P. A. Bernachi
20 Cases	Hand Tools (5,940 lbs.)	"	" "	Order
472 Ctns.	Hand Tools	"	Boston	Amer. Express
30 Cases	Pliers (6,088 lbs.)	England	Chicago	F. W. Woolworth
16 Cases	Screw Drivers	Italy	Houston	N.G. Jensen, Minneapolis
257 Ctns.	Hand Tools	Japan	Los Angeles	Pep Boys
11 Cases	Wrenches	Spain	" "	Laco Supply
185 Ctns.	Hand Tools	Japan	" "	James G. Wiley
88 Ctns.	Hand Tools	"	" "	F. P. Dow., NYC
2 Cases	Steel Wrenches	England	Philadelphia	Standard Pressed Steel, Pa.
25 Cases	Hand Tools & Bags	Japan	San Francisco	Reliance Mdse., NYC, Chic.
177 Cases	Hand Tools	"	Seattle	Order
446 Cases	Hand Tools	"	"	James S. Baker, Phila.
15 Cases	Hand Tools	"	"	Seaway Import
278 Cases	Hand Tools	"	"	Order
33 Cases	Hand Tools (1,570 lbs.)	"	"	James S. Baker, Phila.
26 Cases	Mech. Hand Tools (1,683 lbs.)	"	"	James S. Baker, Phila.
70 Cases	Hammers	"	"	B. R. Anderson
16 Cases	Hand Tools	"	"	Order
47 Cases	Hand Tools	"	"	Order
4,580				

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IMPORTS OF MECHANICS' HAND SERVICE TOOLS INTO U.S.A.

Week Ending June 5, 1962

Quantity		Country	Port of Entry	Consignee
3 Cases	Pliers (444 lbs.)	England	New York	Penson & Co., NYC
12 Cases	Pliers (1,579 lbs.)	"	" "	Lloyd Assoc., NYC
12 Cases	Hand Tools (852 lbs.)	Japan	" "	Tempo Prod., NYC
60 Cases	Hand Tools (3,300 lbs.)	"	" "	Mego Corp.
42 Cases	Hand Tools (2,525 lbs.)	"	" "	Waltham Tool, Waltham, Mass.
30 Cases	Hand Tools (1,460 lbs.)	"	" "	Anglo Affiliated Corp. NYC
62 Cases	Hand Tools (11,780 lbs.)	"	" "	Reliance Mdse., Chic.
72 Cases	Flex Screwdriver Sets	"	" "	Norman . Jensen, Minn.
60 Cases	Hand Tools (11,100 lbs.)	"	" "	M I & Co.
40 Cases	Hand Tools	"	" "	Order
304 Cases	Hand Tools (14,172 lbs.)	"	" "	Royal Mdse., LIC, NY
427 Cases	Hand Tools (20,936 lbs.)	"	" "	Order
182 Cases	Hand Tools (12,512 lbs.)	"	" "	Order
81 Cases	Handy Tool Cutters (9,842 lbs.)	"	" "	American Knife, Jacksonville
51 Cases	Hand Tools (5,449 lbs.)	"	" "	Order
372 Cases	Hand Tools (19,869 lbs.)	"	" "	Royal Mdse., LIC, NY
19 Cases	Hand Tools (2,547 lbs.)	"	" "	Peter A. Bernacki,
103 Cases	Hand Tools (4,425 lbs.)	"	" "	Anglo Affiliated Corp. NYC
80 Cases	Hand Tools (7,100 lbs.)	"	" "	M. I. & Co.
536 Pkgs.	Hand Tools	"	" "	Pioneer Mdse., NYC
10 Cases	Nut Driver Sets	"	" "	Lang & Marshall, NYC
410 Cases	Wrench Sets	"	" "	Lang & Marshall, NYC
4 Cases	Pliers & Nippers (779 lbs.)	Sweden	" "	Hamel Riglander, NYC
56 Ctns.	Hand Tools	Japan	Baltimore	N. G. Jensen, Minneapolis
48 Cases	Hand Tools (19,166 lbs.)	"	Seattle	Order
3,076				

Week Ending June 12, 1962

Quantity		Country	Port of Entry	Consignee
45 Cases	Pliers (1336 lbs.)	England	New York	Order
8 Cases	Pipe Wrenches (2420 lbs.)	Germany	" "	Durat Mfg.
1 Case	Pliers (242 lbs.)	"	" "	William Dixon, Newark, N.J.
12 Cases	Slip Joint Pliers (1848 lbs)	Italy	" "	Henry C. Schaerf Co., NYC
14 Cases	Water Pump Pliers (1551 lbs)	"	" "	Henry C. Schaerf Co., NYC
126 Cases	Hand Tools (8368 lbs.)	Japan	" "	Order
606 Cases	Hand Tools (32,386 lbs.)	"	" "	Pioneer Mdse., NYC
156 Cases	Hand Tools (1500 lbs.)	"	" "	Order
105 Cases	Hand Tools (7178 lbs.)	"	" "	Order
155 Cases	Hammers, Pliers, Adjustable Wrenches	"	" "	Intl. Exped., NYC, Chic.
219 Pkgs.	Hand Tools (13977 lbs.)	"	" "	Norman G. Jensen, Minn.
20 Cases	Pliers &			
150 Cases	Wrench Sets	"	" "	Marine Midland Trust
44 Pkgs.	Hand Tools (2116 lbs.)	"	" "	Norman G. Jensen, Minn.
12 Cases	Water Pump Pliers	"	" "	Marine Midland Trust
76 Pkgs.	Hand Tools	"	" "	Norman G. Jensen, Minn.
22 Pkgs.	Hand Tools	"	" "	E. Miltenberg, Inc., NYC
86 Cases	Hand Tools	"	" "	Shinko Sangyo Trdg., NYC
128 Cases	Hand Tools	"	" "	Order
195 Cases	Hand Tools	"	" "	Norman G. Jensen, Minn.
449 Cases	Hand Tools	"	" "	Pioneer Mdse. Co., NYC
105 Pkgs.	Dunlap Wrenches	"	" "	Fuller Orient Corp.
125 Cases	Hand Tools	"	" "	Anglo Affiliated Corp., NYC
17 Cases	Hand Tools (527 lbs.)	"	" "	Order
10 Cases	Hand Tools (745 lbs.)	"	" "	J. H. Graham, NYC
100 Cases	Hand Tools (3969 lbs.)	"	" "	Tempo Prod., NYC
56 Cases	Adjustable Wrenches (9773 lbs)	"	" "	Fuller Orient Corp.
40 Cases	Hand Tools (2240 lbs.)	"	" "	Tempo Prod., NYC
34 Cases	Hand Tools (5173 lbs.)	"	" "	Academy Import
120 Cases	Hand Tools (6940 lbs.)	"	" "	Royal Mdse., LIC, NY
255 Cases	Hand Tools (12,375 lbs.)	"	" "	Pioneer Mdse., NYC
507 Cases	Hand Tools	"	" "	Royal Mdse., LIC, NY
50 Cases	Hand Tools (2536 lbs.)	"	" "	Marine Midland Trust

Quantity	Product	Country	Port of Entry	CONSIGNEE
60 Bdls. & 118 Cases	Files, Pliers, Wrenches (9 tons)	Poland	New York	Lang & Marshall, NYC
257 Cases	Hand Tools	Japan	Baltimore	Norman G. Jensen, Minn.
76 Ctns.	Hand Tools	"	"	Norman G. Jensen, Minn.
52 Cases	Hand Tools	"	Galveston	N. Y. Mdse., NYC
248 Ctns	Hand Tools	"	Los Angeles	G L Co.
38 Ctns	Hand Tools	"	" "	Cornet Stores
19 Cases	Hand Tools	"	Philadelphia	Order
77 Ctns	Mechanics' Tools	"	Portland, Ore.	Jas. S. Baker, NYC, Balt.
85 Cases	Mechanics' Tools	"	"	Fritz
48 Ctns	Hand Tools	"	"	Jas. S. Baker, NYC, Balt.
13 Ctns.	Hand Tools	"	San Francisco	V. England Agency
1,940 Cases	Hand Tools	"	Seattle	Jas. S. Baker, NYC, Balt.
202 Cases	Hand Tools	"	"	Order
63 Cases	Hand Tools	"	"	Order
94 Cases	Hand Tools	"	"	Jas. S. Baker, NYC, Balt.
222 Cases	Hand Tools	"	"	Order
97 Cases	Hand Tools	"	"	First Natl. City Bank
7,757				

Week Ending June 19, 1962

Quantity	Product	Country	Port of Entry	CONSIGNEE
5 Cases	Pliers (699 lbs.)	England	New York	Penson & Co., NYC
5 Cases	Screw Drivers	Hong Kong	" "	Reliance Mdse. Co. Chic.
16 Cases	Pliers (3,546 lbs.)	" "	" "	J.E.Bernard, Phil., Chic., NYC
27 Cases	Pliers (1,377 lbs.)	Japan	" "	Intern. Expediters, Chic.
259 Cases	Hand Tools (15,306 lbs.)	"	" "	Norman G. Jensen, Minn.
175 Pkgs.	Hand Tools (4,210 lbs.)	"	" "	Lang & Marshall, NYC
41 Cases	Hand Tools (2,269 lbs.)	"	" "	E. Miltenberg, NYC
506 Cases	Hand Tools (15,877 lbs.)	"	" "	Lang & Marshall, NYC
40 Cases	Hand Tools (3,360 lbs.)	"	" "	Lang & Marshall, NYC
34 Cases	Hand Tools (23,521 lbs.)	"	" "	Marine Midland Trust
160 Cases	Hand Tools (7,410 lbs.)	"	" "	Lang & Marshall, NYC
89 Cases	Hand Tools (6,436 lbs.)	"	" "	Order
343 Cases	Hand Tools (9,411 lbs.)	"	" "	Lang & Marshall, NYC
50 Cases	Hand Tools (5,770 lbs.)	"	" "	Tempo Prod., NYC
55 Cases	Hand Tools (2,225 lbs.)	"	" "	Anglo Affiliated, NYC
222 Cases	Hand Tools (11,673 lbs.)	"	" "	Order
114 Cases	Hand Tools (5,460 lbs.)	"	" "	Baumrin Bros., NYC
146 Cases	Hand Tools (8,219 lbs.)	"	" "	Anglo Affiliated, NYC
169 Cases	Comb Wrench Sets (8,649 lbs.)	"	" "	Order
134 Cases	Hand Tools (6,400 lbs.)	"	" "	Royal Mdse., LIC, NY
61 Pkgs.	Hand Tools (3,281 lbs.)	"	" "	Waltham Tool Mfg.
80 Cases	Hammers	"	" "	Lang & Marshall, NYC
591 Pkgs	Hand Tools (26,440 lbs.)	"	" "	Pioneer Mdse., NYC
67 Ctns	Combo Box-Open End Wrenches (4,499 lbs.)	"	" "	Fuller Orient
20 Cases	Eyelet Pliers (4,300 lbs.)	"	" "	Bac-A-Brand Prod.
31 Cases	Tubular Claw Hammers	"	" "	Anglo Affiliated, NYC
792 Pkgs.	Hand Tools (16,021 lbs.)	"	" "	Lang & Marshall, NYC
420 Cases	Sledge Hammers (25,920 lbs.)	"	" "	Ataka NY Inc., NYC
68 Pkgs.	Hand Tools (8,830 lbs.)	"	" "	Tempo Prod., NYC
110 Cases	Hand Tools (7,355 lbs.)	"	" "	Victro Machinery Exchange'
70 Pkgs	Mech. Hand Tools (3,317 lbs.)	"	" "	J.H. Graham, NYC
60 Cases	Hand Tools (3,958 lbs.)	"	" "	J.H. Graham, NYC
260 Cases	Power Bits, Circle Cutter & Wrench Sets (6,620 lbs.)	"	" "	Lang & Marshall, NYC
147 Cases	Hand Tools (7,541 lbs.)	"	" "	Order
100 Cases	Hand Tools (3,635 lbs.)	"	" "	Royal Mdse., LIC, NY
70 Cases	Socket Sets (4,762 lbs.)	"	" "	Lang & Marshall, NYC
288 Cases	Hammers & Pliers (29,213 lbs.)	"	" "	Fuller Orient
20 Cases	Socket Wrench Sets (3,616 lbs.)	"	" "	Terra International
548 Pkgs	Hand Tools (17,876 lbs.)	"	" "	Royal Mdse., LIC, NY

Week Ending June 19, 1962 - Continued

Quantity	Product	Country	Port of Entry	Consignee
20 Cases	Hand Tools (970 lbs.)	Japan	New York	Order
69 Cases	Pliers & Vises (5,487 lbs.)	Poland	" "	Lang & Marshall, NYC
2 Cases	Pliers (704 lbs.)	Sweden	" "	B. Jadow
91 Ctns.	Hand Tools	Japan	Baltimore	Norman G. Jensen, Minn.
4 Cases	Hand Tools	England	Boston	T. D. Downing
6 Ctns.	Hammers	Sweden	Portland, Ore.	Karmer Steel Prod.
45 Cases	Hand Tools	Japan	"	James S. Baker, Phila.
96 Pkgs.	Hand Tools	Japan	San Francisco	F. H. Kaysing
6,726				

Week Ending June 26, 1962

Quantity	Product	Country	Port of Entry	Consignee
21 Cases	Pliers	England	New York	Lloyd Associates, Ltd., NYC
209 Cases	Pliers	"	" "	John H. Graham, NYC
4 Cases	Hand Tools (1,214 lbs.)	France	" "	Hammel Riglander, NYC
2 Cases	Pliers (427 lbs.)	"	" "	W. Dixon, Newark, NJ
40 Cases	Screw Drivers (1,680 lbs.)	Japan	" "	Marine Midland
941 Cases	Hand Tools (42,360 lbs.)	"	" "	Brechner Bros., NYC
21 Cases	Hand Tools (1,239 lbs.)	"	" "	Wall Trading, NYC
226 Cases	Wrenches, Pliers (19,679 lbs.)	"	" "	Fuller Orient,
456 Pkgs	Hand Tools (29,560 lbs.)	"	" "	Pioneer Mdse., NYC
21 Bdls.	Hand Tools (2,915 lbs.)	"	" "	Astra Trading, NYC
60 Cases	Hand Tools (5,116 lbs.)	"	" "	Tempo Prod., NYC
126 Cases & 528 Cases	Hand Tools (13,404 lbs.)	"	" "	Lang & Marshall, NYC
18 Cases & 312 Cases	Hand Tools (20,252 lbs.)	"	" "	Order
57 Pkgs.	Wrenches (6,870 lbs.)	"	" "	J. Pascal, Montreal
6 Ctns.	Hand Tools	Japan	Boston	American Import
118 Cases	Hand Tools	Sweden	"	Order
350 Ctns.	Hand Tools	Japan	"	Waltham Tool Mfg.
5 Cases	Lock Pliers	Germany	Detroit	Commercial Electric
155 Ctns.	Hand Tools	Japan	Los Angeles	San Gabriel Nursery & Florist
2 Cases	Tools, Mechanic (311 lbs.)	"	" "	James S. Baker, Balt. Phil. NY
15 Cases	Hand Tools	England	" "	T. R. French
409 Ctns.	Hand Tools	Japan	" "	Frank P. Dow, NYC
50 Ctns.	Hand Tools	"	" "	Goodkin Hardwares
38 Cases	Hand Tools	"	New Orleans	James S. Baker, Balt. Phil. NY
58 Ctns.	Hand Tools	"	Portland, Ore.	NY Mdse., NYC
15 Ctns.	Screw Driver Sets	"	"	NY Mdse., NYC
20 Ctns.	Hand Tools	"	"	NY Mdse., NYC
7 Ctns.	Pliers	"	"	Bonded Importers
117 Pkgs.	Hand Tools	"	San Francisco	Norman G. Jensen, Minn.
59 Cases	Hand Tools	"	Seattle	Order
4,466				

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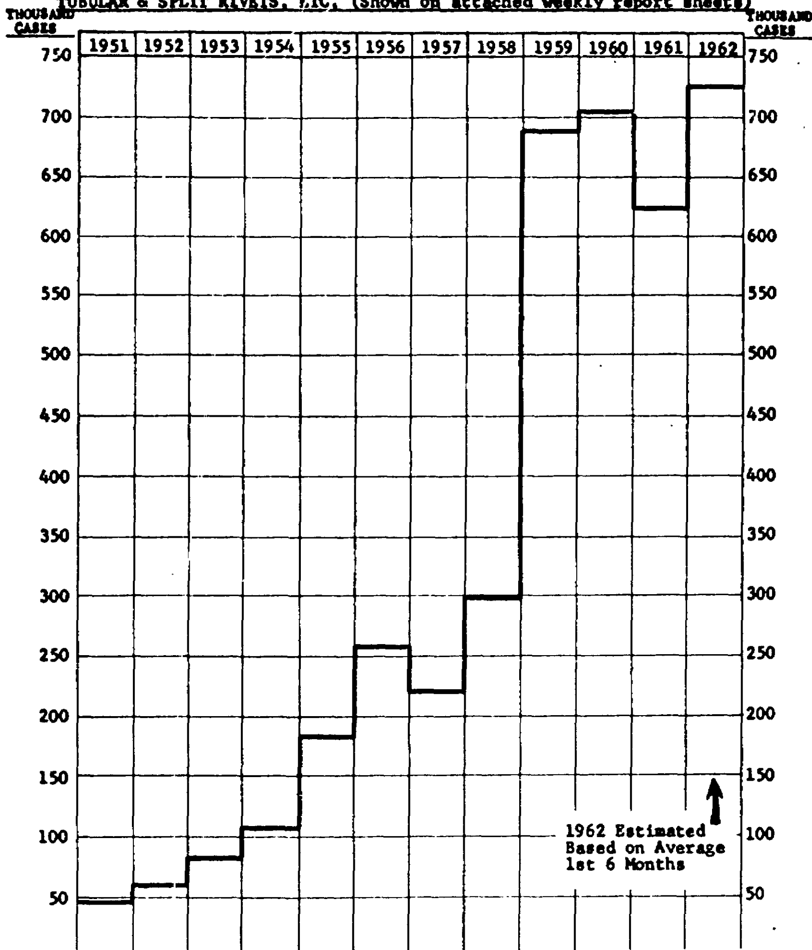
EXHIBIT 3-B.
IMPORTS OF ALL SCREW PRODUCTS INTO U.S.A.
(Annual Total Case Quantities, Lots, Packages, Trays, etc.)
From Ships' Manifests Data - Import Bulletin - N. Y. Journal of Commerce
INCLUDES WOOD, MACHINE, TAPPING, CAP & SET SCREWS, STOVE BOLTS, NUTS, TUBULAR & SPLIT RIVETS, ETC. (Shown on attached weekly report sheets)
THOUSAND CASES
1951
1952
1953
1954
1955
1956
1957
1958
1959
1960
1961
1962
750
700
650
600
550
500
450
400
350
300
250
200
150
100
50
1962 Estimated
Based on Average
1st 6 Months

IMPORTATIONS OF SCREWS, BOLTS, NUTS & RIVETS INTO U.S.A.

DURING WEEK ENDING: JUNE 19, 1962

DATA DERIVED FROM SHIPS' MANIFESTS AT VARIOUS U. S. PORTS OF ENTRY AS REPRODUCED FROM IMPORT BULLETIN OF N. Y. JOURNAL OF COMMERCE

(Compiled by George P. Byrne, 53 Park Place, New York 7, N. Y.)

QUANTITIES BROUGHT IN BY IMPORT AGENTS OR CONSIGNEES

Quantity	Product	Country	Port of Entry	Consignee
155 Kegs	Steel Bolts (15 tons)	Belgium	New York	Winter Wolff, NY, Charleston
4 Cases	Brass Wood Screws (779 lbs.)	"	" "	Amer. Bolts & Screws
30 Kegs	Machine Bolts & Nuts (6,732 lbs.)	"	" "	M. Paquet, NYC
22 Kegs	Carriage Bolts less Nuts &			
194 Kegs	Bolts (19 tons)	"	" "	Order
29 Cases	Flange Bolts (5,364 lbs.)	"	" "	Order
22 Cases	Stainless Steel Hex Nuts (6,444 lbs.)	England	" "	H. T. Kennedy, NYC
126 Cases	Heavy Barrel Bolts (6,613 lbs.)	"	" "	Forum Importing, NYC
87 Cases &				
49 Drums	Steel Nuts (21,488 lbs.)	"	" "	Aero Stop Nut Corp.Newark,NJ
12 Cases	Steel & Brass Wood Screws	"	" "	H. T. Kennedy, NYC
248 Casks	Bolts (47,740 lbs.)	France	" "	Order
37 Drums	Steel Wing Nuts (7,676 lbs.)	Germany	" "	Order
69 Cases	Screws (6 tons)	"	" "	Continental Fwdg., NYC
6 Cases	Iron Rivets (1,335 lbs.)	"	" "	M M Jordan
33 Cases	Iron Nuts (7,317 lbs.)	"	" "	Inter-Maritime Fwdg., NYC
88 Kegs	Steel Nuts (8 tons)	Netherlands	" "	Reynolds Fasteners, Bklyn.
101 Kegs	Nuts &			
3 Kegs	Bolts (10 tons)	"	" "	Chemical Bank of NY
10 Cases	Nuts (1,991 lbs.)	"	" "	Reynolds Fasteners, Bklyn.
53 Cases	Screws & Bolts (7,765 lbs.)	Hong Kong	" "	Sylmar Co., Boston
43 Cases	Bolts (3 tons)	Italy	" "	Rami Corp.
689 Cases	Square Head Steel Bolts (52 tons)	"	" "	Inter-Maritime Fwdg., NYC
24 Cases	Brass Screws (5,755 lbs.)	"	" "	Imber Assoc., NYC
95 Cases	Brass Screws &			
3 Cases	Silicon Bronze Screws (6 tons)	"	" "	Amer. Global Co., NYC
26 Cases	Bronze Wood Screws &			
12 Cases	Brass Wood Screws (4,897 lbs.)	"	" "	Chemical Bank of NY
60 Cases	Steel Screws (9,040 lbs.)	Japan	" "	Dorf Overseas, Phila.
85 Cases	Steel Wood Screws (9,960 lbs.)	"	" "	Sylmar Co., Boston
30 Cases	Steel Wood Screws (3,970 lbs.)	"	" "	Chemical Bank of NY
15 Cases	Split Rivets (1,980 lbs.)	"	" "	Herko Inc., NYC, Boston
23 Cases	Bolts (3,730 lbs.)	"	" "	Anchor Expansion Bolt, NYC
30 Cases	Bolts & Nuts (4,521 lbs.)	"	" "	Delta Overseas, Boston
72 Cases	Steel Machine Screws (13,671 lbs.)	"	" "	L. Schiffer, Bklyn.
10 Cases	Slotted Steel Machine Screws (7,640 lbs.)	"	" "	Esco Fasteners, NYC
99 Cases	Carriage Bolts &			
39 Cases	Bolts & Nuts &			
17 Cases	Stove Bolts & Nuts (24,219 lbs.)	"	" "	Globe Machine Co., Phila.
21 Cases	Bolts (2,983 lbs.)	"	" "	Ataka NY Inc., NYC
87 Cases	Black Lag Bolts (14,246 lbs.)	"	" "	Esco Fasteners, NYC
217 Cases	Bolts & Nuts (32,561 lbs.)	"	" "	Ataka NY Inc., NYC

Week Ending June 19, 1962 - Continued

Quantity	Product	Country	Port of Entry	Consignee
53 Cases	Bolts (9,369 lbs.)	Japan	New York	Bowring, NYC
20 Cases	Iron Bolts (2,499 lbs.)	"	" "	Blank & Co.
51 Cases	Bolts &			
84 Cases	Steel Screws (18,506 lbs.)	"	" "	David Komisar, NYC
70 Cases	Screws (9,730 lbs.)	"	" "	Meadow Brook Natl Bank
495 Kegs	Nuts & Bolts (83,040 lbs.)	"	" "	Michael Co. of Amer. LA
20 Cases	Iron Bolts (2,340 lbs.)	"	" "	Kerr-Ellis Co, NYC
31 Kegs	Slotted Steel Stove Bolts No Nuts (6,414 lbs.)	"	" "	Order
34 Cases	Slotted Steel Machine Screws (4,817 lbs.)	"	" "	Esco Fasteners, NYC
159 Pkgs.	Steel Bolts & Nuts (87,876 lbs.)	"	" "	Order
39 Kegs	Hex Head Bolts less Nuts (7,201 lbs.)	"	" "	Order
92 Kegs	Steel Bolts (16,863 lbs.)	"	" "	R. B. Lamson
512 Pkgs.	Steel Screws, Bolts (93,902 lbs.)	"	" "	C S Cleveland
14 Kegs	Bolts (1855 lbs.)	"	" "	Order
16 Kegs	Steel Nuts (2,948 lbs.)	"	" "	R. B. Lamson
100 Kegs	Machine Screw Nuts (26,200 lbs.)	"	" "	Order
80 Kegs	Wood Screws (14,960 lbs.)	"	" "	Order
327 Cases	Steel Screws (46,490 lbs.)	"	" "	Order
19 Kegs	Slotted Steel Wood Screws (4,034 lbs.)	"	" "	Order
158 Kegs	Steel Screws, Nuts & Bolts (29,442 lbs.)	"	" "	Order
113 Cases	Steel Machine Screws (18,320 lbs.)	"	" "	Esco Fasteners, NYC
50 Cases	Machine Bolts (9,085 lbs.)	"	" "	D E Kesseler, NYC
55 Cases	Screws	"	" "	Fastpak Inc.
610 Cases	Screws, Nuts & Bolts (120,089 lbs.)	"	" "	L. Schiffer, Bklyn.
450 Cases	Foundation Bolts, Nuts, Washers	"	" "	Fehr Bros., NYC
25 Cases	Nuts (2,175 lbs.)	"	" "	Northern Screw, NYC
90 Cases	Steel Wing Nuts (9,813 lbs &			
50 Cases	Stove Bolts & Nuts (9,261 lbs.)	"	" "	Delta Overseas, Phila.
115 Cases	Steel Stove Bolts (14,264 lbs.)	"	" "	D. E. Kesseler, NYC
114 Cases	Machine Screws (18,264 lbs.)	"	" "	L. Schiffer, Bklyn.
67 Cases	Steel Machine Screws (7,602 lbs.)	"	" "	L. Schiffer, Bklyn.
139 Cases &				
34 Bbls.	Iron Bolts &			
78 Bbls.	Iron Nuts (24 tons)	Spain	" "	Northern Screw, NYC
49 Kegs	Steel Bolts (7,700 lbs.)	Sweden	" "	Order
109 Cases	Bolts & Nuts (21,804 lbs.)	Japan	Baltimore	F. P. Gaskell
180 Cases	Steel Nuts (18 tons)	Netherlands	"	Order
58 Cases	Washers & Bolts (11,588 lbs.)	Japan	"	Borneo Sumatra Trading, NYC
10 Cases	Steel Nuts (1 ton)	Netherlands	"	Reynolds Fasteners, Bklyn.
18 Kegs	Steel Nuts	England	Boston	H. T. Kennedy, NYC
27 Cases	Pop Rivets & Tools	"	"	United Shoe Machy.,
108 Pkgs.	Machine Bolts	Japan	"	Sumitomo Shoji, NYC
520 Csks.	Bolts	France	Chicago	Order
617 Kegs	Screws, Nuts	Sweden	"	Order
65 Kegs	Nuts, Blk Hex	Belgium	"	Reynolds Fasteners, Bklyn
20 Kegs	Steel Nuts	"	"	Order
74 Kegs	Steel Bolts	"	"	J. E. Bernard, Phila, Chic. NYC
23 Cases	Steel Nuts	Germany	"	Chase Manhattan Bank
81 Kegs	Steel Nuts	Belgium	"	J.E. Bernard, Phila, Chic. NYC
30 Csks	Steel Wing Nuts	Italy	"	Order
128 Kegs	Steel Bolts	"	"	Order

Week Ending June 19, 1962 - Continued

Quantity	Product	Country	Port of Entry	Consignee
470 Casks & 433 Cases	Bolts	France	Chicago	Order
28 Bbls.	Nuts	Belgium	Cleveland	A. W. Fentor, NYC
25 Cases	Iron Bolts	Germany	"	A. W. Fentor, NYC
879 Kegs	Steel Nuts	Belgium	Detroit	K. Orban, NY, Phila.
30 Kegs	Steel nuts	"	"	Ajax Bolt & Screw, Detroit
40 Cases	Socket Head Cap Screws	Germany	"	Ajax Bolt & Screw Detroit
60 Cases	Wing Nuts	Japan	"	International Bolt Products
245 Cases	Bolts, Nuts & Screws	"	"	Ajax Bolt & Screw, Detroit
127 Cases	Bolts, Nuts & Screws	"	"	Ajax Bolt & Screw, Detroit
157 Cases	Machine Nuts	"	"	International Bolt Products
94 Kegs	Bolts	Belgium	Houston	Order
79 Kegs	Nuts & Bolts	Sweden	Los Angeles	James G. Wiley
950 Cases	Nuts & Bolts	Belgium	" "	Order
20 Cases	Screws	Japan	" "	Prestige Hardware
37 Cases	Screws	"	" "	United Industrial Hardware
17 Pkgs.	Bolts	Netherlands	" "	Frank P. Dow, NYC
220 Pkgs.	Nuts, Bolts & Washers	Japan	" "	Bruce Duncan
5 Cases	Nuts & Bolts (908 lbs.)	"	" "	Mattoon & Co.
60 Cases	Screws	"	" "	Carmichael Forwarding Service
544 Pkgs.	Bolts	"	" "	Michael Co. of Amer., LA
153 Cases	Nuts & Bolts	"	" "	James J. Wiley
143 Cases	Nuts & Bolts (28,619 lbs.)	"	" "	Furst Bolt & Screw
99 Drums	Nuts, Bolts & Washers	Germany	" "	Order
1 Case	Steel Nuts & Bolts (176 lbs.)	Netherlands	" "	F. P. Dow, NYC
35 Drums	Nuts & Bolts	"	" "	F. P. Dow, NYC
101 Kegs	Nuts & Bolts	"	Morehead City	Frank P. Dow, NYC
28 Cases	Steel Bolts	Japan	New Orleans	Nissho Amer. Corp. NYC
10 Casks	Steel Nuts	Netherlands	" "	Chemical Bank NY Trust
42 Cases	Screws	Belgium	" "	Fisher Hardware
62 Cases	Carriage Bolts (12,319 lbs.)	Japan	Philadelphia	Globe Machinery, Phila.
182 Cases	Bolts, Nuts & Screws	"	"	Order
15 Cases	Machine Screws	"	"	Globe Machinery Phila.
30 Cases	Steel Socket Head Cap Screws	England	"	Order
88 Cases	Nuts & Screws	Japan	"	Order
18 Cases	Screws	"	"	Order
14 Cases	Steel Nuts	Netherlands	"	Reynolds Fasteners, Bklyn.
20 Drums & 2 Drums	Wood Screws & Brass Wood Screws	Scotland	"	H. T. Kennedy, NYC
76 Cases	Steel Bolts (15,219 lbs.)	Japan	Portland	Nissho Pacific
30 Cases	Steel Nuts & Bolts(3 tons)	England	San Francisco	H. T. Kennedy, NYC
15 Cases	Nuts (2,886 lbs.)	Japan	" "	Ace Engineering
63 Cases	Steel Nuts (12,520 lbs.)	England	Savannah	Northern Screw, NYC
9 Cases	Steel Nuts (1,621 lbs.)	Netherlands	Seattle	Mercer Chemical
294 Bags	Bolts	Japan	Tampa	Lindsley Imp. & Exp.
80 Bags	Anchor Bolts	Belgium	"	Pan Amer. Trading
192 Cases	Bolts	"	"	K. Orban, NY, Phila.
174 Cases	Bolts	Germany	"	Biddle Purchase
37 Drums	Steel Wood Screws	England	Wilmington	H. T. Kennedy, NYC
17 Cases	Tubular & Bifurcated Rivets (4,191 lbs)	"	New York	Argus Shipping
17 Cases	Steel Bifurcated Rivets (2,866 lbs.)	"	" "	Inter-Maritime Fwdg., NYC

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IMPORTATIONS OF SCREWS, BOLTS, NUTS & RIVETS INTO U.S.A. DURING WEEK ENDING: JUNE 26, 1962

DATA DERIVED FROM SHIPS' MANIFESTS AT VARIOUS U. S. PORTS OF ENTRY AS REPRODUCED FROM IMPORT BULLETIN OF N. Y. JOURNAL OF COMMERCE

(Compiled by George P. Byrne, 53 Park Place, New York 7, N. Y.)

QUANTITIES BROUGHT IN BY IMPORT AGENTS OR CONSIGNEES

Quantity	Product	Country	Port of Entry	Consignee
29 Kegs	Hexagon Nuts (6,536 lbs.)	England	New York	Order
9 Cases	Steel Wood Screws (1,625 lbs.)	"	" "	H. T. Kennedy, NYC
25 Cases	Steel Rivets	"	" "	Inter Maritime Fwdg., NYC
2 Cases	Stainless Steel Hex Nuts (508 lbs.)	"	" "	H. T. Kennedy, NYC
40 drums	Steel Machine Screws (13,758 lbs.)	"	" "	H. T. Kennedy, NYC
27 Drums 85 Drums	Steel Bolts & Brass Machine Screws (12,030 lbs.)	"	" "	H. T. Kennedy, NYC
48 Kegs & 38 Cases	Steel Bolts, Nuts (19,096 lbs.)	"	" "	H. T. Kennedy, NYC
2 Cases	Iron Rivets (2 tons)	Germany	" "	Shelley Prod., Huntington,LI
2 Cases	Iron Rivets (277 lbs.)	"	" "	Columbian Metal Frame, Bklyn
63 Cases	Screws (11,733 lbs.)	"	" "	Continental Fwdg., NYC
10 Cases	Nickel Plated Steel Nuts (1,826 lbs.)	"	" "	Marine Trust
70 Drums 1 Case	Tooth Lockwashers & Steel Wing Nuts(3,130 lbs.)	"	" "	Order
89 Drums	Steel Nuts (13,664 lbs.)	"	" "	Order
63 Cases	Screws (11,733 lbs.)	"	" "	Continental Fwdg., NYC
47 Cases	Iron Nuts (10,443 lbs.)	"	" "	Northern Trading Corp.
14 Cases	Iron Rivets (2,785 lbs.)	"	" "	Paul Rose, NYC
27 Cases	Steel Wood Screws & Stove Bolts (2,951 lbs.)	Hong Kong	" "	J.E. Bernard, Chicago
84 Cases	Steel Nuts (14,280 lbs.)	Italy	" "	Northern Trading Corp.
17 Cases	Steel Wing Nuts	"	" "	R. H. Newmark, NYC
142 Cases	Hexagon Nuts (10 tons)	"	" "	Sobel Shipping, NYC
385 Cases	Bolts (30-1/2 tons)	"	" "	Commonwealth Edison Co.
241 Cases	Steel Nuts (22,818 lbs.)	"	" "	Sobel Shipping, NYC
42 Kegs	Bolts & Nuts (9,094 lbs.)	Japan	" "	Reynolds Fasteners, Bklyn.
15 Cases	Screw Nuts (2,404 lbs.)	"	" "	Mid-Continent Screw Prod.
50 Kegs	Machine Steel Screw Nuts (14,443 lbs.)	"	" "	Jacobson Mfg.,Kenilworth,NJ
15 Kegs	Carriage Bolts (2,811 lbs.)	"	" "	Reynolds Fasteners, Bklyn.
50 Kegs	Square Nuts (9,923 lbs.)	"	" "	Reynolds Fasteners, Bklyn.
50 Cases	Bolts, Nuts, Screws (6,130 lbs.)	"	" "	Mfrs. Trust
88 Cases	Machine Screws (13,279 lbs.)	"	" "	Esco Fasteners, NYC
60 Cases	Machine Screws (8,732 lbs.)	"	" "	Esco Fasteners, NYC
130 Kegs	Machine Bolts(25,303 lbs.)	"	" "	Reynolds Fasteners, Bklyn.
112 Cases & 25 Cases	Bolts & Nuts (15,054 lbs.)	"	" "	Ataka NY Inc., NYC
126 Cases	Steel Stove Bolts (15,959 lbs.)	"	" "	D. E. Kessler, NYC
60 Kegs	Bolts & Nuts (12,698 lbs.)	"	" "	Nichimen Co.,NYC, Chic.
180 Kegs	Bolts & Nuts (38,096 lbs.)	"	" "	Nichimen Co.,NYC, Chic.
4 Cases	Tubular Rivets (781 lbs.)	Sweden	" "	Mayfab Inc.
520 Kegs	Screws & Nuts (39 tons)	"	" "	Order
16 Cases	Iron Rivets	Germany	" "	Paul Rose
85 Kegs	Steel Nuts (7 tons)	Netherlands	Baltimore	Reynolds Fasteners, Bklyn.
15 Kegs	Steel Nuts	England	Boston	H. T. Kennedy, NYC
14 Cases	Steel Wood Screws	Japan	"	E. H. Tate
84 Bbls.	Screws	Germany	Chicago	Order

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Week Ending June 26, 1962 - Continued

Quantity	Product	Country	Port of Entry	Consignee
6 Pkgs.	Screws	Germany	Cleveland	Blaser & Mericle
159 Cases	Bolts, Nuts	Japan	Houston	Mitsubishi, NYC
500 Bags	Foundation Bolts	Belgium	"	L. B. Canion
108 Kegs	Bolts	"	"	R. W. Smith
17 Cases	Wood Screws	"	"	Maywood Furniture
28 Drums	Bolts, Nuts	Japan	"	Isbrandtsen
400 Bags	Nuts	Belgium	"	Tuteur
188 Cases	Bolts	Japan	"	Mitsubishi, NYC
45 Pks.	Bolts	"	"	Ataka NY Inc., NYC
204 Casks	Nuts & Bolts	France	Los Angeles	Order
42 Kegs	Nuts & Bolts	England	" "	Order
56 Ctns.	Screws, Bolts	Japan	" "	Clear Beam Import-Export
51 Cases	Screws	"	" "	Northern Screw, NYC
452 Kegs	Bolts & Washers	"	" "	Order
213 Kegs	Bolts & Washers	"	" "	R. Ward
80 Kegs	Nuts & Bolts	"	" "	Order
68 Pkgs.	Nuts, Bolts	"	" "	Bruce Duncan
142 Cases	Screws	"	" "	Prestige Hardware
20 Cases	Screws & Nuts	"	" "	C. Itoh, NYC
934 Bags	Screws & Nuts	"	" "	Ataka Calif. Ltd., Calif.
328 Pkgs.	Screws & Nuts	"	" "	Citizen National Bank
35 Kegs	Bolts	Netherlands	" "	Frank P. Dow, NYC
204 Kegs	Bolts & Nuts	Japan	" "	Order
168 Kegs	Bolts & Nuts	"	" "	R. Ward
106 Pkgs.	Screws	"	" "	Bruce Duncan
233 Drums	Nuts & Bolts	France	" "	Order
10 Cases	Screws	Japan	" "	Furat Bolt & Nut
19 Cases	Nuts & Bolts	Netherlands	" "	Frank P. Dow, NYC
808 Bags	Bolts & Nuts	Japan	" "	Winter Wolff, NYC,Charleston
517 Bags	Bolts & Nuts	"	" "	Ataka Calif. Ltd., Calif.
105 Bags	Screws	"	" "	Bruce Duncan
50 Cases	Steel Nuts (5 tons)	Belgium	Milwaukee	Day
151 Kegs	Steel Nuts	Netherlands	New Orleans	Maher & Co.
40 Cases	Steel Screws & Brass	Belgium	" "	Order
6 Cases	Machine Bolts (1,166 lbs.)	England	Philadelphia	H. T. Kennedy, NYC
35 Cases	Steel Bolts (8,053 lbs.)	"	"	H. T. Kennedy, NYC
240 Cases	Screws, Nuts & Bolts	Belgium	"	Trans-Atlantic, Phila.
410 Bags	Bolts & Nuts (52,938 lbs.)	Japan	San Francisco	Mohns Commercial
14 Cases	Steel Screws (2,684 lbs.)	Hong Kong	" "	J. L. Westland
3 Cases	Rivets	Germany	Savannah	W. G. Carroll
50 Cases	Steel Machine Screws (5 tons)	Japan	Tacoma	Takahashi, NYC
40 Cases	Steel Wood Screws (4 tons)	"	"	J. T. Steeb
266 Drums	Steel Wood Screws	England	Wilmington	H. T. Kennedy, NYC

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IMPORTATIONS OF SCREWS, BOLTS, NUTS & RIVETS INTO U.S.A.

DURING WEEK ENDING: July 3, 1962

DATA DERIVED FROM SHIPS' MANIFESTS AT VARIOUS U. S. PORTS OF ENTRY AS REPRODUCED FROM IMPORT BULLETIN OF N. Y. JOURNAL OF COMMERCE

(Compiled by George P. Byrne, 53 Park Place, New York 7, N. Y.)

QUANTITIES BROUGHT IN BY IMPORT AGENTS OR CONSIGNEES

Quantity	Product	Country	Port of Entry	Consignee
80 Cases	Flange Bolts (70 tons)	Belgium	New York	Order
155 Kegs	Machine Bolts & Nuts (15 tons)	"	" "	Paquet & Co., NYC
3 Cases	Steel Hex Nuts (804 lbs.)	England	" "	H.T.Kennedy & Co., NYC
101 Bags	Steel Rivets (11,531 lbs.)	"	" "	Epstein Cooperage, NYC
32 Cases	Steel Nuts (6,240 lbs.)	"	" "	Aero Stop Nut, NJ
7 Cases	Rivets (786 lbs.)	"	" "	Alltransport, Inc., NYC
65 Kegs	Steel Nuts (7 tons)	France	" "	Order
206 Kegs	Steel Nuts (18 tons)	"	" "	Order
217 Cases	Bolts (19 tons)	"	" "	Order
323 Cases	Bolts (30 tons)	"	" "	Order
65 Cases	Bolts, Nuts (1019 lbs.)	Germany	" "	American Global Co., NYC
146 Cases	Iron Nuts (22,704 lbs.)	"	" "	Intermaritime Fwdg., NYC
37 Cases	Bolts, Nuts (3 tons)	"	" "	Order
57 Cases	Steel Nuts (9472 lbs.)	Netherlands	" "	Reynolds Fasteners, Bkn.
10 Cases	Steel Wood Screws (2200lbs.)	Hong Kong	" "	Reynolds Fasteners, Bkn.
30 Kegs	Bolts Less Nuts (5570 lbs.)	Italy	" "	Order
70 Kegs	Steel Bolts (6 tons)	"	" "	Order
13 Cases	Nuts (1 ton)	"	" "	Mfrs. Tr. Co.
10 Cases	Steel Wing Nuts (1 ton)	"	" "	R.H.Newmark, NYC
127 Cases	Bolts (18,939 lbs.)	Japan	" "	John Schadler
72 Cases	Lag Bolts	"	" "	Ataka NY, Inc., NYC
40 Pkgs.	Wood Screws, Stove Bolts Tools (4511 lbs.)	"	" "	Windsor Trdg. Co., Toronto
100 Crts.	Bolts, Nuts (21,900 lbs.)	"	" "	C. Itoh & Co., NYC
269 Cases	Machine Screws (39,799 lbs.)	"	" "	Marine Midland
20 Cases	Machine Screws (3616 lbs.)	"	" "	L. Schiffer & Co., Bkn.
100 Kegs	Machine Screw Nuts (25,578 lbs.)		" "	Reynolds Fasteners,Bkn
130 Cases	Steel Machine Screws (21,653 lbs.)	"	" "	L. Schiffer & Co., Bkn.
30 Cases	Steel Screws & Nuts (4985 lbs.)	"	" "	Kenneth Byron, Bkn.
149 Cases	Steel Screws (27,034 lbs.)	"	" "	Esco Fasteners Co., NYC
155 Cases	Bolts, Steel Screws (1909 lbs.)	"	" "	Dorf Overseas, Phila.
20 Cases	Segmented Screws (3080 lbs.)	"	" "	Fastpak, Inc.
107 Cases	Steelscrews, Bolts (15330 lbs.)	"	" "	David Komisar & Sons, NYC
25 Cases	Steel Wood Screws (3525 lbs.)	"	" "	Fastpak, Inc.
28 Drums 16 Drums	Steel Screws & Brass Screws (4897 lbs.)	Poland	" "	H.T.Kennedy & Co., NYC
4 Cases	Drilled Rivets (1188 lbs.)	"	" "	Lispenard Mfg.
247 Cases	Iron Rivets (14 tons)	"	" "	C & L Pressner, NYC
164 Cases	Wood Screws (12 tons)	"	" "	H. T. Kennedy & Co., NYC
4 Cases	Tubular Rivets (781 lbs.)	"	" "	Mayfab, Inc.
4 Cases	Split Rivets	"	" "	Whse. Rivet & Mtl. Prod.
99 Kegs	Machine Screws (7484 lbs.)	"	" "	Order
56 Cases	Bolts (11,400 lbs.)	Japan	Baltimore	Kurt Orban, NYC, Phila.
188 Ctns. & 125 Cases	Screws (14 tons)	"	"	Fred P. Gaskell, Norfolk
95 Kegs	Steel Nuts (9 tons)	Belgium	"	Reynolds Fasteners,Bkn.
62 Cases	Steel Wood Screws, Stove Bolts & Nuts	Hong Kong	Boston	Sylmar Co., Boston
985 Cases	Foundation Bolts & Nuts	Japan	"	Fehr Bros., NYC
25 Kegs	Steel Bolts	Netherlands	"	Reynolds Fasteners,Bkn.
156 Kegs & 12 Cases	Steel Bolts	Belgium	Charleston	Northern Trading

Week Ending July 3, 1962 - continued

Quantity	Product	Country	Port of Entry	Consignee
308 Cases	Bolts	Italy	Chicago	Commonwealth Edison
65 Cases	Steel Screws	France	"	J.E.Bernard,Chic.,Phil.,NYC
40 Cases	Steel Nuts	Germany	"	J.E.Bernard,Chic.,Phil.,NYC
115 Cases	Steel Bolts	Italy	Cleveland	Order
100 Csks.	Bolts	France	Detroit	Order
5 Kegs	Steel Nuts	England	"	H.T.Kennedy & Co., NYC
28 Cases	Machine Bolts	"	"	Kineo
80 Cases	Steel Nuts	Italy	"	Northern Trading
862 Bags	Foundation Bolts	Belgium	Houston	Bank of the Southwest
60 Kegs	Nuts	Netherlands	"	Reynolds Fasteners,Bkn.
12 Cases	Iron Rivets	Germany	Jacksonville	Mercury Luggage
42 Bags	Foundation Bolts	Netherlands	"	H. B. Moller
14 Cases	Steel Nuts &			
165 Kegs	Screws	Japan	"	Pan Amer. Screw
6 Cases	Screws	Italy	Los Angeles	Imber Assoc.
119 Kegs	Nuts & Bolts	Japan	" "	Bruce Duncan & Co.
51 Pkgs.	Bolts & Nuts	Netherlands	" "	F. P. Dow
50 Kegs	Steel Nuts	Sweden	" "	J. G. Wiley
515 Kegs	Nuts & Bolts	France	" "	American Express
13 Drums	Nuts & Bolts	Germany	" "	Order
283 Casks	Nuts & Bolts	France	" "	Order
1,621 Pkgs.	Bolts	Italy	New Orleans	Stone Webster Engrg.
45 Cases	Screws	Hong Kong	" "	Alpine Sales
24 Kegs	Hex Steel Machine Screw Nuts	Japan	Philadelphia	Order
29 Kegs	Steel Machine Screw Nuts	"	"	Order
167 Drums	Machine Screws	England	"	H. T. Kennedy, NYC
50 Cases	Steel Nuts	Netherlands	"	Reynolds Fasteners, Bkn.
153 Cases	Bolts, Nuts & Screws	Japan	"	Order
81 Cases	Bolts & Nuts	"	"	Globe Machine, Phila.
235 Cases	Bolts	France	"	Reynolds Fasteners, Bkn.
21 Drums	Screws, Steel & Brass Wood	Scotland	"	H. T. Kennedy, NYC
165 Pkgs.	Steel Nuts	England	San Francisco	J. Louden
60 Pkgs.	Bolts	Japan	" "	J. L. Westland
[illegible]5 Bags	Bolts & Nuts	"	" "	Parker Trading
15[illegible] Cases	Bolts & Nuts (31,720 lbs.)	"	" "	Thos. D. Stevenson
196 [illegible]	Bolts & Nuts (39,070 lbs.)	"	" "	S. E. Edgar
122 Ca[illegible]	Steel Nuts (21,072 lbs.)	Netherlands	" "	Mercer Chemical
10 Cases	Wood Screws (990 lbs.)	Japan	" "	W. J. Byrnes
400 Bags	Steel Bolts (43,388 lbs.)	"	" "	Nissho Pacific
550 Cases	Bolts & Nuts (55 tons)	Belgium	" "	Tricon Inc.
33 Kegs	Steel Nuts	England	Savannah	H. T. Kennedy, NYC
120 Bags	Foundation Bolts (13,228 lbs.)	Japan	Seattle	C. T. Takahashi, NYC
128 Cases	Toggle Bolts	Japan	Wilmington	Jordan Ind.
16 Cases	Steel Bifurcated Rivets (3,172 lbs.)	England	New York	Inter Maritime Fwdg., NYC

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IMPORTATIONS OF SCREWS, BOLTS, NUTS & RIVETS INTO U.S.A. DURING WEEK ENDING: JULY 10, 1962

DATA DERIVED FROM SHIPS' MANIFESTS AT VARIOUS U. S. PORTS OF ENTRY AS REPRODUCED FROM IMPORT BULLETIN OF N. Y. JOURNAL OF COMMERCE

(Compiled by George P. Byrne, 53 Park Place, New York 7, N. Y.)

QUANTITIES BROUGHT IN BY IMPORT AGENTS OR CONSIGNEES

Quantity	Product	Country	Port of Entry	Consignee
180 Cases	Bolts & Nuts (17 tons)	Belgium	New York	W. J. Byrnes
166 Cases	Bolts & Nuts (17 tons)	"	" "	Order
68 Cases	Bolts (12,027 lbs.)	"	" "	Order
53 Bags	Nuts (8,628 lbs.)	Denmark	" "	Hoboken Bolt & Screw, NJ
343 Cases	Steel Nuts (94,180 lbs.)	England	" "	Northern Trading Corp.
10 Kegs & 30 Cases	Steel Nuts (12,812 lbs.)	"	" "	H. T. Kennedy, NYC
73 Drums & 40 Cases	Steel Nuts (17,153 lbs.)	"	" "	Aero Stop Nut Corp. NJ
34 Cases	Rivets (8,244 lbs.)	"	" "	Argus Shipping, NYC
246 Cases	Steel Wood Screws (13,416 lbs.)	Formosa	" "	Northern Screw Corp., NYC
99 Cases	Bolts (10 tons)	France	" "	Sterling Bolt, Chicago
620 Casks	Bolts (128,722 lbs.)	"	" "	Order
126 Drums	Bolts & Nuts (9 tons)	Germany	" "	Order
20 Cases	Rivets (3,828 lbs.)	"	" "	Order
50 Cases	Screws (8,822 lbs.)	"	" "	Continental Fwdg, NYC
33 Cases	Iron Rivets (5,100 lbs.)	"	" "	Order
71 Casks	Steel Wood Screws (13,449 lbs.)	"	" "	Order, Chicago
108 Kegs	Steel Nuts & Steel Bolts (8 tons)	Netherlands	" "	Reynolds Fasteners, Bklyn.
50 Kegs	Steel Nuts (6,765 lbs.)	"	" "	Reynolds Fasteners, Bklyn.
78 Cases	Steel & Brass Wood Screws	Hong Kong	" "	Ataka, NY, NYC
59 Kegs	Steel Wood Screws (11,209 lbs.)	" "	" "	C S Cleveland
118 Cases	Brass Screws (16,819 lbs.)	Italy	" "	America Global Co., NYC
2 Cases	Steel Screws (418 lbs.)	"	" "	Penson & Co., NYC
140 Cases	Hex Nuts (10 tons)	"	" "	Sobel Shipping, NYC
10 Cases 30 Cases	Carriage Bolts & Steel Machine Screws (5,634 lbs.)	Japan	" "	Manufacturers Trust
212 Cases	Steel Machine Screws (12,036 lbs.)	"	" "	L. Schiffer, Bklyn.
40 Cases	Plow Bolts (7,879 lbs.)	"	" "	Delta Overseas, Boston
201 Pkgs.	Screws (7,829 lbs.)	"	" "	David Allison , NY
20 Cases	Iron Bolts (2,320 lbs.)	"	" "	Karr-Ellis, NYC
25 Cases	Lag Bolts (3,206 lbs.)	"	" "	Globe Machine, Phila.
16 Cases	Screws (2,433 lbs.)	"	" "	Ataka NY Inc., NYC
20 Cases	Iron Bolts	"	" "	Karr-Ellis, NYC
123 Cases	Steel Machine Screw Nuts (19,364 lbs.)	"	" "	American Global, NYC
67 Kegs	Steel Bolts (11,445 lbs.)	"	" "	R. B. Lamson
11 Kegs	Steel Nuts (1,908 lbs.)	"	" "	R. B. Lamson
590 Cases	Bolts, Nuts & Machine Screws (95,694 lbs.)	"	" "	David Komisar & Son, NYC
44 Kegs	Carriage Bolts less Nuts (8,993 lbs.)	"	" "	Order
75 Kegs	Steel Stove Bolts, Lag Bolts (12,681 lbs.)	"	" "	Order, Chicago
309 Kegs	Steel Screws, Bolts & Nuts (53,617 lbs.)	"	" "	C S Cleveland
25 Kegs	Nuts (5,800 lbs.)	"	" "	Order, Chicago
16 Kegs	Carriage Bolts Less Nuts (3,280 lbs.)	"	" "	Order

Week Ending July 10, 1962 - continued

Quantity	Product	Country	Port of Entry	Consignee
126 Kegs	Bolts (24,394 lbs.)	Japan	New York	Order, Chicago
99 Cases	Steel Machine Screws (13,325 lbs.)	"	" "	Esco Fasteners, NYC
391 Pkgs.	Steel Bolts & Nuts (6[illegible],610 lbs.)	"	" "	C S Cleveland
17C Pkgs.	Steel Lockwashers (19,527 lbs.)	"	" "	Order, Chicago
300 Kegs	Bolts & Nuts (64,733 lbs.)	"	" "	Nichimen Co., NYC, Chicago
12 Cases & 5 Kegs	Bolts & Nuts (3,523 lbs.)	"	" "	Nichimen Co., Chicago, NYC
98 Cases	Steel Machine Screws (16,958 lbs.)	"	" "	L. Schiffer, Bklyn.
29 Cases	Bolts & Nuts (5,728 lbs.)	"	" "	Bowring & Co., NYC
254 Cases	Bolts (31,200 lbs.)	"	" "	D. E. Kessler, NYC
482 Cases	Steel Bolts & Nuts (72,656 lbs.)	"	" "	Northern Trading
40 Cases	Iron Bolts (4,763 lbs.)	"	" "	Karr-Ellis, NYC
2 Cases	Tubular Rivets (378 lbs.)	Sweden	" "	Acme Brief Case Corp.
175 Kegs	Screws & Nuts (12 tons)	"	" "	F. Henjes, Jr., NYC
50 Cases	Steel Hanger Bolts (9,570 lbs.)	Yugoslavia	" "	Kenneth Byron, Bklyn.
100 Cases	Reg. Square Nuts (19,536 lbs.)	"	" "	Reynolds Fasteners, Bklyn.
244 Kegs	Steel Nuts (22 tons)	Netherlands	Baltimore	Reynolds Fasteners, Bklyn.
85 Kegs	Steel Nuts (7 tons)	"	"	Reynolds Fasteners, Bklyn.
65 Cases	Pop Rivets	England	Boston	United Shoe Machinery
30 Cases	Pop Rivets	"	"	United Shoe Machinery
5 Cases	Screws	Germany	Charleston	F. Dougherty
1,322 Bags	Bolts	Japan	Houston	Mitsui
205 Pkgs	Bolts & Screws	Italy	Los Angeles	Frank P. Dow
24 Cases	Bolts & Screws	"	" "	The Bolt King
6 Cases	Screws	"	" "	Harold Leonard
111 Kegs	Nuts & Bolts	Netherlands	" "	Frank P. Dow
24 Cases	Nuts & Bolts (13,580 lbs.)	Japan	" "	Tokyo Intern. Commerce
16 Cases	Screws	Hong Kong	" "	John L. Westland
31 Cases	Nuts & Bolts	Italy	" "	Northern Trading
70 Cases	Nuts & Bolts	"	" "	Reynolds Fasteners, Bklyn.
120 Cases	Machine Screws	Japan	Newport News	F. P. Gaskell
25 Cases	Carriage Bolts	"	Philadelphia	Snyder Mfg.
150 Cases	Steel Nuts	Netherlands	"	Reynolds Fasteners, Bklyn.
15 Cases	Steel Wood Screws	Hong Kong	"	Adeco
194 Cases	Steel Bolts (20 tons)	France	"	Reynolds Fasteners, Bklyn.
34 Kegs	Steel Nuts	England	"	H. T. Kennedy, NYC
6 Cas[illegible]	[illegible]eel Screws	Germany	"	Standard Pressed Steel
84 Cas[illegible]	[illegible]rriage Bolts(12,322 lbs.)	Japan	"	Globe Machine, Phila.
18 Cas[illegible]	[illegible]eel Machine Screws	"	"	Snyder Mfg.
75 Case[illegible]	[illegible]olts & Nuts	"	"	Globe Machine, Phila.
14 Cases	Steel Bolts (2,820 lbs.)	"	Portland	Nissho Pacific
65 Cases	Machine Screws(8,758 lbs.)	"	"	Winter Mfg.
34 Cases	Steel Foundation Bolts (6,885 lbs.)	"	"	Frank P. Dow
40 Kegs	Steel Nuts	France	San Francisco	J. L. Westland
134 Ctns.	Nuts	Japan	" "	Ace Engineering
17 Cases	Iron Rivets	Germany	Savannah	Partrade
50 Cases	Steel Wood Screws	Japan	Seattle	C. T. Takashi
200 Bags	Foundation Bolts	Belgium	Tacoma	Mercantile Nat Bk, Miami Beach
134 Drums	Steel Wood Screws (14,952 lbs.)	England	Wilmington	H. T. Kennedy, NYC
7 Cases	Iron Rivets	Japan	"	Partrade Co.
30 Cases	Bolts	"	"	Partrade Co.

EXHIBIT 4

A. Photograph Showing How Low Labor Cost Imported Hand Tools Injure Domestic Industry and Cause Unemployment.

B. Photograph Illustrating Impact of Imported Hand Tools Upon U. S. Industry and Labor.

C. Photograph Illustrating How Foreign Importers Deliberately Misrepresent Their Products to the American Consumers.

EXHIBIT A

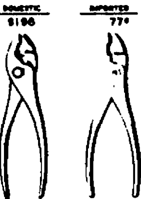
SERVICE TOOLS INSTITUTE
53 PARK PLACE
NEW YORK 7, N.Y.

FOREIGN COMPETITION WITH ITS LOW LABOR & MATERIALS PRODUCTION COST CONTINUES TO SERIOUSLY INJURE DOMESTIC PRODUCERS AND CAUSE LOSS OF JOBS IN THE MECHANICS' HAND SERVICE TOOLS INDUSTRY

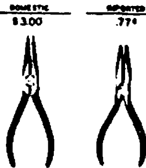
IN PROTECTIVE SELF INTEREST YOU ARE URGED TO PURCHASE ONLY MECHANICS' HAND SERVICE TOOLS MADE BY AMERICAN LABOR OF HIGH QUALITY

WE URGE THAT YOU WRITE YOUR CONGRESSMEN, SENATORS AND THE WHITE HOUSE ASKING FOR TARIFF PROTECTION AGAINST THIS UNFAIR AND DANGEROUS FOREIGN COMPETITION

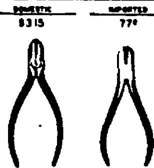
SLIP-JOINT PLIERS
DOMESTIC $198 IMPORTED 77¢

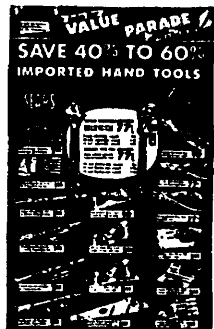


NEEDLE NOSE PLIERS
DOMESTIC $3.00 IMPORTED .77¢

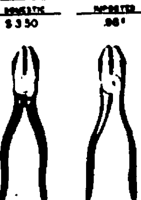


DIAGONAL PLIERS
DOMESTIC $315 IMPORTED 77¢

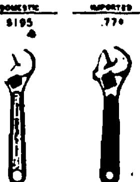




LINEMANS PLIERS
DOMESTIC $350 IMPORTED .98¢



ADJUSTABLE WRENCHES
DOMESTIC $195 IMPORTED .77¢



AUTOMATIC SCREWDRIVERS
DOMESTIC $4 28 IMPORTED $198

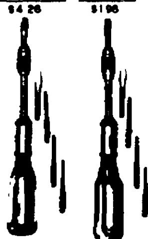


EXHIBIT B

HOW LOW LABOR COST IMPORTED HAND TOOLS INJURE DOMESTIC HAND TOOL SALES AND AMERICAN LABOR

ADJUSTABLE WRENCHES
DOMESTIC (PROTO-PLOMB TOOL CO.) $1.90
IMPORTED (GERMANY) $.88¢

STILLSON PIPE WRENCHES
DOMESTIC (PROTO-PLOMB TOOL CO.) $2.28
IMPORTED (GERMANY) $.88¢

CUTTING PLIERS
DOMESTIC (PROTO-PLOMB TOOL CO.) $3.07
IMPORTED (GERMANY) $.77¢

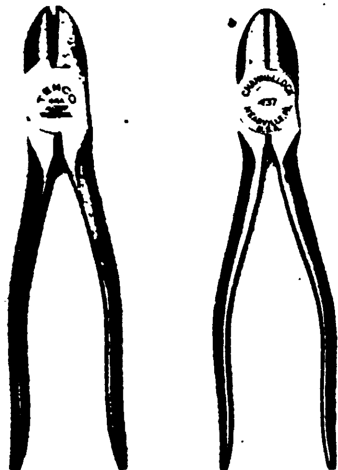
LONG NOSE PLIERS
DOMESTIC (PROTO-PLOMB TOOL CO.) $3.29
IMPORTED (GERMANY) $.77¢

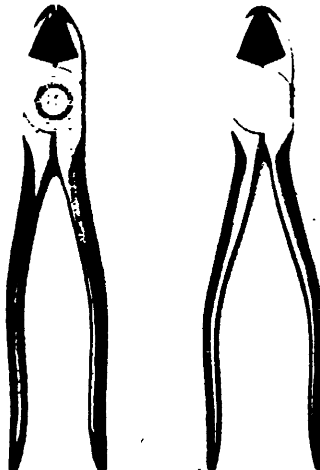
SEARS
Smash Savings on
Highest Quality
IMPORTED TOOLS
77
77
88
88

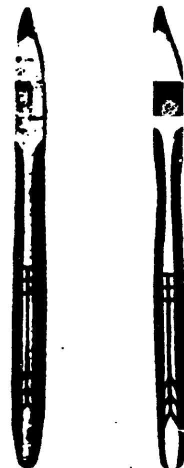
EXHIBIT C

HOW FOREIGN IMPORTERS INJURE AMERICAN MANUFACTURERS BY DELIBERATELY MISREPRESENTING THEIR PRODUCTS TO THE AMERICAN CONSUMING PUBLIC

SIDE CUTTING DIAGONAL PLIERS—7"







NOTE: False spelling of city in Japan (Usa) as (U.S.A.) on front side of plier and "made in Japan" purposely blurred in stamping on rivet joint to conceal country of origin.

TOOLS INSTITUTE, PARK PLACE, NEW YORK 7, N.Y.

STATEMENT ON BEHALF OF THE ANTI-FRICTION BEARING MANUFACTURERS ASSOCIATION, INC., ON H.R. 11970

INTRODUCTION

No product is more vital to national security than ball and roller bearings, and maximum domestic bearing capacity must be constantly maintained in order that this country will have the necessary potential for emergency or war.

It is the position of the Anti-Friction Bearing Manufacturers Association[1] that H.R. 11970 does not provide adequate safeguards for such highly critical industries.

THE VITAL IMPORTANCE OF THE U.S. BEARING INDUSTRY

The material essential to survival will not be available unless the U.S. bearing industry is capable of supplying the ball and roller bearings required for such materials. They include motor vehicles, machine tools, farm machinery, locomotives, tanks, guns, aircraft, ships, and missiles. A modern jet engine as used in military aircraft contains approximately 150 ball and roller bearings. A complete airplane such as a Douglas DC-8 or a Boeing 707 uses not less than 3,000 ball and roller bearings in critical locations.

It is easy to see why the bearings manufacturing plants in the Axis countries were the prime targets of air raids in World War II[2] and why the bearing plants in England and France were the first Allied industrial plants to be bombed.

Various plans for wartime mobilization of the bearings industry have counted on and assumed U.S. self-sufficiency as to ball and roller bearing supply.

It is obvious that imports and foreign facilities cannot be considered as an available source of bearings in time of war. In this connection, it is interesting to note that in World War II imports of ball and roller bearings fell to $27,896 in 1943 from a prewar peak of $1,162,566 in 1937.

The simple and undisputed fact is that the U.S. domestic bearings factories are the only reliable sources in time of war.

H.R. 11970 DOES NOT PROVIDE ADEQUATE SAFEGUARDS FOR A CRITICAL DEFENSE INDUSTRY

Although H.R. 11970 includes several industry safeguards that were not originally in H.R. 9900, there are still lacking provisions that are vitally necessary in the interest of national defense.

What we are asking for amounts to assuring defense industries the same sort of consideration and opportunity to be heard that they have had in the past.

While several provisions for hearings have been incorporated in H.R. 11970, it fails to provide an opportunity for presentation and consideration of facts and argument showing that the national security would be impaired by a proposed tariff reduction.

Section 232(b) of H.R. 11970 provides for a hearing on the issue of whether the national security is being impaired as the result of a tariff reduction that has been effected. A similarly clear-cut statement of procedure is called for so that there may be an advance determination regarding a proposed reduction. We should not attempt to go to the brink of national security in our tariff cutting. National defense industries are not the place for trial and error.

A defense industry has in the past had an opportunity to be heard under Executive Order No. 10082. That order provided for the Committee for Reciprocity Information and for the inclusion on that Committee of a representative of the Secretary of Defense. The coordinating of the trade agreements program with national security was an expressed purpose of the Executive order, and it placed upon the various Committee members responsibility for coordination of the trade agreements program with the particular interests they represented.

While certain changes to H.R. 9900 made in the House were based upon Executive Order 10082, as stated in the committee report, the national defense safeguards furnished by that order have been lost.

While section 222 provides that the President shall seek the advice of the Department of Defense before entering into a trade agreement, and section 223

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[1] The members of the Anti-Friction Bearing Manufacturers Association, who are listed in exhibit A, include the manufacturers of more than 90 percent of the antifriction bearings and component balls and rollers made in the United States.

[2] Described in "Black Thursday," by Martin Caidin, Dutton & Co.

provides for public hearings before a committee, there is no provision that the Department of Defense must be represented on that Committee. Furthermore, it is not provided that national security will be a consideration of the Committee under section 223. Moreover, if the Committee under section 223 is to provide a safeguard for national defense industries, the results of this deliberations should be something more than a "summary of such hearings" as stated in H.R. 11970.

In summary, it is our proposal that it be specifically stated in section 223 that the Department of Defense shall be represented on the Hearing Committee, that the coordination of the trade agreements program with national security be a consideration for the determination of that Committee, and that the Committee's report to the President specifically find whether, in the opinion of the Committee, any proposed tariff reduction will impair the national security.

There follows a discussion of the bearings industry showing the reasons for that industry's deep concern regarding tariff rates.

THE U.S. BEARINGS INDUSTRY IS THREATENED BY IMPORTS FROM LOW-WAGE AREAS

Because of greatly lower wage rates in Germany, England, France, Italy, and Japan, and because of the installation in recent years of improved machinery, similar to the best U.S. equipment in efficiency, foreign manufacturers are able to, and do, take business away from the U.S. makers.

There is no room for question that foreign manufacturers enjoy manufacturing costs that are far less than those prevailing in the domestic industry. Such is the only possible consequence of the vastly lower wage rates and high productivity of foreign plants.

According to the Bureau of Labor Statistics figures, straight-time hourly earnings, including fringe benefits, for manufacturing industries in the United States and five European nations, in November 1961, were as shown in the following table:

United States	$2.84
Sweden (adult male)	1.18
United Kingdom	1.00
France	.82
Germany (adult male)	.82
Italy	.49

Department of Labor figures for 1961 show the hourly wage cost in Japan for manufacturing industries to be 33 cents, including certain fringe benefits.

While hourly wage rates have long been greatly less in European nations and Japan than in the United States, the situation as to productivity has changed greatly in recent years. The degree of increase in productivity in the foreign bearings factories has been unique. This has been because of the extraordinary extent to which the most modern equipment has been installed in bearings plants. The fact noted above that the enemy bearing plants constituted the No. 1 objective of Allied bombing missions has directly resulted in such plants being foremost in the installation of modern machinery, much of which has been made possible under the Marshall plan and other aid programs. The result is that total production costs for bearings in many foreign plants are much less than those for efficient domestic plants using modern machinery and processes.

Superiority of U.S. labor can no longer be relied upon to offset the lower wage rates of other countries. The difference in productivity per employee has been wholly eliminated, or so far lessened as to fall far short of balancing the wage advantage enjoyed by foreign manufacturers.

Available figures for the Japanese bearing industry show the rate of production per employee to be in line with U.S. experience. With wages less than one-third the U.S. rate, it is easy to understand how Japanese bearings are marketed in this country at prices which are generally from 20 to 40 percent under the U.S. price level.

While it is obviously impossible to compile comparative total cost studies, the advantage enjoyed by a number of foreign manufacturers is substantiated by statements made by domestic producers which have foreign branches. One of the largest and most efficient of the U.S. manufacturers stated in a letter to the Committee for Reciprocity Information in July 1960 that its U.S. manufacturing costs, plus a reasonable manufacturing administration charge, were higher than the prices of imported foreign bearings. This company also pointed out that in a number of instances, foreign manufacturers had so far under-

priced it in bidding for U.S. Government business that such business went to foreign suppliers in spite of the Buy American Act.

An important factor in increasing the productivity of bearings factories in the Common Market area is the rapidly expanding market available for such manufacturers. The emergence of such plants from the constrictions of their former limited markets has resulted in unusual opportunities to increase volume sharply with consequent cost savings. European manufacturers are now at the threshold of a new industrial era resulting from the Common Market. Their competitive advantage may be expected to increase as they benefit more fully from the new-born mass production coupled with traditionally lower wage rates.

The U.S. bearings industry is especially vulnerable to foreign competition for a number of reasons. In the first place, many bearings, including the most important commercial types, are made to standards that are international in scope. For example, a bearing manufacturer in Osaka, Schweinfurt, or Connecticut may be relied upon by a customer in Detroit to furnish a 203 double-sealed generator bearing.

Such international standardization has been, and continues to be, fostered by customers who are engaged in business on an international scale. The large automotive and industrial customers of the U.S. bearing manufacturers may be expected to turn to local suppliers of bearings to fill the needs of foreign plants. To the extent that standard bearings are required, they are already available. To the extent that specials are called for, they also can be readily produced abroad and such large automotive and industrial customers are able to assist by spreading the necessary know-how.

Another important consideration is that in the case of bearings labor cost is exceptionally high in proportion to total manufacturing cost. Thus, the advantage of utilizing low cost foreign labor is especially great.

ADVANTAGES OTHER THAN LOW WAGES THAT ARE AVAILABLE TO FOREIGN MANUFACTURERS

Foreign competitiors have a further advantage over U.S. bearing manufacturers because of various concessions and benefits provided for them by their governments. Such benefits take many forms. Some of the concessions apply only to export business, as, for example, exemption from income taxes of export sales by manufacturers. The exemption from the 4-percent transaction tax provided by West Germany before the formation of EEC is another example. Foreign competitors have many advantages which are available as to both their export and import sales, including governmental grants for the installation of manufacturing equipment, abatement of local taxes, and rent reduction or abatement.

There is reason to believe that Japanese bearings manufacturers have a type of cartel system under which they pool their production efforts. This enables the participating manufacturers to concentrate upon "long production runs." By so doing, they avoid the scrap losses, setup-time losses, etc., that are unavoidable in mixed "short" and "long" production runs. The result, of course, is a more efficient, more profitable operation, and lower selling prices.

The existence of such practices in Japan was recently indicated by an article in the October 16, 1961, issue of Yomiuri, a Japanese newspaper, which described a proposed new company, under the sponsorship of major bearing manufacturers, for the mass production of standardized bearings parts. The article states that the Ministry of International Trade and Industry has expressed its intention to extend positive assistance in the formation of the new company and that the proposal would be taken up for thorough study by Jiku-Kai, a club composed of the executives of major bearing manufacturers, including Nihon Seiko, Toyo Bearing, Koyo Seiko, Fujikoshi Kozai, Asahi Seiko, Osaka Bearing, and Amatsuji Kokyu.

Collaboration of Japanese bearings manufacturers also extends apparently to such matters as the pricing of export bearings, the allocation of export business to respective manufacturers, and inspection of bearings, in a manner that would not be lawful in the United States. Numerous references to the allocation of business and the setting of prices through the Japan Bearing Export Association have come to the attention of U.S. manufacturers as have frequent references to an inspection office, which apparently is sponsored by the Japanese Government.

"A Preliminary Survey of the Impact of Japanese Goods on British Industry," published in London in August 1959 by the Economic Research Council, describes five types of Government assistance to Japanese exports, as follows:

1. Link trade—a system of offsetting losses on exported machinery items by the sale of imported goods at high prices on the home market.
2. Export credits—credits available from the National Bank of Japan and the state-owned Export-Import Bank, available for long terms with lower rates applicable to export business.
3. Export bonuses.
4. Dual price systems—permitting the balancing of low-priced exports against high home prices.
5. Tax rebates.

THE THREATENING INCREASE IN IMPORTS

Manufacturers of ball bearings in this country have been affected most by the sharp increase in the import rate. Imports of ball bearings and parts for the years 1954 through 1960 were as follows (foreign value):

Year	Value	Year	Value
1954	$576,383	1958	$1,528,596
1955	2,346,333	1959	5,124,085
1956	1,056,664	1960	6,713,486
1957	1,173,560		

During the same period, imports of roller bearings and parts increased by about 400 percent.

Most spectacular was the increase in imports from Japan in the period 1954–60. Imports of ball bearings and parts from Japan increased from $763 to $2,313,561 (foreign value) and imports of ball and roller bearings, balls and rollers from Japan, from $1,559 to $2,813,431.[3]

During the same period there were large increases in imports of bearings—balls and rollers—from other countries, although far less percentagewise than in the case of Japan, as follows:

	1954	1960
West Germany	$487,421	$2,395,346
United Kingdom	121,473	1,235,428
Canada	125,126	1,528,865

While U.S. exports continue to exceed imports, the export sales result, not from effective price competition, because U.S. manufacturers are at a distinct disadvantage as to comparative costs, but because the exports consist mostly of special bearings, which are not produced in large volume, and which foreign manufacturers do not want to produce.

THE IMPORTS THREATEN THE INDUSTRY'S RESEARCH PROGRAMS

A further respect in which increasing imports threaten the national security concerns the very extensive research programs being conducted by individual companies and through industry sponsorship. A review of the new uses to which bearings are being put in modern military equipment is enough to demonstrate the importance of constant research and improvement.

The bearing industry has spent millions of dollars on the problem of prolonging the life of a bearing by overcoming the factor of fatigue. Study of the causes of fatigue and overcoming them are of vital importance to success in the missile and spacecraft fields. A great amount of time and money has also been spent to improve bearing performance through improving their lubrication.

The above are merely examples of the great amount of research activity which is expected of the domestic industry and which the domestic industry is willing and ready to perform. The ability of the domestic companies to continue and expand such research activity will, at the least, be placed in doubt by a continuance of the increasing rate of imports.

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[3] U.S. Department of Commerce figures.

EXHIBIT A

MEMBERS OF THE ANTIFRICTION BEARING MANUFACTURERS ASSOCIATION, INC.

1. The Abbott Ball Co., Railroad Place, Hartford, Conn.
2. Aetna Ball & Roller Bearing Co., Division of Parkersburg-Aetna Corp., 4600 Schubert Avenue, Chicago, Ill.
3. American Roller Bearing Co., 416 Melwood Avenue, Pittsburgh, Pa.
4. Andrews Bearing Co., Post Office Box 570, Spartanburg, S.C.
5. The Barden Corp., 200 Park Avenue, Danbury, Conn.
6. Brenco, Inc., 316 East Main Street, Richmond, Va.
7. The Fafnir Bearing Co., Post Office Box 1325, New Britain, Conn.
8. The Federal Bearings Co., Inc., Poughkeepsie, N.Y.
9. Federal-Mogul-Bower Bearings, Inc., 11031 Shoemaker Avenue, Detroit, Mich.
   Bearings Co. of America Division, 501 Harrisburg Avenue, Lancaster, Pa.
   Microtech Division, 1201 North Arden Drive, El Monte, Calif.
10. General Bearing Co., Inc., High Street, West Nyack, N.Y.
11. Hartford Steel Ball Co., Inc., Drawer Q, Station A, Hartford, Conn.
12. Hoover Bearing Division, Hoover Ball & Bearing Co., 5400 South State Road, Ann Arbor, Mich.
   Hoover Ball Division, Post Office Box 381, Middletown, Ohio.
13. Hyatt Bearings Division, General Motors Corp., Harrison, N.J.
14. Industrial Tectonics, Inc., 3686 Jackson Road, Ann Arbor, Mich.
15. Keystone Engineering Co., 1444 South San Pedro Street, Los Angeles, Calif.
16. Kilian Manufacturing Corp., 1728 Burnet Avenue, Syracuse, N.Y.
17. Link-Belt Co., Bearing Plant, Post Office Box 85, Indianapolis, Ind.
18. Marlin-Rockwell Corp., Jamestown, N.Y.
19. McGill Manufacturing Co., Post Office Box 351, Valparaiso, Ind.
20. Messinger Bearings, Inc., Post Office Box 7256, Philadelphia, Pa.
21. Miniature Precision Bearings, Inc., Precision Park, Keene, N.H.
   Split Ballbearing Division, Lebanon, N.H.
22. Mono-Race Division, The Thew Shovel Co., 20800 Center Ridge Road, Cleveland, Ohio.
23. National Bearing Co., Flory Mill Road & Manheim Pike, Lancaster, Pa.
24. New Departure Division, General Motors Corp., Bristol, Conn.
25. New Hampshire Ball Bearings, Inc., Peterborough, N.H.
   Micro Ball Co., Division of New Hampshire Ball Bearings, Inc., Box 214, Winsted, Conn.
26. Nice Ball Bearing Co., 30th and Hunting Park Avenue, Philadelphia, Pa.
27. Norma-Hoffman Bearings Corp., Hamilton Avenue, Stamford, Conn.
28. Orange Roller Bearing Co., Inc., 557 Main Street, Orange, N.J.
29. Pioneer Steel Ball Co. Inc., 37 Mill Street, Unionville, Conn.
30. Rollway Bearing Co., Inc., 541 Seymour Street, Syracuse, N.Y.
31. Shafer Bearing Division, the Chain Belt Co., Post Office Box 57, Downers Grove, Ill.
32. SKF Industries, Inc., Post Office Box 6731, Philadelphia, Pa.
   Bremen Bearings, Inc., Bremen, Ind.
33. The Smith Bearing Co., Division Accurate Bushing Co., 443 North Avenue, Garwood, N.J.
34. Sterling Commercial Steel Ball Corp., Post Office Box 401, Sterling, Ill.
35. The Superior Steel Ball Co., 20 Lake Street, New Britain, Conn.
36. The Timken Roller Bearing Co., Canton, Ohio
37. The Torrington Co. Torrington, Conn.
   Bantam Bearings Division, South Bend, Ind.
38. Tyson Bearing Co., Division of SKF Industries, Inc., Massillon, Ohio.
39. Universal Ball Co., Willow Grove, Pa.
40. Winsted Precision Ball Corp., 249 Rockwell Street, Winsted, Conn.

THE AMERICAN BANKERS ASSOCIATION,
New York, N.Y., August 14, 1962.

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

DEAR CHAIRMAN BYRD: On behalf of the American Bankers Association, I wish to submit the following statement of views of the association on H.R. 11970, the Trade Expansion Act of 1962.

The American Bankers Association, in common with many other groups and individuals in the United States, is deeply concerned over several major challenges which it sees as confronting our Nation now. These are: (1) a slowing of the rate of growth in our domestic economy which has not completely dispelled the lingering threat of inflationary pressures, (2) a deficit in our overall balance of payments, which despite a favorable trade balance, has not been overcome, (3) the emergence of regional trading areas, particularly the European Economic Community, which threaten the exports of our farms and factories, (4) the continuation of Soviet economic imperialism with its threat of world domination.

It is the firm conviction of the American Bankers Association that the Trade Expansion Act of 1962, though certainly not a panacea for these problems, nevertheless constitutes a major contribution to their solution.

By opening foreign markets to American exports it will stimulate economic growth and will lead us to channel our resources into their most efficient employment. By opening our markets to the keen edge of foreign competition it will restrain inflationary pricing by American business and labor.

By expanding proportionately the volume of both our exports and imports, it will widen the margin of our presently favorable trade balance. This will enable us to offset a larger portion of the deficits arising in other sectors of our total international payments position.

It is absolutely essential that if American farmers, workers, and businessmen are to benefit from the expanding export opportunities provided by the rapid growth of world population and income, they not suffer exclusion from regional trading areas such as the Common Market. That American agriculture and American industry are among the most efficient in the world is attested by our high standards of living, but even our productive superiority is not so great as to enable our goods to vault over the external tariff walls now being erected against them.

Expanded output and increased economic stability is necessary for the economies of the less industrialized nations if their incomes and living standards are to rise. For most such nations, this will require enhanced export opportunities and improved access to world markets to absorb their increased output of primary products. Denial of these opportunities to trade with the free world will add the cruel force of necessity to the blandishments of communistic persuasion, and these nations may well find themselves forced, albeit reluctantly, into the Soviet orbit.

It would be naive to believe that any single policy or any single act could cope with these challenges; rather a whole structure of policies will be needed. Nor can these challenges be met now and for all time; only an effort sustained over many years will show progress in any of them. However, the American Bankers Association regards the Trade Expansion Act of 1962 as a major building block in the structure of policies needed to meet the challenges of our time.

In the light of these considerations, the American Bankers Association endorses particularly those provisions of the Trade Expansion Act which grant general authority to reduce U.S. tariffs up to 50 percent and which provide special authority to eliminate tariffs on broad categories of goods in which United States and European Economic Community trade is dominant. The association also supports the provisions for reduction or elimination of tariffs on products of tropical nations, for Tariff Commission investigation of the probable impact of proposed tariff reductions, for the use of the escape clause for temporary relief only, and for retention of the most-favored-nation principle.

The American Bankers Association strongly supported H.R. 9900 when it was before the House Ways and Means Committee. It is the association's belief that the bill has been strengthened by the amendments adopted by that committee. We regard as particularly salutary the provisions which (1) require the appointment of an interagency committee to advise the President and to afford interested parties an opportunity to present their views, (2) call for the appointment of a special representative for trade negotiations, (3) require the President to work for the elimination of nontariff import restrictions, and (4) expand the role of the Tariff Commission in the implementation of trade policy.

The American Bankers Association recognizes that the use of the additional authority provided by this bill may result in injury to some business firms and their workers. We wish particularly to emphasis reaffirmation of our support of the trade adjustment assistance feature. The fundamental assumption underlying trade liberalization is that its benefits will spread throughout the Nation and

that the adverse effect upon the minority will be more than offset by the beneficial effects for the majority. We believe that the general public has the responsibility to share the burden which adjustment imposes upon particular business firms and individuals. We regard trade adjustment assistance, therefore, as a necessary and desirable feature to facilitate the transfer of labor and capital out of industries that are unable to meet foreign competition. Such assistance will accelerate the shifts of resources out of lines of activity which are uneconomic, in direct contrast to other Government programs, such as in agriculture, which have impeded rather than enhanced adjustment, thus perpetuating rather than mitigating economic problems.

A more liberal trade policy and the continued growth of international trade can make an important contribtuion to meeting the challenges which confront the United States. We would emphasize, however, that adoption of a policy of working toward freer trade will not be an end but merely a beginning, not a solution, but an opportunity. It will not solve our problems but simply make possible and, indeed, will help force a solution of them. If we recognize and meet these challenges—if we are willing to submit to the disciplines and sacrifices they require—such legislation, vigorously and effectively administered, can make an important contribution to building the unity and solidarity of the free world and to achieving our common objectives of sustained economic growth and a rising standard of living.

We strongly believe that the enactment of the Trade Expansion Act of 1962 would contribute to these goals.

Sincerely,

CHARLES E. WALKER.

STATEMENT PREPARED FOR SUBMISSION TO THE COMMITTEE ON FINANCE OF THE U.S. SENATE AT WASHINGTON, D.C., BY THE U.S. COUNCIL OF THE INTERNATIONAL CHAMBER OF COMMERCE, INC., IN SUPPORT OF H.R. 11970, THE TRADE EXPANSION ACT OF 1962

My name is Harvey Williams. I am chairman of the Committee on Commercial Policy of the U.S. Council of the International Chamber of Commerce and submit to you today in that capacity this statement in favor of the passage of H.R. 11970, the Trade Expansion Act of 1962. Also, I am assistant to the president, international operations, in Philco Corp. of Philadelphia.

The opinions and recommendations in this statement are those of the U.S. council, and do not presume to be the views of the International Chamber of Commerce, itself, or its headquarters staff at Paris, France, or its other commissions or national committees.

More than a year ago, the committee on commercial policy of the U.S. council recognized that another extension of the Reciprocal Trade Act would be inadequate to meet the changed international economic circumstances which would confront the United States when the present 11th extension of the act expired at June 30, 1962. Consequently, the committee underook to anticipate domestic and international economic conditions and the circumstances in which the United States might find itself vis-a-vis the rest of the world in the immediate future. It recommended some basic principles which it believes are desirable in a new trade policy for the United States with the hope that these might be helpful to the Congress in framing a new trade legislation. These observations and recommendations were published in May 1961, in a pamphlet entitled "Principles of an International Trade Policy for the United States." A copy is submitted with this statement because our committee believes that the basic facts and principles stated therein are timely and applicable to consideration of the Trade Expansion Act of 1962, by the Committee on Finance of the U.S. Senate and by the Congress.

(The booklet referred to is reproduced on pp. 1409 through 1427 of the hearings on this legislation held by the House Ways and Means Committee.)

The Trade Expansion Act of 1962, as originally proposed in H.R. 9900, contains such a broad delegation of powers by the Congress to the Chief Executive that our committee felt it desirable, in testifying before the Committee on Ways and Means of the House of Representatives on March 20, 1962, to define some of the fundamental and rapidly changing political and economic circumstances which give a particular urgency to the enactment of this legislation and to the broad authorities sought by the President. The Trade Expansion Act of 1962, now embodied in H.R. 11970, contains an equally broad delegation

of authority. Therefore, we submit with this statement, a copy of our committee's statement to the Committee on Ways and Means of the House of Representatives of March 20, 1962, and commend it to your attention.

(The statement of Mr. Williams before the House Ways and Means Committee appears on pp. 1393–1407 of the printed hearings.)

Since H.R. 9900 was introduced into the House of Representatives on January 25, 1962, much publicity has been given to this proposed legislation. Much testimony has been taken with respect to it. There has come to be unusually complete and widespread knowledge concerning the legislation itself, its objectives, and many of the background facts against which it has been conceived. Consequently, we believe it would be repetitious to burden your committee with statistical presentations and similar details which are already in the record. We believe it may be more helpful to summarize the essential factors in the situation which confronts the United States today and which make urgent the formation and implementation of a new foreign trade policy for the United States.

In the last 7 or 8 years the relative economic position of the United States has undergone drastic change. The oversea "dollar gap" has become an "oversea dollar surplus." A large amount of the dollars which we spend abroad for imports, for defense and military aid, for economic aid and other purposes, no longer flow back to us for American exports, services, or investment in American securities and business enterprises. Our gold reserves have dropped sharply. We continue to have worrisome deficits in our balance of international payments. The strength and stability of the dollar as an international currency has become clouded. There has been concern abroad about our handling of our internal economic affairs.

We have seen our efforts to rehabilitate war-torn Europe and Japan develop into huge successes, politically and economically. The Western movement of communism has been checked in Western Europe. The economic resurgence of Japan and the Western European countries, as free enterprise societies, including the formation of the European Economic Community, speaks for itself. These developments are so well known as to require no further comment here. In European areas, where the creation of employment was the problem 10 years ago, overemployment and rising wages are the problems today. A New York Times dispatch from Bonn dated August 7 reports that West Germany has 630,000 jobs open, with only 97,500 persons unemployed and already 670,000 foreigners working within that country. An official of the German Economic Ministry is quoted as saying, "We are stuck with a labor shortage and it looks now as though we will be for some years to come."

Britain probably will become associated with the European Economic Community and will be followed by several other European nations. The prospect of additional Western European countries becoming associated with the Community within the next few years seems likely.

The Western European Community has nearly 350 million inhabitants, living in a relatively compact area where literacy is high, where artistic, technical, commercial, and financial competence is well developed; and where demand for many products and services is as unsaturated as in the United States 20 to 30 years ago. The total foreign trade of the 18 Europeean members of the OECD is now approximately three times the annual size of that of the United States ($100 billion compared with our $35 billion); and this area can be regarded as the most promising for industrial and commercial growth over the next decade or two.

Western Europe is already the largest export customer of the United States for both agricultural and industrial products, but its present annual per capita income is far below our own.

We have enjoyed a rising gross national product but our economic growth rate has lessened. We have diminishing industrial profits. Capital investment is lower as a percent of GNP. We have persistent unemployment. While our exports are rising in healthy fashion—even during the first half of 1962—our deficit in international payments continues. We seem in need of some opportunity for stimulating economic expansion. This opportunity can be found in the unsaturated markets of Western Europe, and on a longer range basis in raising the standards of living and the consumption of the 50 percent of the world's population in the less developed areas. The enclosures with this statement develop the various aspects of these possibilities in more detail.

On the other hand, Western Europe is an economy of such size and sophistication that it could turn inward to concentrate upon its own self-development rather than looking outward to a general liberalization and enlargement of

world trade in collaboration with the United States. The need for well-conceived, prompt, and energetic action to improve the accessibility of the expanding European market for American agricultural and industrial products is a fundamental reason justifying the delegation of broad authority by the Congress to the Chief Executive, with provision for appropriate annual review.

It is well recognized by Members of the Congress and by the public that the economic warfare which the Soviet leadership has declared upon the free world is being, and will be fought most aggressively in southeast Asia, India, the Middle East, Africa, and Latin America. The success of the free world in this contest will be dependent upon the productivity and soundness of well-coordinated, well-planned, joint programs to assist development of the new nations and the less developed areas. This longer range opportunity needs the collaboration of the other advanced nations in planning and providing joint economic assistance. This is an additional reason for the broad grant of authority contemplated by H.R. 11970.

Finally, the collaboration in enlarging international trade which is sought with the nations of Western Europe—particularly those of the European Economic Community—can readily be the foundation for the development of an Atlantic economic partnership of such strength and competence as to assure the free world of the human, industrial, and financial resources necessary to meet the Soviet economic threat continuously and successfully.

Let us remember that in 1947–52, we were the only major industrial country which was not ravaged by World War II. We were the sole source of supply for many manufactured products. We were benefiting by the abnormal postwar demand, created by the shortages of supply in wartime and by the rebuilding of Western Europe and Japan. In 1953–58, production in Japan and Western Europe grew more and more adequate to care for local needs, particularly in the types of industrial products which could be relatively easily manufactured. We began to encounter greater competition in world markets.

In more recent years our exports to Western Europe have shown a healthy growth. In fact, an examination of our exports will show that the more advanced economies have become our best customers, as their own prosperity and development have progressed. Our strongest exports are often sophisticated nonagricultural products. In addition, commodities such as wheat and coal which, because of mechanization and production on a huge scale, can be supplied efficiently.

When we become concerned about the increased competition from other industrial nations, let us ask ourselves what our position would be had our efforts to rehabilitate Japan and Western Europe failed to succeed. Now that these countries, with our help, have rehabilitated themselves economically and financially, should the United States abrogate its leadership? Or should we provide the inspiration, initiative, and guidance which can bring the advanced nations closer together, to develop the greater opportunities which lie ahead?

It seems to our committee that these are the fundamental issues to which the present legislation is addressed. To deal effectively with these issues a grant of broad authority by the Congress to the Chief Executive is required. Our committee believes that it will be unwise for the Congress to debate the advantages of individual trade agreements as these may be transmitted to it under section 226 of H.R. 11970. However, we do recommend that the Congress provide procedures under which it can review annually the actions of the executive branch, not only with respect to specific trade negotiations, but also with respect to the overall international economic position of the United States. We recommend that in such annual reviews particular attention be given to the effects of domestic policies and programs upon the progress of the United States in reaching its international objectives. There is a close and intimate relationship between our international economic position and our domestic policies. This all-important fact will have greater and greater significance for the future successful development of our foreign policies.

Our committee believes that the Congress should be provided with an annual review of the total position of the United States in world trade. This should include the overall participation of the United States in the economic development of the free world, the progress of the foreign trade expansion program and also the interrelationships of domestic policies and programs with our international economic objectives. Such a broadening of the annual report to be made by the President to the Congress under section 402 of H.R. 11970 can be of equal value to the executive branch as well as to the Congress. In addition,

such a broadened report can be effective in enlarging public knowledge of the rapidly changing international circumstances and in gaining public support for constructive policies and appropriate legislation.

Your committee will recognize that H.R. 11970 will not, of itself, establish a new foreign trade policy. Such a policy will evolve over the next several years under the new authorities included in the bill. Our committee believes that a foreign trade policy to be beneficial to the welfare of the United States must be expansionist. It must seek maximum participation in the further development of the advanced nations of Western Europe and achieve fruitful coordination with these and other advanced nations of the world in providing sound and productive economic assistance to the less developed areas. Trade between the less developed areas and the advanced nations must be promoted vigorously as an alternative for economic aid.

The urgency for initiating negotiations with the European Economic Community is made clear by the following factors. The internal tariffs between these nations have been reduced by 50 percent. By the end of 1966, such internal tariffs could substantially disappear. On important nonagricultural products the common external tariffs of the European Economic Community seem likely to range from 12 to 24 percent. This barrier to trade needs to be reduced by negotiation before it becomes firmly established. When it is remembered that approximately 20 percent of our total exports are bought by the nations now in the European Economic Community and that approximately 35 percent are purchased by those nations plus the additional nations in the European Free Trade Association, the desirability of improving our trade potential with this growing Western European market is obvious.

To this same end, it is equally important that substantial reductions or the elimination should be sought in the quotas, excise taxes, fees, and other barriers which restrict and in some cases exclude some American products from important European markets. It is essential that American goods have as easy access to the markets of the other advanced nations as their products have to our market.

One of the important advances in national foreign trade policy which is incorporated in the Trade Expansion Act of 1962 (H.R. 11970) is the concept and provision of adjustment assistance as an alternative to tariff action against imports. Our committee endorses the principle of adjustment assistance so administered that it will not encourage the maintenance of inefficient or obsolescent business activities.

We suggest for the consideration of your committee the possibility that adjustment assistance be used as an alternative to including items on the reserve list (sec. 225, H.R. 11970).

We further suggest for the consideration of your committee that the weekly amounts payable to workers under section 323, H.R. 11970, whose unemployment is caused by foreign competition, be the same as the weekly amounts payable to workers whose unemployment is due to domestic causes. Such equality in unemployment compensation, without regard to cause, could simplify administration of these provisions.

For the same reason, we recommend to your committee consideration of the desirability for full Federal payment of adjustment allowances to workers eligible for adjustment assistance under section 323, H.R. 11970, rather than having such workers partially compensated by a State. A separate single compensation program, even if administered through State agencies for the Federal Government would make it possible to account specifically for this element of cost in a new national program and thus make it easier to answer various objections to the trade readjustment allowances.

Our committee considers section 241, providing for the appointment of a special representative for trade negotiations, and section 242 providing for the Interagency Trade Organization, to be improvements in the proposed legislation. We suggest the desirability of having the special representative act as the Chairman of the Interagency Trade Organization and of broadening his responsibilities to enable him to coordinate and administer all of the powers delegated to the Chief Executive in H.R. 11970 other than those related to adjustment assistance and the escape clause.

In view of the increasingly close interrelationship between our domestic economic policies and our international trade objectives, your committee may find it desirable for the special representative to be empowered to advise the

President and the executive departments concerning the impact of domestic policies and programs upon our international economic objectives.

Although our total exports are a small part of our gross national product, it must be considered that approximately one-sixth of our farm marketing income is received from exports and from 10 to 40 percent of many of our industrial products are sold in oversea markets. Therefore in conclusion, may we emphasize respectfully to your committee the vital importance of foreign trade to the economy of the United States.

The deficit in international payments with which the United States has been confronted for the last several years has become a matter of primary concern. This deficit is not due to an unfavorable balance in our international commercial trading accounts. In fact, we are currently exporting about $5 billion more goods and commodities than we are importing. The deficit in our balance of international payments is primarily attributable to our expenditures for mutual military defense abroad and foreign economic aid.

We can reduce our international payments deficit by making the United States an attractive area for the investment of foreign capital, by encouraging greater expenditures by foreign tourists in the United States, by restricting our own expenditures abroad, or by further increasing our favorable trade balance. Of these alternatives, increasing our opportunities to export and our export shipments, stimulating a higher rate of industrial and commercial activity both at home and abroad, is the most important and promising.

It must be noted that domestic policies strongly influence the competitiveness of U.S. industry and agriculture in world markets. Taxes, farm policies, wage policies, and welfare and social programs are examples of the factors in our domestic economy which have an important impact on our international competitiveness and on our success in grasping the opportunities currently offered by world markets.

To maintain our international solvency, to build increasingly solid confidence in the dollar, and to take full advantage of our economic opportunities in Western Europe and in the less developed areas, the United States must have a strongly expansionist trade policy properly coordinated with our domestic and foreign policies. This can be achieved under the authorities and provisions of H.R. 11970. The committee on commercial policy of the U.S. council therefore urges your committee to recommend favorably on the Trade Expansion Act of 1962 (H.R. 11970) and urged its passage at the present session of the Congress.

DELAWARE STATE CHAMBER OF COMMERCE, INC.,
Wilmington, Del., August 13, 1962.

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

DEAR SENATOR BYRD: In view of the consideration now being given by the Senate Finance Committee to H.R. 11970, the Trade Expansion Act of 1962, it is appropriate that the Delaware State Chamber of Commerce communicate its concerns over this important legislation.

Because its membership interests are as diversified as their businesses, the Delaware chamber has been unable to establish any clearly definable position on the tariff features on the subject bill. Accordingly, the chamber does not offer any opinion in this area.

On the other hand, the adjustment assistance features of the legislation as contained in chapters 2 and 3 of title III, largely, do provide an area on which the chamber membership feels it must comment. The U.S. Departments of Labor and Commerce have indicated that they regard the adjustment assistance program as necessary to cope with an expected loss of 90,000 jobs over 5 years to import competition and likewise with the failure of some 700 to 800 firms. These numbers appear a rather poor excuse for the establishment of an elaborate program of federalized assistance. The firms failing and the jobs lost represent but a drop in the bucket in comparison to the dislocations deriving from the 17,000 normal annual business failures. Such problems currently are being met successfully through State unemployment compensation programs, operations of the Small Business Administration, and the programs of the Area Redevelopment Act and the Manpower and Training Act. In the light of these already established programs, and in the light of the relatively small indicated

additional burden, the creation of a new program of subsidy is totally unwarranted and unnecessary.

Should the proposals outlined in H.R. 11970 go into effect, the features contained are unfair and discriminatory. Since the unemployment allowances and adjustments exceed State programs, both as to allowable income and duration of time over which such income is available, the automatically discriminates between categories of unemployed. Those unemployed because of import displacements thus become treated far more liberally and handsomely than those unemployed displaced for any other reason.

Even the prescribed aid to firms is injected with an aura of unfairness Firms and businesses whose operations are multiple in character could not possibly qualify for assistance even though one of their major operations suffers total displacement by import competition. On the other hand, single-operation firms suffering import displacement may qualify for aid.

Our final concern over the establishment of any such adjustment program is for the precedents established. Firstly, it would provide precedent for developing Federal standards for all State unemployment programs, with the added deleterious effect that the more generous benefits of Federal law would reduce considerably any incentives which idled employees might have for seeking out more productive and more fruitful compensation through regular employment. Secondly, we are alarmed that this type of program may also provide precedent for the establishment of other special Government subsidy programs designed to compensate for the dislocations from other Government policy changes no matter how trivial.

It is our earnest recommendation that any trade expansion bill passed in this Congress not contain an adjustment assistance program.

Sincerely,

Ross E. Anderson, Jr.,
Executive Vice President.

Vinyl Fabrics Institute,
August 15, 1962.

Hon. Harry F. Byrd,
Chairman, Senate Finance Committee,
New Senate Office Building, Washington, D.C.

Dear Chairman Byrd: The Vinyl Fabrics Institute, located at 65 East 55th Street, New York 22, N.Y., is a trade association composed of 15 members who produce the major proportion of the U.S. production is supported vinyl materials, unsupported vinyl sheeting, and pyroxylin coated materials.

The principal industries which are served by these products are the automotive, furniture, shoe, luggage, wearing apparel, bookbinding, and in addition are used extensively for wallcovering applications.

We are writing to express our concern about the broad scope of the authority which would be delegated by Congress in H.R. 11970. Ours is a highly competitive industry and like the textile industry it is traditionally a low-profit one. It is also a highly efficient industry with production methods that vary little from plant to plant whether in the United States or abroad. Imports of these vinyl materials originate in numerous countries but with the great bulk coming from West Germany and Japan.

For some years, we have been concerned with the increasing volume of imported materials which not only compete directly with our own products, but which are imported in fabricated forms which in turn compete with our customers' products. Import statistics available covering materials produced by our industry are vague due to the fact that they are primarily classified for customs purposes by similitude. To get as much basic information as was available, the Department of Commerce was requested to undertake a special study covering the years 1958 through 1960. This study showed that the dollar value of imports increased over 50 percent during this period and certain published figures show that in 1961 there was an additional 25- to 30-percent increase over 1960. Department of Commerce import statistics (FT-110 monthly reports) are presently available for only the first 4 months of 1962. These show that we can expect as much as a 200 percent or more increase in identifiable imports over the year 1960. These figures are calculated on a dollar-value basis, but, when converted into yardage, they will represent substantially more of the domestic market because of the lower selling prices of imported material.

It is impossible to determine the volume of products in finished form, but the effect of this overall volume, of course is reflected in loss of sales and corresponding curtailment of production and employment.

This is not a situation which can be met with advanced technology and mass production. Our foreign competitors are as well or even better equipped than our American counterparts, and the production methods are either the same or at least very similar. The difference lies in lower production costs and resulting lower prices. Further tariff reductions can only aggravate an already serious problem. Under the circumstances, we feel compelled to express our opposition to the sweeping authority provided in H.R. 11970 which frankly anticipates serious adverse effects.

We respectfully suggest that the bill be amended to provide for only a 3-year extension with authority to negotiate under the same terms and conditions provided in the Trade Agreement Extension Act of 1958—with appropriate perfecting amendments as to timing and effective dates.

The growth and acceptance of vinyl materials has not only been due to the basic important characteristics of long wear and economy, but largely in recent years to the expanding range of styles, designs, and colors. The industry in its beginning made and produced purely a utilitarian product of very limited patterns and colors. However, today these are almost unlimited and, because of this are specifically adaptable to the requirements of the many end uses served. The development of styling and new designs by the industry is becoming increasingly important and the investment in research, market testing, production, and promotion of a single design runs into the tens of thousands of dollars. These designs can be quickly reproduced abroad and in the past imported materials have capitalized on currently popular domestic designs to gain entrance into the domestic market.

Design piracy as a problem exists in both the domestic market and in the foreign market. It is by no means confined to our own industry. The problem has become so serious that a number of industries have combined to plead for more adequate design protection and a bill, S. 1884, toward this end has passed the Senate and is now pending in the House Judiciary Committee. This legislation if enacted into law will clarify many of the problems insofar as domestic producers are concerned. It will, however, give little or no protection against hit-and-run import infringement to which the vinyl materials industry and others are exposed. Under the present laws, copyrights and designs may be regulated at the various ports, but this does not bar importation. It merely provides the U.S. patent owner with an opportunity to be informed after the fact that infringement or possible infringement may occur as a result of the use of the imported material. The patent owner is then faced with the problem of trying to locate the principals in the import transaction to call attention to the infringement.

Patent litigation is both long drawn out and very expensive. Smaller companies with limited resources are unable to indulge in such luxuries as patent litigation and imports continue during the course of the legislative action.

Under the circumstances, our industry feels that legislative action is necessary to remove this ever-present threat of a most unfair method of import competition. It is our suggestion that specific legislative provision be made which would permit not only the registration of a design patent at the various customs ports of entry, but that the Bureau of Customs be authorized to bar all imports which directly infringe or which closely simulate patented designs so registered. This type of operation is already provided for and works very effectively with respect to registered trademarks. There appears to be no logical reason why the same operation cannot be applied to registered copyrights and design patents. The customs entry procedures and mechanics of inspection are already such that the same personnel could police design and copyright piracy just as effectively as they now police and bar trademark infringement. To prevent abuse of the privilege, nominal fees within the reach of even small business, could be provided to take care of any possible administrative expenses. Such an arrangement would offer no protection against the sale of pirated designs in foreign markets, it would however, not only give protection in our home market but it would probably tend to deter piracy by eliminating a substantial sales potential in the United States and leaving the more limited foreign market open.

The legislation which we propose would complement but not duplicate the legislation pending in the House of Representatives. Since there would be no adverse effect on any legitimate U.S. producer or seller, such legislation should

present no economic or political problems. The amendment to existing statutes is relatively simple and a suggested draft of such an amendment is attached for your consideration.

Respectfully submitted.

PAUL F. JOHNSON, *Executive Secretary.*

AMENDED SECTION 1526

Merchandise bearing American trademark or copying American patented design—Importation prohibited.

(a) It shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise, or the label, sign, print, package, wrapper, or receptacle, bears a trademark owned by a citizen of, or by a corporation or association created or organized within, the United States, and registered in the Patent Office by a person domiciled in the United States, under the provisions of sections 81–109 of title 15, and if a copy of the certificate of registration of such trademark is filed with the Secretary of the Treasury, in the manner provided in section 106 of said title 15, unless written consent of the owner of such trademark is produced at the time of making entry.

(b) It shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise copies or simulates any merchandise covered by a valid copyright or design patent if copies of such copyright or design patent are filed with the Secretary of the Treasury in accordance with published regulations unless written consent of the owner of such copyright or patented design is produced at the time of making custom entry.

(c) Any such merchandise imported into the United States in violation of the provisions of this section shall be subject to seizure and forfeiture for violation of the customs laws.

(d) Any person dealing in any such merchandise may be enjoined from dealing therein within the United States or may be required to export or destroy such merchandise or to remove or obliterate such trademark and shall be liable for the same damages and profits provided for wrongful use of a trademark, copyright or design patent.

TEXAS EMPLOYMENT COMMISSION,
Austin, Tex., August 10, 1962.

Senator HARRY BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR BYRD: This letter is directed to the hearings before your committee regarding the provisions of the so-called Common Market proposed legislation. Those of us serving in the employment security program are concerned with a part of this bill which makes a considerable change in payments to certain employees who have lost their jobs through no fault of their own. Attached to this letter is a letter addressed to your committee, which letter has been signed by the employer representative of the Commission and his Advisory Committee as well as the public representative of the Commission and his Advisory Committee.

All signers of the letter strongly urge your committee to make changes in the bill to reflect the opinions expressed. These opinions are the result of experience gained in the administration of the program of employment security as well as in the field of business and general economy.

We are aware of your interest in the program of employment security as well as the burden of responsibility which is yours as members of the key committee of the Senate. We are also mindful of your desire to gain the reactions and the expressions of opinion of persons who would deal directly with this legislation if enacted. It is indeed fortunate that we have such a knowledgeable person as you as chairman of this vital committee.

With kindest of personal regards, I am,

Sincerely yours,

S. PERRY BROWN.

TEXAS EMPLOYMENT COMMISSION,
Austin, Tex., August 10, 1962.

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

DEAR SENATOR BYRD: We wish to add our voice to the many strong objections your committee has already heard against the so-called trade readjustment allowance program for workers displaced by foreign competition resulting from actions taken under the trade bill.

For emphasis we wish to point out the following bases for our position:

1. The program would set up a privileged class of unemployed persons. This special class would be eligible for benefits of over $60 a week for up to 52 weeks, compared with the recently enacted maximum in Texas of $37 a week for a maximum period of 26 weeks. There is no justification for granting such higher and longer lasting unemployment compensation benefits to those whose jobs are affected by the trade bill compared with benefits available to those disemployed for a myriad of other reasons, including competition from other products, technological change, or business failures.

The person who is unemployed is not concerned with the reason for his unemployment; his condition exists regardless of its reason. Hence, his benefits should be geared to his wage credits and not to the cause of unemployment. If this program is accepted as a basis for higher benefits, we can expect that the cancellation of a Government contract will be advanced as a proper cause for federally supplemented benefits.

2. The determination of whether unemployment is caused by the effects of the trade bill or other causes would introduce a vague new area of decision-making into the administration of unemployment compensation. We quote from a recent Labor Department study of 27 import-competing industries entitled, "The Relationship Between Imports and Employment" (April 1962):

"Despite an increase in total employment between 1954 and 1959 of 5 percent for the 27 industries combined, total employment declined in 9 of these industries. These nine industries were examined in some detail with results as described below. * * * The aggregate 1954–59 employment drop for the 9 industries was 11 percent, of 19,271 workers (an average of 2,141 per industry).

"* * * It is significant that only two of the nine industries with employment decreases also had decreases in output * * *. Employment declined in the seven other industries, evidently for reasons other than production cutbacks. These reasons may include increases in output per worker resulting from technological change and changes in the composition of an industry's output" (pp. 12–14). * * *

This indicates clearly the difficulty of determining whether unemployment is caused by imports or some other reason. But the higher benefits for unemployment alleged to result from imports will generate pressures ot give the unemployed worker the benefit of the doubt—with consequent distortion of the unemployment insurance system.

3. The provision of special benefits under Federal law is directly contrary to the basic provisions of the unemployment insurance system under which benefits are determined by the respective States. The committee will recognize that this is part of the long and highly controversial dispute over "Federal standards," and we will not, therefore, burden this committee with a repetition of the arguments against "Federal standards."

Sincerely yours,

Dr. W. E. Moreland, Ex-Superintendent of Schools for Harris County, Tex.; T. T. Hunt, Managing Editor, Beaumont Enterprise; Thomas J. McHale, Advertising Manager, Dallas Chamber of Commerce; Joe K. Wells, Vice President, Austin National Bank; S. Perry Brown, Public Rrepresentative, Texas Employment Commission; Charles E. Simons, Executive Vice President, Texas Mid-Continent Oil & Gas Association; Ed C. Burris, Executive Vice President, Texas Manufacturers Association; John McKee, Regional Manager, Ford Motor Co.; James E. Taylor, Executive Director, Texas Motor Transportation Association; Orval A. Slater, President, Slater-White Laundries, Inc.; J. J. Pickle, Employer Representative, Texas Employment Commission.

CARRETTA & COUNIHAN,
Washington, D.C., August 14, 1962.

Mrs. ELIZABETH SPRINGER,
Chief Clerk, Senate Finance Committee,
Senate Office Building, Washington, D.C.

DEAR MRS. SPRINGER: Attached hereto are three copies of the statement of the Bicycle Manufacturers Association of America on H.R. 11970.

Please file this statement for the record on the hearings on H.R. 11970.

Thank you.

Sincerely,

DONALD M. COUNIHAN,
General Counsel, Bicycle Manufacturers Association of America.

STATEMENT OF WILLIAM F. STOEFFHAAS

INTRODUCTION

May it please this honorable committee, my name is, William F. Stoeffhaas. I am executive vice president of Arnold, Schwinn & Co., 1718 North Kildare Avenue, Chicago, Ill., and I am chairman of the Tariff Committee of the Bicycle Manufacturers Association of America. As this committee may know, our association is composed of American bicycle manufacturers who account for more than 90 percent of the bicycles produced in the United States.

Our association is pleased to have this opportunity to present its statement with respect to H.R. 11970 to this honorable committee. May we say at the outset that the American bicycle industry is not opposed to international trade provided adequate safeguards are maintained for the protection of affected industries. In fact, as this committee may know, our industry has had much practical experience in this area with 18 nations now sending bicycles to the United States for sale on the American market.

We also have had considerable experience with American tariff machinery, and particularly with the operation of the escape clause. As the committee may know, bike imports to the United States accounted for less than 1 percent of domestic sales prior to World War II but rose to over 40 percent of the domestic market in 1955. Accordingly, faced with this tremendous loss of market, our industry became involved in three separate escape clause actions. Although we were granted escape clause relief in 1955—at a time when bike imports accounted for more than 40 percent of the domestic market—it was not really relief. Thus we have ever since been forced to suffer the loss of approximately one-third of our domestic market.

Needless to say, employment in the bicycle industry has been adversely and seriously affected as a result of the heavy influx of low-cost bicycle imports. During the 1950's alone, over 11,500 jobs were lost to individual American workers who would have been employed by our industry. Wages lost to these workers were in excess of $50 million.

But rather than recite the problems our industry, and our workers, have faced and continue to face, in connection with the importation of great quantities of low-cost bike imports (made possible by extremely low foreign wage scales), may we now share our views with you in connection with some of the specific sections contained in H.R. 11970.

RESERVATION OF ESCAPE ARTICLES

First of all, may we say that we fully support that portion of section 225(b)(1) which reserves from negotiation any article to which "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." Thus we note that this reservation takes into account two very important factors. First, it recognizes the demonstrated inclination toward serious injury of those articles which were subject to a complete and detailed escape-clause investigation by the U.S. Tariff Commission, culminating in a finding of "serious injury" by the Commission.

Second, the reservation recognizes that a high proportion of future tariff reductions will be made not on an article-by-article basis but instead will be negotiated on an across-the-board "category" basis.

As the bill contemplates simultaneous reductions on whole groups of articles, as such blanket reductions will wreak havoc on escape articles which have already proven themselves to be injury prone as a result of tariff cuts, the need for the above reservation is clear and obvious. It is well deserving of the support of every member of the Senate Finance Committee, and we urge its continued inclusion in the bill with the following improvement.

RESERVATION SHOULD COVER 5-YEAR PERIOD

As the President's basic negotiation authority extends over a period of 5 years, the section 225(b) reservation should cover a similar 5-year period rather than only 4 years as provided for in the bill as now drafted. We believe that this was an unintended oversight by the House Committee on Ways and Means which should be corrected to give effect to the committee's intent.

Thus the House committee placed this section in the bill to provide procedural protection for escape articles which had already demonstrated their inclination toward serious injury as a result of tariff reduction. If the reservation period were not coextensive with the negotiation authority period, the President could defeat the House committee's intent to provide procedural protection by merely deferring negotiation on escape items until the 5th year.

In view of the foregoing, may we respectfully request that this honorable committee correct the above anomaly so as to preclude the inadvertent nullification of this important and needed reservation .

Turing now from our consideration of section 225(b) of the bill, may we convey to the committee our comments with respect to another facet of the bill; namely, that dealing with the treatment to be accorded to the products of Communist countries or areas.

MOST-FAVORED-NATION PRINCIPLE SHOULD NOT BE EXTENDED TO COMMUNIST COUNTRIES INCLUDING POLAND AND YUGOSLAVIA

May the committee please, the American bicycle industry has been the innocent victim of some vicious trading practices perpetrated by the Communist bloc. While harmful to our industry, we are happy to be in a position to relate these experiences to the committee as them emphatically point up the wisdom of section 231 of the bill, the section which would deny most-favored-nation trade benefits to Communist countries, including Poland and Yugoslavia.

Mr. Chairman, our experience with the Soviet Union and its satellites in connection with bicycles teaches us that these countries act in economic concert with one another. Based on that experience, we believe that it is impossible to grant trade concessions to one satellite without immediately aiding the entire Communist system.

Consider for a moment the following chains of events. From 1955 to 1960 one Communist satellite, Czechoslovakia, was the leader of the Communist bloc in the mission of exporting bicycles to the United States for hard currency dollars. During that period, approximately 135,000 bicycles were sold on the American market at approximately one-half their foreign unit value.

These bicycles were sold in the United States at below cost for the obvious purpose of generating U.S. currency. What actually was done with the currency obtained is not publicly known. However, the interlocking economic arrangement of Russia with its satellites indicates that the currency may have been channeled back to Moscow for use in Soviet espionage and other subversive activities.

The American bicycle industry protested the dumping of these bicycles on the American market, but to no avail. Soon, the mass selling of thousands of Communist bicycles in this country had triggered a bicycle price war in the United States, as a result of which domestic bicycle prices toppled to an all-time low. In desperation our industry instituted an antidumping action, pursuant to the Antidumping Act of 1921. Foreign (non-Communist) bicycle importers who also had been injured in the general price decline were in full support of our petition.

As this committee may know, it is very difficult to obtain relief under the antidumping statute. Under the two-step procedure inaugurated in 1954, an industry must first convince the Treasury Department that an imported article is selling at less than its fair value (dumping) and then satisfy the Tariff Commission that the related domestic industry has been injured. Nevertheless, in 1960 the American bicycle industry was able to establish dumping and injury

and become the second successful petitioner out of the approximately 186 applications filed up to that time. The Czechoslovakian satellite thus had 5 good years in which to dump Communist bikes on the U.S. market.

When Russia in 1960 saw that the United States intended to invoke dumping penalties against Czechoslovakia, it appears to have immediately ordered another of its satellites, Poland, to start producing bicycles for export to the United States. Also, it would appear that it may have ordered Poland to transship Soviet bicycles to the United States, as these bicycles were the commodity in greatest oversupply in Russia at that time (see app. I). In any case, Poland signed a contract in 1960 to deliver $14 million worth of bicycles over the 5-year period 1961–65 (see app. II). This is fantastic when we consider that Poland delivered only 17 bicycles to the United States in 1960. How could a country which had no U.S. bicycle background or experience suddenly almost overnight deem itself to be equipped to handle such a huge order? While we cannot prove that the resultant, tremendous influx of bicycles came from the U.S.S.R., may we suggest that it would be a simple matter to mask Russian bicycles with Polish markings so that they would appear to have been produced in Poland.

At the same time bicycle production and transshipment arrangements were being worked out with Poland, it would appear that the Soviet Union encouraged that satellite to seek trade concessions from the United States. Poland did seek concessions, and, on November 18, 1960, the United States granted Poland most-favored-nation status.

As a result of the foregoing, Czech bike imports to the United States dropped from 84,927 bicycles in 1960 to 14,869 bicycles in 1961, a decline of 83 percent. At the same time, Polish bike imports to the United States rose from 17 bicycles in 1960 to 49,214 bicyles in 1961, an increase of 2,895 percent. Poland, which ranked 14th in total imports into the United States in 1960 and 7th in 1961 was 5th during the first quarter of 1962. She now ranks behind only such big bike exporting countries as the United Kingdom, West Germany, Japan, and Austria. In a few years, Poland can be expected, at the present rate of increase, to be the largest importer of bicycles to the United States.

Based on the foregoing, and upon our experiences generally with Communist bicycle imports, we conclude the following:

1. The satellite countries are nothing more than economic puppets manipulated by, and for the benefit of, the Soviet Union.

2. The Soviet Union will dump any item which is in oversupply in Communist bloc countries, on the American market to obtain hard currency dollars.

3. If the United States extends trade concessions to one Communist country while denying them to others, the Soviet Union will order the exportation of oversupply items through that country which is granted the concessions.

In view of the foregoing, may we once again urge this honorable committee to accept the judgment of the House Ways and Means Committee and the House of Representatives, that trade concessions should be denied to products of Communist countries or areas in accordance with the provisions of section 231 of H.R. 11970.

NEED FOR FURTHER STRENGTHENING OF THE ESCAPE CLAUSE OF THE BILL

Turning now from our discussion of trade with Communist countries, may we now discuss with the committee our views in connection with the bill's escape clause provisions.

Mr. Chairman, in our judgment H.R. 11970 is an improvement over the original administration bill (H.R. 9900). Nevertheless, it still falls short of providing the necessary minimum safeguards to protect domestic industries from injurious imports. Our primary objections to the bill's present escape clause provisions are as follows:

1. No definition of the term "industry," similar to that found in section 7(e) of the Trade Agreements Extension Act of 1951, as amended, is provided.

2. To be eligible for tariff adjustment relief, in connection with increased imports, the concomitant injury must result solely from tariff concessions. Thus the words "in part" are omitted from the bill although they are in section 7(a) of the existing law (Trade Agreements Extension Act of 1951, as amended).

3. The trade adjustment provisions do not recognize that an increase of imports relative to domestic production of an article may seriously injure an industry. The word "relative" was added to section 7(a) of the existing law

by the Senate Finance Committee in 1955 and should be retained in the instant bill.

4. They fail to include in the tests for relief those items set forth in section 7(b) of the existing law including the downward trend of production, employment, prices, profits, or wages in the domestic industry concerned, or a decline in sales, an increase in imports, either actual or relative to domestic production, a higher or growing inventory, or a decline in the proportion of the domestic market supplied by domestic producers.

The inclusion of the above-needed additions will aid in strengthening the escape clause provisions of the bill.

We hope the foregoing is helpful to you.

Thank you.

[From the New York Times, Aug. 3, 1960]

ECONOMIC SWITCH: SOVIET SURPLUSES—"CAPITALIST" PROBLEM FORCES CUTBACK IN BICYCLES AND OTHER GOODS

(By Harry Schwartz)

Soviet planners have begun struggling with the problem of overproduction, a problem they used to think troubled only capitalist economies.

Wrestling with the new problem of unsold and unneeded surpluses of some kinds of goods, Soviet authorities have ordered production cutbacks for some commodities and rigid output limitations for others. Their most radical step, Pravda reported late last month, has been to issue a list of about 1,000 articles that factory managers may not produce in excess of planned amounts.

The new order prohibiting such output is a radical departure for Soviet economic behavior, since maximum production has been the Soviet rule.

The present problem is one of surpluses of some goods that have piled up in Soviet warehouses, while other commodities are still in short supply. Before the present move to limit production of surplus goods, the Soviet Government tried to solve the problem by cutting prices on some of the surplus commodities and through a limited form of installment credit for some of these goods.

Judging from available data, bicycles make up the commodity in greatest oversupply in the Soviet Union, as far as consumer goods go. Price reductions for bicycles apparently did not stimulate sufficient demand. As a result, bicycle production during the first half of this year had to be cut 21 percent below the output in the like period of last year. Other goods that have been in oversupply recently and whose prices and production have been reduced include watches and silk textiles.

Meanwhile the Soviet Government still is trying energetically to increase the production of most manufactured goods. During the first half of this year, for example, the Soviet Union produced 36 percent more television sets, 36 percent more washing machines and 19 percent more household refrigerators than had been produced in the corresponding period of last year.

How far the Soviet Government has to go in satisfying demand for such goods seems indicated by the fact that for its population of more than 210 million persons this year's record production of television sets still will be well under 2 million.

[From the Journal of Commerce and Commercial, New York, July 27, 1960]

POLAND TO EXPORT BICYCLES TO UNITED STATES

(Special to Journal of Commerce)

WARSAW.—Poland has signed a $14 million contract to export bicycles to the United States, the Polish news agency Pap said.

Pap said the 5-year agreement was signed by an American firm, named as Kerliss, Ltd., and the Polish foreign trade organization Universal.

Under the contract, Poland will ship almost 120,000 bicycles to the United States next year. Pap said the number of bikes exported to the United States under the contract gradually will increase, reaching 200,000 in 1965.

ANCHORAGE, ALASKA, *August 14, 1962.*

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

Strongly urge favorable action by Senate Finance Committee and the Congress to amend Trade Expansion Act of 1962 as provided in amendment introduced August 3 by Senators Bartlett and Magnuson. Foreign trade policy must give recognition to urgency of problems faced by American fishing industry if industry is to survive pressures arising from harassment and unsound conservation practices by foreign fishermen. Urgently request your favorable consideration of proposed amendment.

WILLIAM A. EGAN, *Governor.*

STATEMENT OF HON. CLAIR ENGLE, U.S. SENATOR FROM THE STATE OF CALIFORNIA

(*a*) The proposed amendment is not designed to preclude or even reduce current imports of products included within the amendment. It would preclude, in the absence of a multilateral agreement, changes in existing duties and other import restrictions. However, the fact is that even with existing duties, imports of most of the relevant commodities have increased, as shown on exhibit No. 1.

Substantial reduction or elimination of tariffs on these products from the EEC, enlargement of the EEC itself and extension of tariff adjustments under the most-favored-nation principle, coupled with rising world production, could result in substantial increases in imports with consequent serious price and income effects on the domestic industries.

In assessing the probable effects of the proposed Trade Expansion Act of 1962 on these industries, their position in world trade and in the domestic economy must be analyzed.

These significant aspects are immediately apparent; namely:

1. All of the industries represented are almost solely dependent on the domestic market for their sales.
2. Foreign production of each of these crops and products is far greater than U.S. production, and is traded in the world market at prices significantly lower than U.S. prices.
3. Marketing programs, including volume controls, rigid grade and sanitary standards, and product improvement, are financed and operated by domestic growers and handlers to assure adequate supplies, orderly marketing, and reasonable prices.
4. There is conclusive evidence that an increase in the volume of imports at the time of normal supply-demand conditions results in a disproportionate depressing of prices to domestic producers.

(*b*) H.R. 11970 provides no specific and adequate means by which the economic interests of industries, falling within the purview of the amendment, can be adequately provided for.

(*c*) Section 212 of H.R. 11970 is clearly designed to promote the interests of agricultural industries exporting or expecting to export to the EEC. On the other hand, H.R. 11970 contains no such adequate safeguards for industries which conceivably might suffer substantial damage from imports from the EEC. In fact, section 212 would make possible the elimination of U.S. tariffs on imported EEC agricultural products whenever such action would assure the maintenance or expansion of U.S. agricultural exports. Because EEC agricultural exports to the United States are likely to be composed, in large part, of products such as filberts, walnuts, cherries, wine, olives, figs, lemon concentrate, and other specialty products included within the purview of this amendment, it can be argued that these commodities might likely become the "pawns" by which agricultural export interests are promoted.

(*d*) Extension of the EEC to include countries such as Spain and others of the Middle and Near East, either as full or associate members, and the use of section 251 (most-favored-nation principle) could, as H.R. 11970 is now drafted, result in very substantial increases in U.S. imports of products included within the scope of the proposed amendment.

(*e*) As indicated, the amendment would not preclude continued or even increased imports. In emphasizing and encouraging development of international commodity agreements, the amendment recognizes the need for programed,

equitable, and orderly conditions in world markets. Furthermore, this emphasis seems compatible with current proposals of the EEC itself. Thus, the amendment should not inhibit the ability of the United States to negotiate with the Common Market. In fact, in clearly emphasizing the development of international commodity agreements, the amendment might hasten and even facilitate negotiations with the Common Market.

Last March, President Kennedy acted under the escape clause of the Reciprocal Trade Act to raise tariffs on imports of glass products and carpets, because American producers were suffering serious injury from imports. The action was felt mainly in Belgium, from where both products were imported.

Belgium is part of the Common Market, and here retaliation was a joint action by the whole EEC, in the form of a raise in tariffs on imports of five commodities coming chiefly from the United States, namely, two types of plastics, synthetic cloth, varnishes, and water paints.

This miniature trade war should be a lesson to us in regard to our trade with Europe. It not only emphasizes the inevitability of retaliation in trade policies but the fact that we no longer deal with individual countries there.

It is believed that this amendment proposes a much sounder approach to the whole matter of imports, because it directs the President to seek voluntary agreements with other nations, instead of resorting to one-sided protection for one commodity which will certainly mean retaliation against some other commodity.

(*f*) As indicated previously, the crops and products within the purview of the proposed amendment are primarily dependent upon the domestic market for sales of their products. Historically, exports of these commodities have been nominal. Their dependence on the domestic market and the nature of their domestic demand makes it necessary for these industries to have reasonable insulation from the impacts of excessive imports if the industries are to achieve the orderly marketing conditions which State and Federal marketing programs are designed to provide.

The high and fixed investments required and the lengthy production cycle of perennial crops makes the adjustments to lower prices, which could accompany increased imports if U.S. tariffs are lowered or eliminated without concurrent agreements to provide for orderly world marketing, very difficult if not impossible to achieve in the short run.

In most years, large, exportable surpluses of these commodities are available in foreign countries. There is conclusive evidence that when U.S. tariffs are reduced substantially, foreign suppliers react by increasing the volume of their exports to the United States. In the case of most of these products, without commodity agreements, imports could be readily increased to the point where drastic price effects could emerge very quickly.

Large, exportable surpluses of several of these commodities already exist in EEC member countries and in countries now associated with or contemplating union with the EEC. As indicated above, U.S. producers of these products could suffer severe economic effects if our tariffs are lowered or eliminated.

In addition, large quantities of many of these specialty crops are produced outside the EEC, and are frequently processed and packed under unsanitary conditions. The Trade Expansion Act provides that any reduction in tariffs on these products granted to the EEC countries would be extended to other nations under the most-favored-nation principle. Extension of those concessions could have far-reaching impacts on the domestic industries. It seems reasonable that U.S. industries should, under these circumstances, have the protection which EEC countries will themselves have as their common fruit and vegetable policies are implemented.

The adopted fruit and vegetable policies of the EEC contain a variety of devices designed to provide protection to producers in the member countries. Should those policies be administered in a discriminating manner to limit substantially or preclude shipment from their countries to the EEC, it might mean diversion of products to other countries, including the United States. Again, there would be the need for adequate safeguards for the domestic industries against such possibilities.

Several of these products are produced in Communist countries, where trade and price policies are highly unpredictable and need bear no relation to policies and practices in the free world. Should these countries choose to disrupt normal world trading patterns, there could again be the indirect effect of diverting supplies from other countries into the U.S. market.

Adverse economic conditions in one or a few of these industries does, over time, tend to generate adverse economic effects in other agricultural industries and in the economy of the United States generally.

For these reasons, it is necessary that orderly procedures be provided to prevent unregulated and unrestricted imports from disrupting the economy of these industries.

U.S. imports for consumption, fiscal year [1]

[In thousands]

Product	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61
Cherries, natural state.............pounds..	936	376	1,419	2,398	616	766
Cherries, maraschino [2]..............do....	3,059	5,605	5,868	6,594	7,554	6,508
Cherries, sulfured or brine...........do....	1,780	2,916	4,523	3,153	3,324	9,060
	(1,742)	(2,872)	(4,455)	(2,939)	(2,861)	(7,123)
Citrus juice, concentrated.........gallons..	2,919	2,318	303	895	2,696	2,459
	(2,684)	(2,175)	(211)	(645)	(1,021)	([3])
Dates, fresh, dried, prepared or preserved pounds..	40,953	44,194	47,765	35,724	33,608	38,682
Figs, fresh, dried, brine, prepared or preserved..........pounds..	5,433	6,075	4,858	6,112	4,049	5,200
	(531)	(708)	(546)	(331)	(482)	(729)
Fig, paste..........................do....	11,656	10,162	6,596	15,645	16,554	26,333
Filberts, shelled....................do....	4,912	5,848	4,074	6,260	6,499	5,337
	(364)	(332)	(382)	(820)	(566)	([3])
Olives, brine, green, ripe, pitted, stuffed pounds..	13,178	9,754	11,636	12,887	14,032	15,169
Olive oil [4]..........................do....	52,431	44,704	48,730	53,264	53,909	51,129
	(14,726)	(10,610)	(14,282)	(18,207)	(18,028)	(14,354)
Brandy.............................gallons..	1,273	1,436	1,462	1,642	1,823	1,786
	(1,032)	(1,169)	(1,140)	(1,315)	(1,473)	(1,420)
Dessert wine.........................do....	738	776	765	747	765	802
	(31)	(45)	(51)	(63)	(61)	(71)
Sparkling wine and champagne.....do....	729	759	772	808	927	913
	(668)	(675)	(679)	(690)	(775)	(755)
Table wine...........................do....	3,541	4,065	4,253	4,646	5,377	5,807
	(3,072)	(3,633)	(3,821)	(4,120)	(4,790)	(5,102)
Vermouth............................do....	2,288	2,202	2,504	2,873	3,012	3,241
	(2,278)	(2,189)	(2,488)	(2,850)	(3,001)	(3,215)
Walnuts, shelled................pounds..	12,6[illegible]	4,171	3,299	3,315	5,191	7,108
	(3,045)	(831)	(335)	(460)	(594)	(800)

[1] Data in parentheses are imports from EEC.
[2] Almost exclusively France.
[3] Data on imports from EEC not available.
[4] Calendar year.

[From the Congressional Record, Aug. 3, 1962]

FAILURE OF THE COTTON TEXTILE ARRANGEMENTS DUE TO FALLACIES IN CONCEPT AND ADMINISTRATION: NEED FOR CONGRESSIONAL GUIDELINES—SPEECH OF HON. STROM THURMOND OF SOUTH CAROLINA, IN THE UNITED STATES SENATE

Mr. THURMOND. Mr. President, leaders of the textile industry have recently announced that the Geneva Agreement for the control of cotton textile imports is working very badly and that the Government is failing to achieve its announced goal of effective import limits.

When such statements are made by leaders of the industry; it appears to be appropriate to examine the provisions of the short-term cotton textile agreement, the actions taken thereunder, and the provisions of the long-term cotton textile arrangement and the actions which may possibly be taken thereunder.

I have, therefore, examined these documents and have, most regretfully, come to the conclusion that the preesnt problems of market disruption arising on increased imports of cotton yarns and cotton textile products will not be alleviated but will rather be aggravated if the long-term cotton textile arrangement becomes effective on October 1, 1962.

The statements of spokesmen of the cotton textile industry are, indeed, supported by the Government import statistics. Imports of cotton yarn in the first half of 1962 established a record of 17,749,382 pounds. This 6-month volume of imports surpasses the record of cotton yarn imports for any entire year in the past.

Imports of cotton cloth for the 8 months commencing on the effective date of the short-term agreement, excluding imports from Japan, reached 87 percent

of the fiscal 1961 base on which the short-term cotton textile arrangement was supposed to be effective in the limitation of imports for the period from October 1, 1961, to September 30, 1962. Imports from Japan which, under a bilateral agreement negotiated by our State Department, are limited to 275 million square yards for the calendar year 1962 had, by the end of May, already exceeded the expected 5-month level by 41 million square yards.

Acting under the short-term cotton textile agreements, our Government has successively initiated actions with seven or eight foreign countries to restrain and limit the imports coming into this country in excess of the level established in the short-term agreement.

But the short-term agreement expires September 30, 1962, and the excessive imports of cotton textiles, against which our Government is now taking action against various countries successively will become the base or the floor for cotton imports on October 1, 1962, if the long-term arrangement becomes effective.

This situation prompts me to present a review here of some of the steps which have been taken by Members of Congress and leaders of the industry in bringing the problems of the textile industry on imports to the attention of the administration and a further review of the actions taken by the administration in recognition of the urgent need to correct these problems.

Misconceptions concerning the effectiveness of the short-term cotton textile agreement and the long-term cotton textile arrangement have, unfortunately, been current in the industry, and, indeed, among some Members of the Congress because of exaggerated reports as to the effectiveness of the purported controls on cotton textile imports established by international trade negotiations.

We are now at a time when the Congress has before it a Trade Expansion Act which basically accepts the theory that international trade can best be governed by international trade agreements. It, therefore, is extremely important now to consider the degree to which our State Department has been effective in negotiating international trade agreements relating to cotton textile imports.

Early in 1961, a number of Members of the House of Representatives and a group of Senators, with whom I was pleased to associate myself addressed communications to the President calling attention to the long-continued distress of our domestic textile industry which in recent years has resulted in a tremendous liquidation of textile mills and the loss of several hundred thousand jobs in such mills.

Thereafter, the President appointed, on February 16, 1961, a committee of Cabinet members headed by Secretary of Commerce Luther H. Hodges which, in due course, made a study of the textile import problem and reported to the President. On May 2, 1962, the President announced a 7-point program for the alleviation of the serious problems of the textile industry. At that time the President stated:

"The problems of the textile industry are serious and deep rooted. They have been the subject of investigation at least as far back as 1935, when a Cabinet committee was appointed by President Roosevelt to investigate the conditions in this industry. Most recently these problems were the subject of a special study by the Interdepartmental Committee headed by Secretary of Commerce Luther H. Hodges. I believe it is time for action.

"It is our second largest employer. Some 2 million workers are directly affected by conditions in the industry. There are another 2 million persons employed in furnishing requirements of the industry at its present level of production. Two years ago, the Office of Defense Mobilization testified that it was one of the industries essential to our national security. It is of vital importance in peacetime and it has a direct effect upon our total economy. All the studies have shown that unemployment in textile mills strikes hardest at those communities suffering most from depressed conditions."

In the sixth point of the President's program he directed the Secretary of State to call a conference of principal textile exporting and importing countries to seek an international understanding to provide a basis for trade which would avoid undue disruption of established industries. Thereafter, Under Secretary of State George W. Ball proceeded to arrange an international trade conference restricted entirely to cotton textiles.

Members of the House and Senate addressed a further communication to the President stating the unanimous opinion of themselves and the industry that the Secretary was proceeding under an erroneous understanding of the nature of the industry and the gravity of the problem. They pointed out particularly

that his plan was restricted to cotton textiles excluding wool, silk, manmade textiles and apparel and was on a basis which would increase exports of cotton textiles from Japan to the United States and would assure every country of an automatic annual increase of textile exports to the United States.

Nevertheless, the Department of State proceeded with an international conference in Geneva which, in July 1961, brought forth the short-term cotton textile arrangement which was duly ratified by the participating nations.

This agreement became effective October 1, 1961, for a period of 1 year. It provided, among other things, that in the event unrestricted imports of cotton textiles were causing, or threatening to cause, disruption of the domestic market of an importing nation, that nation might request the exporting nation to restrain "at a specified level not lower than the level prevailing for the 12-month period ending 30 June 1961" its total exports of any category of cotton textiles and further provided that, in the event no agreement was reached within 30 days, the requesting country could decline to accept imports from such exporting nation at a level higher than the level of the said 12-month period. Thus there was introduced into the control of imports of cotton textiles into the United States the base period which has come to be known as the level of fiscal 1961.

Since the short-term agreement became effective, the United States has been compelled to request restraint of exports to the United States by several nations which were exporting goods to this country in excess of the prescribed level. Such restraints on imports are, of course, effective only for the life of the short-term agreement.

As one country was restrained in its exports, it became successively necessary for the United States to apply the restraint to exports from other countries, some of which were undoubtedly increasing their exports to the United States to replace the exports of the restrained country.

The rate of these excessive imports during the term of the short-term cotton textile agreement has already ranged in various categories of cotton textile products from 10 to 1,000 percent above the prescribed level. In one or more cases countries exporting to the United States have shipped cotton textiles into the United States although the country had no record of previous shipments of the commodity which would establish the base level during fiscal 1961. For example, exports of cotton textiles from Mexico to the United States have reached approximaely 150 percent of the base level and Mexico has exported to the United States 897,979 pounds of carded yarn singles for which the country had no base level.

Although the domestic industry did not propose that the 12-month period ending June 30, 1961, be established as the level to which imports could be restrained, that period was fixed in the short-term agreement and the thought has erroneously become prevalent that this base period of fiscal 1961 is also applicable to restraints on cotton textile imports under the long-term arrangement.

The international trade conference which brought forth the short-term cotton textile agreement arranged for the creation of a provisional cotton textile committee to undertake the work of establishing a long-term cotton textile arrangement. This committee concluded its negotiations on February 9, 1962.

The long-term cotton textile arrangement was announced in a press release from the White House press secretary under date of February 15, 1962. On that date, the chairman of the House textile conference group, Hon. Carl Vinson of Georgia, addressed a communication to the President in behalf of that group in which he stated:

"Although we have not yet seen the actual text of the international cotton textile arrangement concluded at Geneva on February 9, 1962, we understand that the United States will hold the level of imports of cotton textile products for a 5-year term at virtually the present level."

This communication also expressed the hope that the administration would move promptly on wool, manmade fiber, silk, and other textile fibers, and requested confirmation of the understanding of the arrangement expressed in the first paragraph of the letter which is above quoted.

The communication quoted above was, as noted therein, written without the benefit of detailed examination of the text of the long-term cotton textile arrangement but was based on reports made by representatives of the State Department.

In reply to this letter the President, under date of February 26, 1962, addressed a communication to the Honorable Carl Vinson in which he said, among other things:

"All cotton textile products are now covered by a special international agreement reached at Geneva on July 17, 1961, authorizing the limitation of imports to the level of the 12 months ending June 30, 1961. This agreement expires September 30, 1962. The long-term agreement, which was just negotiated, will continue the same level of imports, with minor adjustments, for an additional 5 years."

The impression given to the President and to the Members of Congress as stated in these communications has prevailed in the industry, but is not borne out by the provisions of the long-term cotton textile arrangement which definitely does not establish the fiscal year ended June 30, 1961, as a base period level to which total cotton textile imports into this country may be restrained.

On the contrary, it provides, in annex B, that:

"The level below which imports or exports of cotton textile products causing or threatening to cause market disruption may not be restrained under the provisions of article 3 shall be the level of actual imports or exports of such products during the 12-month period terminating 3 months preceding the month in which the request for consultation is made."

In other words, if the United States acted at the earliest possible moment under the long-term arrangement—namely, on the day on which it may become effective, October 1, 1962—then the level below which imports of cotton textiles from any country in any category could not be restrained would be the volume of such imports for the year which ended June 30, 1962. Under this formula there is no possibility that the volume of imports in the year ending June 30, 1961, may be established as the limit of such imports into the United States. This is not, as apparently represented to the President, to the Congress and to the industry, the same level of imports which is established in the short-term cotton textile agreement.

The result is that the exporting nations which have, during the period of the operation of the short-term cotton textile agreement, shipped excessive quantities of cotton textiles into the United States have established for the period ending June 30, 1962, a higher base level below which their imports may not be restrained under the long-term cotton textile arrangement.

Thus, the long-term cotton textile arrangement gives the benefit of a premium of increased allowable imports to the nations which have shipped excessive exports to the United States during the short-term cotton textile agreement.

In the foregoing discussion, October 1, 1962, has been considered as the effective date of the long-term cotton textile arrangement. It is of utmost importance now to realize that this arrngement has not yet been executed and that it will not become effective unless the participating nations ratify it before October 1, 1962, and may not become then effective.

Under the provisions of article 12, a majority of the ratifying nations at a meeting called 1 week prior to October 1, 1962, may postpone the effective date. Such postponement may be for a definite or indefinite period. A majority of the participating nations, by postponing the effective date for any reason satisfactory to them, may force renegotiation of the arrangement. Thus, if a mapority of the nations are dissatisfied because of any action which may be taken on the section 22 case to impose an equalization fee to offset the cost to the U.S. mills of the differential in raw cotton costs adverse to domestic mills, on the OEP application under the national security provisions of the Trade Agreements Extension Act, on H.R. 11970, or any escape-clause case, or for any other reason, they may nullify the arrangement by postponing indefinitely the effective date.

There have been some indications of reluctance on the part of some nations to ratify the long-term cotton textile arrangement. M. Maurice Brasseur, Foreign Trade Minister of Belgium, in a public statement made in connection with the action of the President in restoring certain duties on glass and carpet products, has rather pointedly noted that Belgium has not ratified either the results of recent GATT negotiations or the long-term cotton textile arrangement. Various interests of Japan have been quoted in the press indicating that Japan may not ratify the long-term cotton textile arrangement if this country takes action eliminating or reducing the dual price system on cotton which establishes a differential for the benefit of foreign producers.

Even after ratification of the long-term cotton textile arrangement, any participating nation may withdraw on 60 days' notice for any reason satisfactory to itself.

After the United States has taken action, under the long-term cotton textile arrangement, to restrain exports to the Unied States of cotton textiles in any

category from another participating nation to the level of the first 12 months of the 15 months preceding such request by the United States, the exporting nation remains unrestrained on its exports of cotton textiles in other categories. The exporting nation may thus increase the total volume of its exports of cotton textiles to the United States although restrained to a degree on exports of the commodities in one or more categories.

Restraint on the export of cotton textiles in any category by one exporting nation has no effect whatsoever on the exports of other nations shipping the same commodities to the United States. Thus, if country A is restrained in shipping its production of commodity X into the United States, then country B may ship without restraint any quantity of commodity X until the United States takes action to restrain it to the prescribed level. The result is that there is no practical control on the total volume of cotton imports into the United States.

Only by successive actions based on excessive imports in each category can the total volume of exports from any single country to the United States be restrained. Only by successive actions against every exporting country on every category can the total volume of cotton textile imports into the United States be restrained. A more impractical method of restrain would be difficult to imagine.

Even after restraint has been imposed on exports of certain cotton textile commodities by a participating nation to the United States, that nation may, after the expiration of 2 years, increase its exports to the United States in such commodities by 5 percent annually. Thus, the volume of exports which may have caused disruption of our domestic market becomes the basis after 2 years for a 5-percent annual increase in imports into the United States, notwithstanding the condition of our domestic market.

One of the avowed purposes of the State Department in entering into international trade conferences for the control of trade in cotton textiles was to secure access to European markets for Japan and the less-developed nations. Many of the participating nations still maintain quotas, require licenses, and otherwise restrict or prohibit exports from Japan and less-developed nations into their markets.

In the short-term cotton textile arrangement, paragraphs E and F of article I provide that countries maintaining quantitative restrictions on cotton textile imports shall, as from January 1, 1962, significantly increase access to their markets by countries, the imports of which were restricted when the arrangement became effective. Paragraph E provides "A specific statement of the new access will be forthcoming."

No such action significantly increasing access to their markets for Japanese cotton textiles has yet been taken by European nations.

In the long-term cotton textile arrangement, article 2 provides that countries applying import restrictions to cotton textiles from other participating nations shall increase access to their markets for such cotton textiles by percentages applied to their 1962 quotas to be set forth in annex A to the arrangement.

Annex A to the long-term cotton textile arrangement as published by our Government on February 15, 1962, contains only the statement:

"The percentages in this annex will be communicated in due course."

So far as is known, such percentages of increased access to the restricted European markets have not yet been published.

It is significant that, notwithstanding the percentages by which volume of imports to such European markets may be increased over their 1962 quotas, there will, nevertheless, remain quota limitations on the total volume of imports from Japan and less-developed nations to such European markets.

The United States operates under the most-favored-nation clause and extends to Japan and, indeed, to all countries of the world except those dominated by international communism, the same rates of duty and the same freedom of access to its markets which it extends to European nations.

The exclusion of textile products from Asia by European nations increased the pressure on the United States to absorb the exportable surpluses of such low-wage countries. This is a burden which the textile industry of the United States cannot indefinitely endure and survive.

A subcommittee of the Senate Committee on Interstate and Foreign Commerce, now the Committee on Commerce, after extensive hearings and study of the textile problem, has recommended that the survival of the domestic industry depends upon the establishment of flexible quotas on textile imports. It is a serious question whether the United States can continue to avoid the establishment of quotas on imports so long as European nations maintain quotas

against Asiatic textiles, even though such quotas may be increased by some percentages.

Mr. President, let me point out the situation in which the United States will find itself in the weeks from now to October 1, 1962.

First. The pending case under section 22 for the establishment of an equalization fee to remove from domestic producers the burden of the dual-price system on cotton may remain undecided, as it has remained for more than 6 months.

Second. The application to the Office of Emergency Planning under the national security provisions of the Trade Agreements Extension Act which has been pending for more than a year may remain undecided.

Both of these cases are still pending, although the President in his letter of February 26, 1962, stated that he had already requested the Tariff Commission to complete its investigation on the section 22 case and to report as soon as practical, and was requesting the Office of Emergency Planning to make its recommendation without any unnecessary delay.

Third. The U.S. Government, particularly the Members of Congress, will not know until the last week of September 1962 what nations will ratify the long-term cotton textile arrangement and whether the nations which may ratify it will, by a majority vote, determine to postpone the effective date.

Fourth. The Congress will, in this period of time, take final action on H.R. 11970.

In view of the ineffectiveness of the negotiations to control cotton textile imports by international trade agreements, there is a serious question as to the extent to which Congress should, in the Trade Expansion Act, authorize the President, acting through the State Department, to negotiate international trade agreements governing imports into the United States, without clearly established criteria, guidelines, and safeguards for American industry.

The short-term and the long-term cotton textile arrangements emphasize the need for the establishment by the Congress of a measure of control over international trade agreements, in order that the purpose and the intent of Congress may be respected and the industries and labor of this country may be safeguarded.

On August 2, a number of amendments to H.R. 11970 were submitted to the Senate by a group of Senators with whom I had the privilege of joining. These amendments would provide the guideline for trade policy, the lack of which has so often proved the undoing of American workers and industries. These amendments would accomplish the retention of the peril-point procedure and the escape-clause procedure. I commend these amendments to the careful study and consideration of Members of the Senate and to all other persons who have an interest in accomplishing an effective trade program.

Mr. President, I ask unanimous consent that a series of documents identified as exhibits, A–L, to which I have made reference, be printed in the Record at the conclusion of my remarks.

(There being no objection, the documents were ordered to be printed in the Record, as follows:)

EXHIBIT A

THE AMERICAN COTTON MANUFACTURERS INSTITUTE, INC.,
CHARLOTTE, N.C., *July 25, 1962.*

To ACMI Members.

GENTLEMEN: Official U.S. Government import statistics now show clearly that the Geneva arrangements for the control of cotton textile imports is working very badly. Furthermore, because current imports under the 1-year arrangement which ends September 30 will enter into the rolling base level for the 5-year arrangement which begins in October, it is clear that our Government must take strong and prompt action if its announced intention to effectively limit cotton products imports is to be achieved.

In recent weeks, your officers, staff, and a number of industry executives have been in virtually constant contact with policymaking officials in the White House and the executive departments concerned as well as with textile leaders in the Congress on this matter, and these activities are continuing.

LARGE EXCESS IMPORTS UNDER GENEVA ARRANGEMENTS

The short-term Geneva arrangement limiting cotton textile imports covers the period October 1, 1961–September 30, 1962. Import statistics are now available

on the first 8 months of the arrangement—that is, through May 31. Imports from all countries (excluding Japan, which is separately calculated) in the first 8 months of the Geneva short-term arrangement reached 91 percent of the annual base. Put another way, imports by the end of May under the arrangement were already as high as they should have been by the end of August. Clearly, therefore, the Government is failing in its objective to hold imports during the short-term arrangement year "at or about the level reached in the 12 months ending June 30, 1961," the base period for the short-term arrangement.

Imports of cotton textiles from Japan are governed by the United States-Japan bilateral arrangement for the calendar year 1962. Under this arrangement, Japan is limited to 275 million square yards for the present calendar year. By the end of May, Japan had already exceeded the expected 5-month import level by 41 million square yards. Obviously here, too, the Government is failing to achieve its announced goal of effective import limits.

Examination of the detailed import data figures shows clearly that the worst violations of the import arrangements are occurring in those categories of products like yarn and heavy fabrics where the cotton cost differential is most important.

This makes it all the more difficult to understand why the Tariff Commission decision in our section 22 case has been so long delayed. The record on this case closed in March. Imposition of the offset import fee on cotton textiles equivalent to the raw cotton export subsidy rate would cut back imports substantially and make it much easier to administer the Geneva and Japanese arrangements.

It is even more difficult to understand why the Office of Emergency Planning continues to delay a decision in our national security case, which has been pending since last October. If the Office of Emergency Planning found that the level of imports is threatening our national security—and the textile case is the most thoroughly documented ever presented under this provision of the trade agreements law—the President would immediately have the authority to impose import quotas on cotton products, without regard to the Geneva long-term arrangement, which has not yet been ratified. Furthermore, such a finding by the Office of Emergency Planning would immediately clothe the President with the power to cut back the excessive imports of woolens, manmade fiber and silk textiles, which are currently completely uncontrolled.

Meanwhile the Congress continues to grapple with the question of foreign trade policy. The scene of activity has now shifted from the House to the Senate, particularly to the Senate Finance Committee of which Senator Byrd of Virigina is chairman.

The committee began hearings on the House-approved trade expansion bill on Monday with Secretary of Commerce Luther H. Hodges as the leadoff witness.

Other Cabinet officers are among about 100 witnesses scheduled to be heard by mid-August. Under Secretary of State George Ball, reportedly will appear on behalf of Secretary Dean Rusk.

Textile industry representatives are in Washington this week for a series of conferences with Senate leaders and executive department officials regarding the textile import situation in relation to trade legislation.

Every step open to the industry is being explored in the continuing effort to obtain a successful solution to the textile import problem.

Sincerely,

R. DAVE HALL,
President.

EXHIBIT B

[From the Daily News Record, July 23, 1962]

NEW BASE LEVELS FOR IMPORTS DUE IN LONG-RANGE PACT

(By Dick Gorrell)

WASHINGTON.—Existing restraints on seven countries exporting textiles to the United States and the import base levels established under the short-term international textile and apparel arrangement will be scrapped when the long-term arrangement takes effect.

Furthermore, the provisions of the long-term arrangement are such that imports in excess of the present short-term base level will build bigger import quotas under the long-term arrangement.

The arrangement sets the base at the level of imports reached during the first 12 of the 15 months preceding the date of call for restraints.

Thus, a call for restraint on the first day of the long-term arrangement (scheduled to go into effect October 1) would make the base July 1, 1961–June 30, 1962.

Twenty-two of the sixty-four categories in the short-term arrangement were over base level at the end of May.

These 22 categories, therefore, already have larger base levels under the long-term arrangements than they have under the short-term arrangement. The current 1-year arrangement fixed the base of imports at the level they achieved in fiscal year 1961.

The higher base level already achieved by the 22 categories are in addition to the 5-percent yearly increase built into the long-term arrangement.

The categories in excess, quantity of imports through May, and percentage of base, are—

Carded yarn, singles: 17,028,820, pounds, 196 percent.
Combed yarn, piled: 582,979 pounds, 270 percent.
Corduroy: 28,153 square yards, 168 percent.
Carded sheeting: 97,829,752 square yards, 104 percent.
Poplin and broadcloth, combed: 2,234,931 square yards, 140 percent.
Other printcloths, shirting, carded: 790,778 square yards, 532 percent.
Shirting not otherwise specified, carded: 333,480 square yards, 133 percent.
Twill and sateen, carded: 18,872,720 square yards, 105 percent.
Pillowcases, plain, carded: 1,223,686 units, 404 percent.
Pillowcases, plain, combed: 26,830 units, 117 percent.
Towels other than dish towels: 29,011,247 units, 112 percent.
Sheets, carded: 36,351 units, 651 percent.
Braided and woven elastics: 79,621 pounds, 107 percent.
Knitshirts, except T-shirts and sweatshirts: 516,996 dozens, 125 percent.
Men's and boys' dress shirts, not knit: 363,185 dozens, 119 percent.
Men's and boys' workshirts, not knit: 16,065 dozens, 252 percent.
Raincoats, three-quarter length or over: 55,384 dozens, 104 percent.
Men's and boys' trousers, outer: 850,496 dozens, 111 percent.
Women's, misses', and children's trousers: 760,150 dozens, 181 percent.
Men's and boys' briefs and undershorts: 102,589 dozens, 147 percent.
Drawers, shorts, briefs, except men's and boys': 244,733 dozens, 1,042 percent.
Other knit or crocheted clothing: 497,185 pounds, 114 percent.

Total imports of cotton textiles and apparel through May were 91 percent of base.

Commerce Department officials say that imports have slowed down since then because of restraints imposed on seven countries—Israel, Hong Kong, Portugal, Colombia, Egypt, Spain, and Taiwan.

These seven countries accounted for about 70 percent of the 514 million square yards shipped in by all countries, excluding Japan, through May. Hong Kong alone sent in 221 million square yards to hit 109 percent of its base.

The restraints were imposed on these categories:

Carded yarn, singles (Egypt, Colombia, Taiwan, Israel, Portugal).
Carded ginghams (Hong Kong).
Combined ginghams (Portugal).
Carded sheetings (Hong Kong and Portugal).
Carded twill and sateen (Hong Kong).
Yarn-dyed fabrics, except ginghams combed (Portugal).
Carded fabrics not otherwise specified, carded (Hong Kong).
Knitshirts, except T-shirts and sweatshirts (Hong Kong).
Sweaters and cardigans (Hong Kong).
Raincoats, three-quarter length or over (Hong Kong).
Men's and boys' briefs and undershorts (Spain).
Drawers, shorts, and briefs, except men's and boys' (Spain).

These restraints will have to be renewed if they are to be effective under the long-term arrangement, and thereby hangs another problem: Restraints cannot be imposed at a moments' notice. Consultations can run up to 60 days. "Critical circumstances" such as acute market disruption can bring the time down to about 3 to 10 days.

Commerce officials, however, are concerned about the possibility that some restrained goods are poised to come flooding into the United States as soon as the long-term agreement takes effect.

Considerable time would elapse before Government officials could find out about such a surge because there is a statistical reporting lag on imports.

The lag, at the extreme, could be 4 to 8 weeks, and this is the hole in the dike through which some countries may try to pass a flood of imports.

The United States, however, can avoid such a sudden surge of imports from the base because of the 3 months' difference between the date of a call for restraints and the end of the 12-month base such a call would create.

For example, if a country had sent in 10 units each month of its 12-month base, its quota would be 120 units.

Should the country then dramatically increase its imports and send in 270 units in the next 3 months, the United States could call for restraints and exclude the 270 units from the base.

Thus, the 120-unit base would apply and the exporting country's 8 months' shipments would have filled its quote for 27 months.

EXHIBIT C

[From the Daily News Record, July 27, 1962]

COTTON YARN IMPORTS IN HALF TOP ANY YEAR—17,497,382 POUNDS COME INTO COUNTRY DURING FIRST 6 MONTHS, TOPPING 1960 12-MONTH RECORD OF 15,140,680 POUNDS—VALUE, AT $9,015,578, ALSO TOPS ANY YEAR

(By Michael Lipman)

NEW YORK.—U.S. cotton yarn imports for the first half of 1962 established a record of 17,497,382 pounds surpassing any yearly imports in the past, according to figures compiled from Department of Commerce reports.

The latest mark eclipses the former record set in 1960 for 15,140,680 pounds. Last year imports fell to 13,904,620 pounds.

The volume mark comes just 1 month after a dollar value for a yearly period was established at $7,631,284, topping the 1960 record of $7,426,471.

Imports in June accounted for 2,831,535 pounds worth $1,384,294, raising the latter total for 1962 to $9,015,578.

Statistics list import totals for immediate consumption or for entry into bonded warehouses, according to two major categories: (1) Noncolored, noncombed, nonplied, and (2) bleached or dyed, single or plied, carded and combed.

The bulk of volume—1,961,277 pounds and better than half the import value in June, $881,299, came under the former category, as has been the case since imports became so prominent.

Portugal alone shipped almost 8,500,000 pounds of yarn for the first 6 months, worth $3,937,398. In the noncolored, noncombed, nonplied category, Portugal accounted for about 6.75 million pounds, worth slightly over $3 million.

Yarn imports for June 1962

	Pounds	Worth
Nonbleached, noncolored, noncombed, or nonplied:		
Mexico	100,394	$41,501
Colombia	426,520	183,349
France	156,963	73,701
Portugal	227,724	106,020
Lebanon	6,979	2,909
Israel	239,419	108,235
Taiwan	310,000	137,687
Egypt	493,278	227,897
Total	1,916,277	881,299
Bleached or dyed, single and carded: Israel	7,225	3,786
Total	7,225	3,786
Bleached or dyed, single and combed:		
Colombia	7,114	9,408
United Kingdom	88	751
Belgium	4,101	4,923
France	1,000	1,319
Switzerland	12,497	23,132
Portugal	179,405	96,204
Greece	110,368	61,589
Israel	7,885	3,944
Egypt	211,402	123,717
Total	544,260	324,987
Bleached or dyed, plied and carded:		
Mexico	22,872	8,941
Colombia	1,571	723
East Germany	19,606	8,132
Portugal	72,047	30,430
Egypt	17,502	81,845
Total	290,598	130,121
Bleached or dyed, plied and combed:		
Colombia	15,401	9,532
United Kingdom	3,578	13,641
France	124	264
Switzerland	8,752	20,390
Italy	320	274
Total	28,175	44,101
Cumulative total	2,831,535	1,384,294

Exhibit D

[From the Daily News Record, July 16, 1962]

The Pulse of the Market—Cotton Cloth Imports Hit 87 Percent of Geneva Quotas in 8 Months

(By Sig Scheier)

New York.—U.S. imports of cotton fabrics during the first 8 months of the Geneva short-term quota agreements reached 87 percent of the total recorded during fiscal year 1961, according to figures compiled from Commerce Department reports.

Total yardage of cottons received by the United States from the nations covered by the Geneva agreement is 211.6 million yards from October 1, 1961, through May 31, 1962. This compares with 243.3 million yards imported from these nations during the base period July 1, 1960, through June 30, 1961.

These figures are exclusive of imports from Japan, which are covered in a separate agreement with the United States. Imports from Colombia, totaling 723,000 yards during the 8-month period, are also not included in the overall total because base year figures are unavailable.

Imports during May from the countries covered by the base year quotas totaled 26.3 million yards. Hong Kong continued as the leading shipper with 9.6 million yards in the latest month, followed by Taiwan with 3.7 million, Portugal with 3.5 million, and France with 2.4 million yards.

Three nations with substantial quotas have already exceeded their base year figures: Hong Kong with an excess of 76 percent to date, Portugal up 17 percent over the base, and Belgium-Luxembourg up 15 percent. In addition, Yugoslavia has already exceeded its base period tenfold, but the original figure was insignificant.

The Hong Kong overfulfillment included 63.1 million yards of carded sheetings in 8 months, against 34.3 million yards during fiscal 1961. Other categories which have been heavily exceeded by that country are carded twills and sateens, with 15.2 million yards against 13.7 million base, and miscellaneous carded fabrics imports at 30.4 million against 10.5 million base.

Fabric categories exceeded thus far by Portugal are combed ginghams with 3.7 million yards, compared with 1.7 million imported in the base period; carded sheetings with 5.3 million, up from 4 million; combed yarn-dyed cloths other than ginghams, with 1.7 million against 510,000, and miscellaneous carded fabrics with 1.7 million yards, against 1 million. However, carded ginghams and other yarn-dyed cloths are substantially off from the base period, so that the rise in combed colored yarn goods mostly represents a shift from carded to combed types.

Excess shipments from Belgium and Luxembourg result in a cumulative total of 3.2 million yards of miscellaneous carded cottons, up from 1.9 million in the base period. Yugoslav shipments consisted of 262,000 yards of carded sheetings, against none in the base period, and 316,000 yards of miscellaneous carded cloths, against 55,000 base.

All figures in the accompanying table are general imports by the United States, which includes all goods received, whether for consumption here, warehousing, or reexport. Other imports previously reported for May comprised only cottons for domestic consumption.

U.S. general imports of cotton fabrics, square yards, under short-term Geneva agreement

Country of origin	Fiscal 1961 quota base	May 1962	Cumulative October 1961 to May 1962
Hong Kong	64,888,178	9,595,490	114,272,027
United Arab Republic, Egypt	26,007,235	869,272	5,624,382
India	23,450,070	1,201,821	12,403,929
France	22,321,719	2,378,778	17,507,908
Spain	19,239,646	268,628	4,619,159
Taiwan	14,817,857	3,678,571	12,004,814
Portugal	14,096,394	3,466,150	16,440,968
Pakistan	13,129,358	1,082,840	4,332,764
Republic of Korea	10,316,813		1,596,459
Italy	7,189,020	569,968	4,717,471
West Germany	5,803,592	948,074	3,545,284
Switzerland	3,752,926	269,923	2,129,755
United Kingdom	3,098,041	279,267	2,141,674
Belgium and Luxembourg	3,489,847	683,167	4,015,596
Netherlands	3,234,552	540,778	2,824,947
Austria	2,053,373	252,536	1,630,536
Mexico	1,456,095	33,841	431,629
Brazil	1,323,739	2,847	135,464
Canada	1,025,622	126,959	329,046
Trinidad and Tobago	8,570,453	18,921	137,241
Yugoslavia	55,439	51,389	577,749
All others	1,035,850	6,351	135,797
Grand total	243,251,019	26,320,151	211,544,599

EXHIBIT E

[From the Daily News Record, July 31, 1962]

UNITED STATES ASKS SOME EXPORT RESTRAINTS BY MEXICO—ACTION IS ASKED ON SOME CATEGORIES OF COTTON GOODS IMPORTED INTO UNITED STATES—MEXICO SHIPS 157 PERCENT OF BASE LEVEL BEFORE MOVE BY WASHINGTON

(By Dick Gorrell)

WASHINGTON.—Mexico has been asked to restrain certain categories of imports to the United States, it was learned here Monday.

The Mexican Embassy confirmed the report. "There is something to it," a spokesman said.

Mexico had shipped in at least 5,667,409 square yard equivalents of cotton goods, or 157 percent of its base level under the international short-term arrangement, before the United States acted.

U.S. officials charged with administering the agreement, which millmen say is working very badly, refused to confirm or deny the report.

The Mexican Embassy would not say what categories the United States had asked to be restrained.

Mexico exports to this country 7 of the 22 categories which had exceeded base level at the end of May.

Two of these categories, carded yarn singles and carded sheetings, had reached significant levels at the end of May. Carded yarn singles imports from Mexico, for which the country has no base, had reached 897,979 pounds. Carded yarn sheetings had reached 319,740 square yards, or 78 percent of base.

Mexico is the eighth country asked to restrain imports under the short-term agreement.

Hickman Price, Jr., the Commerce Department's Assistant Secretary for Domestic Affairs and chairman of the Interagency Textile Administrative Committee, was in an interdepartmental meeting and unavailable for comment. He turned aside a reporter's attempt to question him before the session started.

Reports that France, too, had been asked to restrain her imports and that Jamaica had been warned, were not confirmed.

The French Embassy said that if the United States has plans to ask for restraints, it was unknown to Embassy officials, and it doubted the report.

An Embassy spokesman said that as a practical matter U.S. officials were watching, with both eyes the levels of imports from Hong Kong, India, Spain, Portugal, and other low-wage areas. All the countries mentioned, except India, have been placed under restraint.

France had reached 77 percent of her base level at the end of May. France's cotton textile exports to the United States amounted to 22,238,013 squard yard equivalent.

A British Embassy official said that he had heard of no U.S. action toward Jamaica, since Government officials visited the island in June.

The official, who said he had been in frequent contact with the State Department since then, was asked about the report of restraints on Mexico and France.

"Until the official list is published, one doesn't know who has been asked, one just knows that people are being asked," he said.

Washington sources said after the Jamaica visit that there was little likelihood of Jamaica being asked to restrain cotton textile imports unless the May figures showed a variance of trend. From April to May Jamaica had gone from 58 percent of its base to 67 percent. Through the first 8 months of the short-term agreement Jamaica had sent in 5,658,987 square yard equivalent.

EXHIBIT F

U.S. SENATE,
COMMITTEE ON APPROPRIATIONS,
June 22, 1961.

THE PRESIDENT,
The White House.

MR. PRESIDENT: On Monday Members of Congress met with Mr. Ball and received their first information on the details of the Under Secretary of State's proposed international negotiations on certain textile products. Our feeling is unanimous that the Under Secretary is proceeding on the basis of an erroneous understanding as to the nature of the industry, and of the gravity of the textile and apparel import problem. It is the considered opinion of all of us in the Senate and House alike that Mr. Ball's program will insure the continued deterioration of the U.S. industry.

The State Department's plan has several basic defects which doom it to failure. These are (a) it pertains solely to cotton textiles, and excludes wool, silk. and manmade fiber textiles and apparel; and (b) it is built on the 1960 level of imports except for a possible 30-percent rollback for Hong Kong; would increase Japan's exports to the United States, and assure every country an automatic annual increase in export potential of all textiles and apparel to the United States.

Your seven-point program for the textile industry, as we understood it here in the Congress, was forthright and included all of the industry's products. Mr. Ball has indicated that he considers it impossible to negotiate an international understanding on that basis. In effect, Mr. Ball has come to the conclusion that he cannot discharge the directive contained in point 6 of your May 2 announcement. We in the Congress prefer your program to the Under Secretary's.

Members of Congress in both Houses have followed carefully your public statements concerning your intentions in behalf of the textile industry. We understood you to mean that you were determined to achieve an overall solution of the industry's problems. In all candor, Mr. President, we must respectfully advise you of our considered opinion that Mr. Ball has devised a piecemeal and entirely inadequate program which is not in accord with your own pronouncements, and which can succeed only in embarrassing the administration in its programs relating to trade.

If you are convinced, Mr. President, that Mr. Ball's program is the only one that can be attempted, it is our advice that it would be better to abandon the effort now. His program leads to no real solution and will only compound the injury which we in the Congress feel must be remedied. We know that this is also your objective.

Sincerely and respectfully,

John J. Sparkman, Lister Hill, Alabama; John L. McClellan, Arkansas; Prescott Bush, Connecticut; Herman E. Talmadge, Richard B. Russell, Georgia; Everett M. Dirksen, Illinois; Homer E. Capehart, Indiana; Frank Carlson, Kansas; Edmund S. Muskie, Maine; J. Glenn Beall, John Marshall Butler, Maryland; Leverett Saltonstall, Benjamin A. Smith, Jr., Massachusetts; James O. Eastland, John Stennis, Mississippi; Lee Metcalf, Montana; Styles Bridges, Norris Cotton, New Hampshire; Clifford P. Case, New Jersey; Kenneth B. Keating, New York; B. Everett Jordan, Sam J. Ervin, Jr., North Dakota; Milton R. Young, North Dakota; Hugh Scott, Pennsylvania; John O. Pastore, Claiborne Pell, Rhode Island; Strom Thurmond, Olin D. Johnston, South Carolina; Karl E. Mundt, South Dakota; George D. Aiken, Winston L. Prouty, Vermont; A. Willis Robertson, Virginia.

Exhibit G

President's Seven-Point Program of May 2, 1961

Office of the White House
Press Secretary,
The White House.

The President today announced a program of assistance to the U.S. textile industry, designed to meet a wide range of the problems it faces as a result of rapid technological change, shifts in consumer preference, and increasing international competition. The program was developed by the Cabinet Committee, headed by Secretary of Commerce Luther H. Hodges, which was formed by the President on February 16, 1961.

In announcing the program, the President said: "The problems of the textile industry are serious and deeprooted. They have been the subject of investigation at least as far back as 1935, when a Cabinet committee was appointed by President Roosevelt to investigate the conditions in this industry. Most recently these problems were the subject of a special study by the interdepartmental committee headed by Secretary of Commerce Luther H. Hodges. I believe it is time for action.

"It is our second largest employer. Some 2 million workers are directly affected by conditions in the industry. There are another 2 million persons employed in furnishing requirements of the industry at its present level of production. Two years ago, the Office of Defense Mobilization testified that it was one of the industries essential to our national security. It is of vital importance in peacetime and it has a direct effect upon our total economy. All the studies have shown that unemployment in textile mills strikes hardest at those communities suffering most from depressed conditions.

"I propose to initiate the following measures:

"First, I have directed the Department of Commerce to launch an expanded program of research, covering new products, processes, and markets. This should be done in cooperation with both union and management groups.

"Second, I have asked the Treasury Department to review existing depreciation allowances on textile machinery. Revision of these allowances, together with adoption of the investment incentive credit proposals contained in my message to the Congress of April 20, 1961, should assist in the modernization of the industry.

"Third, I have directed the Small Business Association to assist the cotton textile industry to obtain the necessary financing for modernization of its equipment.

"Fourth, I have directed the Department of Agriculture to explore and make recommendations to eliminate or offset the cost to the U.S. mills of the adverse differential in raw cotton costs between domestic and foreign textile producers.

"Fifth, I will shortly send to the Congress a proposal to permit industries seriously injured or threatened with serious injury as a result of increased imports to be eligible for assistance from the Federal Government.

"Sixth, I have directed the Department of State to arrange for calling an early conference of the principal textile exporting and importing countries. This conference will seek an international understanding which will provide a basis for trade that will avoid undue disruption of established industries.

"Seventh, in addition to this program, an application by the textile industry for action under existing statutes, such as the escape clause or the national security provision of the Trade Agreements Extension Act, will be carefully considered on its merits.

"I believe this program will assist our textile industry to meet its basic problems, while at the same time recognizing the national interest in expansion of world trade and the successful development of less-developed nations. It takes into account the dispersion of the industry, the range of its products, and its highly competitive character. It is my hope that these measures will strengthen the industry and expand consumption of its products without disrupting international trade and without disruption of the markets of any country."

EXHIBIT H

GENERAL AGREEMENT ON TARIFFS AND TRADE—ARRANGEMENTS REGARDING INTERNATIONAL TRADE IN COTTON TEXTILES

The participating countries recognize the need to take cooperative and constructive action with a view to the development of world trade and that such action should be designed to facilitate economic expansion and in particular to promote the development of the less developed countries by providing increasing access for their exports of manufactured products.

They take note, however, that in some countries situations have arisen which, in view of these countries, cause or threaten to cause "disruption" of the market for cotton textiles. In using the expression "disruption" the countries concerned have in mind situations of the kind described in the "Decision of the Contracting Parties" of November 19, 1960, the relevant extract from which is annexed as appendix A to this agreement.

The participating countries desire to deal with these problems in such a way as to provide growing opportunities for exports of these products provided that the development of this trade proceeds in a reasonable and orderly manner so as to avoid disruptive effects in individual markets and on individual lines of production.

I. SHORT-TERM ARRANGEMENT

Pending a long-term solution the participating countries agree to deal with immediate problems relating to cotton textiles through international action designed, at the same time: (i) to significantly increase access to markets where imports are at present subject to restriction; (ii) to maintain orderly access to markets where restrictions are not at present maintained; and (iii) to secure from exporting countries, where necessary, a measure of restraint in their export policy so as to avoid disruptive effects in import markets.

Accordingly the participating countries agree to adopt the following short-term arrangement for the 12-month period beginning October 1, 1961.

A. A participating country, if unrestricted imports of cotton textiles are causing or threatening to cause disruption of its domestic market, may request any participating country to restrain, at a specified level not lower than the level prevailing for the 12-month period ending June 30, 1961, its total exports of any category (see appendix B) of cotton textiles causing or threatening to cause such disruption, and failing agreement within 30 days, the requesting country may decline to accept imports at a level higher than the specified level.[1] In critical circumstances, action may be taken provisionally by either country involved while the request is under discussion. Nothing in this arrangement shall prevent the negotiation of mutually acceptable bilateral arrangements on other terms.

It is intended by the participating countries that this procedure will be used sparingly, with full regard for their agreed objective of attaining and safeguarding maximum freedom of trade, and only to avoid disruption of domestic industry resulting from an abnormal increase in imports.

B. A country requested to restrain its exports to a specified level may exceed the specified level for any category by 5 percent provided that its total exports to the requesting country of the categories of products subject to restraint do not exceed the aggregate for all the categories.

C. If a requesting country determines that a shift in the pattern of imports within any category is producing undue concentration of imports of any particular item and that such concentration is causing or threatening disruption the requesting country may, under the procedure set forth in paragraph A above, request the producing country to restrain its total exports of the said item during 12 months beginning October 1, 1961, to a prescribed level not lower than that which prevailed during the year ending June 30, 1961.

D. Participants agree to take action to prevent circumvention or frustration of this short-term arrangement by nonparticipants, or by transshipment, or by substitution of directly competitive textiles. In particular, if the purposes of this arrangement are being frustrated or are in danger of being frustrated through the substitution of directly competitive textiles, the provisions of paragraph A above shall apply to such goods, to the extent necessary to prevent such frustration.

E. Participating countries presently maintaining quantitative restrictions on cotton textile imports shall, as from January 1, 1962, significantly increase access to their markets by countries, the imports of which are now restricted. A specific statement of the new access will be forthcoming.

F. This short-term arrangement shall be valid for a period of 12 months, beginning on October 1, 1961; however, the provisions of section E above shall enter into force not later than January 1, 1962.

G. In accordance with GATT provisions for joint consultations the parties to this arrangement shall meet as necessary to consider any problems arising out of the application of this agreement. Such consultations could, in particular, take place in the event that a country, the exports of which are under restraint as a result of action taken under paragraph A above, considers that experience shows that the level of restraint is inequitable.

II. LONG-TERM ARRANGEMENT

A. Participating countries agree to create a Provisional Cotton Textile Committee and to request the contracting parties to confirm the esablishment of the Committee at the 19th session.

The committee shall: (1) Undertake work looking toward a long-term solution to the problems in the field of cotton textiles on the basis of the guiding principles set out in the preamble to this agreement; (2) colleet all useful data for this purpose; (3) at an early date, not later than April 30, 1962, make recommendations for such long-term solution.

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[1] In Canada, there is no legislation whereby imports may be limited in a precise quantitative manner as envisaged in this paragraph. The provision available for limiting imports in order to avoid injury or a threat of injury to a domestic industry is contained in sec. 40A(7)(c) of the Customs Act which authorizes the application of special values for duty purposes. Those special values cannot be used to achieve a precise level of imports. Accordingly, the participating countries recognize that, should Canada find it necessary to take action to limit imports pursuant to this arrangement, it would not be in a position to insure that imports would not fall below the minimum level as defined in this paragraph.

B. The discussions and consultations to be undertaken by the Committee on the long-term problem shall be of the kind provided for by the Market Disruption Committee at the 17th session of the contracting parties. The Committee shall, as appropriate, from time to time report to this Committee and to Committee III of the Expansion of Trade Programme on progress made and on its findings.

C. The Provisional Cotton Textile Committee referred to in this article shall meet on October 9, 1961, to initiate consideration of this long-term problem.

Appendix A—Extract from the Contracting Parties' Decision of November 19, 1960

These situations (market disruption) generally contain the following elements in combination: (i) A sharp and substantial increase or potential increase of imports of particular products from particular sources; (ii) these products are offered at prices which are substantially below those prevailing for similar goods of comparable quality in the market of the importing county (sic); (iii) there is serious damage to domestic producers or threat thereof; (iv) the price differentials referred to in paragraph (ii) above do not arise from governmental intervention in the fixing or formation of prices or from dumping practices.

In some situations other elements are also present and the enumeration above is not, therefore, intended as an exhaustive definition of market disruption.

Appendix B—Cotton Textile Categories

List of categories and units of amount

1. Cotton yarn, carded, singles, not ornamented, etc. (pounds).
2. Cotton yarn, plied, carded, not ornamented, etc. (pounds).
3. Cotton yarn, singles, combed, not ornamented, etc. (pounds).
4. Cotton yarn, plied, combed, not ornamented, etc. (pounds).
5. Ginghams, carded yarn (square yards).
6. Ginghams, combed yarn (square yards).
7. Velveteens (square yards).
8. Corduroy (square yards).
9. Sheeting, carded yarn (square yards).
10. Sheeting, combed yarn (square yards).
11. Lawns, carded yarn (square yards).
12. Lawns, combed yarns (square yards).
13. Voiles, carded yarn (sqaure yards).
14. Voiles, combed yarn (square yards),
15. Poplin and broadcloth carded yarn (square yards).
16. Poplin and broadcloth, combed yarn (square yards).
17. Typewriter ribbon cloth (square yards).
18. Print cloth type shirting, 80 by 80 type, carded yarn (square yards).
19. Print cloth type shirting, other than 80 by 80 type, carded yarn (square yards).
20. Shirting, carded yarn (square yards).
21. Shirting, combed yarn (square yards).
22. Twill and sateen, carded yarn (square yards).
23. Twill and sateen, combed yarn (square yards).
24. Yarn-dyed fabrics, except ginghams, carded yarn (square yards).
25. Yarn-dyed fabrics, except ginghams, combed yarn (square yards).
26. Fabrics, n.e.s., carded yarn (square yards).
27. Fabrics, n.e.s., combed yarn (square yards).
28. Pillowcases, plain, carded yarn (numbers).
29. Pillowcases, plain, combed yarn (numbers).
30. Dish towels (numbers).
31. Towels, other than dish towels (numbers).
32. Handkerchiefs (dozen).
33. Table damasks and manufactures of (pounds).
34. Sheets, carded yarn (numbers).
35. Sheets, combed yarn (numbers).
36. Bedspreads (numbers).
37. Braided and woven elastics (pounds).
38. Fishing nets (pounds).
39. Gloves and mittens (dozen).

40. Hose and half hose (dozen pairs).
41. Men's and boys' all white T shirts, knit or crocheted (dozen).
42. Other T shirts (dozen).
43. Knitshirts, other than T shirts and sweatshirts (including infants') (dozen).
44. Sweaters and cardigans (dozen).
45. Men's and boys' shirts, dress, not knit or crocheted (dozen).
46. Men's and boys' shirts, sport, not knit or crocheted (dozen).
47. Men's and boys' shirts, work, not knit or crocheted (dozen).
48. Raincoats, three-quarter length or over (dozen).
49. All other coats (dozen).
50. Men's and boys' trousers, slacks and shorts (outer), not knit or crocheted (dozen).
51. Women's, misses', and children's trousers, slacks, and shorts (outer), not knit or crocheted (dozen).
52. Blouses, and blouses combined with skirts, trousers, or shorts (dozen).
53. Women's, misses', children's, and infants' dresses (including nurses' and other uniform dresses), not knit or crocheted (dozen).
54. Playsuits, sunsuits, washsuits, creepers, rompers, etc. (except blouse and shorts; blouse and trousers; or blouse, shorts, and skirt sets) (dozen).
55. Dressing gowns, including bathrobes and beachrobes, lounging gowns, dusters and housecoats, not knit or crocheted (dozen).
56. Men's and boys' undershirts (not T shirts) (dozen).
57. Men's and boys' briefs and undershorts (dozen).
58. Drawers, shorts, and briefs (except men's and boys' briefs), knit or crocheted (dozen).
59. All other underwear, not knit or crocheted (dozen).
60. Nightwear and pajamas (dozen).
61. Brassieres and other body-supporting garments (dozen).
62. Other knitted or crocheted clothing (units or pounds).
63. Other clothing, not knit or crocheted (units or pounds).
64. All other cotton-textile items (units or pounds).

To whatever extent this list of categories may present questions in the light of established listing practices of any participating country, such questions shall be resolved by consultation between the countries concerned or by the process of joint consultation referred to in paragraph G of the short-term arrangement.

EXHIBIT I

LONG-TERM COTTON TEXTILE ARRANGEMENT

THE WHITE HOUSE.

The President today released the text of the long-term cotton textile arrangement concluded at a meeting of the Cotton Textile Committee of the General Agreement on Tariffs and Trade held in Geneva, Switzerland, January 29–February 9, 1962.

Nineteen nations, representing the principal cotton textile exporting and importing nations of the free world participated in drafting the arrangements.

The arrangement is for a period of 5 years beginning October 1, 1962. It is similar to an earlier agreement covering a period between October 1, 1961, and October 1, 1962, which has enabled importing countries threatened by or subjected to market disruption in any of 64 categories of cotton textiles to restrain imports to the level of fiscal year 1961.

Under the terms of the new arrangement, an importing nation threatened by or subjected to market disruption on any item or category of cotton textiles may freeze imports for 1 year to the level of the first 12 of the preceding 15 months. If this market condition persists, the freeze may be extended for yet another year. Following that, increases may be limited to 5 percent a year. In all cases the decision is made unilaterally by the importing nation.

Accompanying the agreement will be an undertaking by those nations which have maintained quantitative restraints on cotton textile imports to expand access to their markets in order to relieve pressures elsewhere.

The 6 years during which the current agreement and the proposed agreement will be in force will permit the American cotton textile industry to plan their production and to sharpen their competitive position with the confidence that

foreign imports will not disrupt their activities. It marks the conclusion of another step in the seven step program announced by the President on May 2, 1961, for assistance to the American textile industry.

Both industry and labor advisers to the U.S. delegation in Geneva expressed satisfaction with the terms of the agreement. A text is attached.

LONG-TERM COTTON TEXTILE ARRANGEMENT[a]

Recognizing the need to take cooperative and constructive action with a view to the development of world trade;

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;

Noting, however, that in some countries situations have arisen which, in the view of these countries, cause or threaten to cause "disruption" of the market for cotton textiles;

Desiring to deal with these problems in such a way as to provide growing opportunities for exports of these products, provided that the development of this trade proceeds in a reasonable and orderly manner so as to avoid disruptive effects in individual markets and on individual lines of production in both importing and exporting countries;

Determined, in carrying out these objectives, to have regard to the Declaration on Promotion of the Trade of Less-developed Countries adopted by ministers at their meeting during the 19th session of the contracting parties in November 1961;

The participating countries have agreed as follows:

Article 1

In order to assist in the solution of the problems referred to in the preamble to this arrangement, the participating countries are of the opinion that it may be desirable to apply, during the next few years, special practical measures of international cooperation which will assist in any adjustment that may be required by changes in the pattern of world trade in cotton textiles. They recognize, however, that the measures referred to above do not affect their rights and obligations under the General Agreement on Tariffs and Trade (hereinafter referred to as the GATT). They also recognize that, since these measures are intended to deal with the special problems of cotton textiles, they are not to be considered as lending themselves to application in other fields.

Article 2

1. Those participating countries still maintaining restrictions inconsistent with the provisions of the GATT on imports of cotton textiles from other participating countries agree to relax those restrictions progressively each year with a view to their elimination as soon as possible.

2. Without prejudice to the provisions of paragraphs 2 and 3 of article 3, no participating country shall introduce new import restrictions, or intensify existing import restrictions on cotton textiles, insofar as this would be inconsistent with its obligations under the GATT.

3. The participating countries at present applying import restrictions to cotton textiles imported from other participating countries undertake to expand access to their markets for such cotton textiles so as to reach, by the end of the period of validity of the present arrangement, for the products remaining subject to restrictions at that date, taken as a whole, a level corresponding to the quotas opened in 1962, for such products, as increased by the percentage mentioned in annex A.

Where bilateral arrangements exist, annual increases shall be determined within the framework of bilateral negotiations. It would, however, be desirable that each annual increase should correspond as closely as possible to one-fifth of the overall increase.

[a] The negotiation of this arrangement was concluded in Geneva on an ad referendum basis on Feb. 9, 1962, by representatives of the following governments: Australia, Austria, Canada, Denmark, India, Japan, Norway, Pakistan, Portugal, Spain, Sweden, United Kingdom (also representing Hong Kong), United States, and the member states of European Economic Community (Belgium, France, Federal Republic of Germany, Italy, Luxembourg, and Netherlands).

4. The participating countries concerned shall administer their remaining restrictions on imports of cotton textiles from participating countries in an equitable manner and with due regard to the special needs and situation of the less-developed countries.

5. Notwithstanding the provisions of paragraph 3 above, if, during the licensing period preceding the entry into force of this arrangement, a specific basic quota is nil or negligible, the quota for the succeeding licensing period will be established at a reasonable level by the participating importing country concerned in consultation with the participating exporting country or countries concerned,. Such consultation would normally take place within the framework of the bilateral negotiations referred to in paragraph 3 above.

6. Participating countries shall, as far as possible, eliminate import restrictions on the importation, under a system of temporary importation for re-export after processing, of cotton textiles originating in other participating countries.

7. The participating countries shall notify the Cotton Textiles Committee as early as possible, and in any case not less than 1 month before the beginning of the licensing period, of the details of any quota or import restriction referred to in this article.

Article 3

1. If imports from a participating country or countries into another participating country of certain cotton textile products not subject to import restrictions should cause or threaten to cause disruption in the market of the importing country, that country may request the participating country or countries whose exports of such products are, in the judgment of the importing country, causing or threatening to cause market disruption to consult with a view to removing or avoiding such disruption. In its request the importing country will, at its discretion, indicate the specific level at which it considers that exports of such products should be restrained, a level which shall not be lower than the one indicated in annex B. The request shall be accompanied by a detailed, factual statement of the reasons and justification for the request; the requesting country shall communicate the same information to the Cotton Textiles Committee at the same time.

2. In critical circumstances, where an undue concentration of imports during the period specified in paragraph 3 below would cause damage difficult to repair, the requesting participating country may, until the end of the period, take the necessary temporary measures to limit the imports referred to in paragraph 1 above from the country or countries concerned.

3. If, within a period of 60 days after the request has been received by the participating exporting country or countries, there has been no agreement either on the request for export restraint or on any alternative solution, the requesting participating country may decline to accept imports for retention from the participating country or countries referred to in paragraph 1 above of the cotton textile products causing or threatening to cause market disruption, at a level higher than that specified in annex B, in respect of the period starting on the day when the request was received by the participating exporting country.

4. In order to avoid administrative difficulties in enforcing a given level of restraint on cotton textiles subject to measures taken under this article, the participating countries agree that there should be a reasonable degree of flexibility in the administration of these measures. Where restraint is exercised for more than one product the participating countries agree that the agreed level for any one product may be exceeded by 5 percent provided that the total exports subject to restraint do not exceed the aggregate level for all products so restrained on the basis of a common unit of measurement to be determined by the participating countries concerned.

5. If participating countries have recourse to the measures envisaged in this article, they shall, in introducing such measures, seek to avoid damage to the production and marketing of the exporting country and shall cooperate with a view to agreeing on suitable procedures, particularly as regards goods which have been, or which are about to be, shipped.

6. A participating country having recourse to the provisions of this article shall keep under review the measures taken under this article with a view to their relaxation and elimination as soon as possible. It will report from time to time, and in any case once a year, to the Cotton Textile Committee on the progress made in the relaxation or elimination of such measures. Any participating country maintaining measures under this article shall afford adequate

opportunity for consultation to any participating country or countries affected by such measures.

7. Participating importing countries may report the groups or categories to be used for statistical purposes to the Cotton Textiles Committee. The participating countries agree that measures envisaged in this article should only be resorted to sparingly, and shold be limited to the precise products or precise groups or categories of products causing or threatening to cause market disruption, taking full account of the agreed objectives set out in the preamble to this arrangement. Participating countries shall seek to preserve a proper measure of equity where market disruption is caused or threatend by imports from more than one participating country and when resort to the measures envisaged in this article is unavoidable.

Article 4

Nothing in this arrangement shall prevent the application of mutually acceptable arrangements on other terms not inconsistent with the basic objectives of this arrangement. The participating countries shall keep the Cotton Textile Committee fully informed on such arrangements, or the parts thereof, which have a bearing on the operation of this arrangement.

Article 5

The participating countries shall take steps to insure, by the exchange of information, including statistics on imports and exports when requested, and by other practical means, the effective operation of this arrangement.

Article 6

The participating countries agree to avoid circumvention of this arrangement by transshipment or rerouting, substitution of directly competitive textiles and actions by nonparticipants. In particular, they agree on the following measures:

(a) Transshipment: The participating importing and exporting countries agree to collaborate with a view to preventing circumvention of this arrangement by transshipment or rerouting and to take appropriate administrative action to avoid such circumvention. In cases where a participating country has reason to believe that imports shipped to it from another participating country and purporting to have originated in that country did not originate there, it may request that country to consult with it with a view to assisting in the determination of the real origin of the goods.

(b) Substitution of directly competitive textiles: It is not the intention of the participating countries to broaden the scope of this arrangement beyond cotton textiles but, when there exists a situation or threat of market disruption in an importing country in terms of article 3, to prevent the circumvention of this arrangement by the deliberate substitution for cotton of directly competitive fibers. Accordingly, if the importing participating country concerned has reason to believe that imports of products in which this substitution has taken place have increased abnormally, that is that this substitution has taken place solely in order to circumvent the provisions of this arrangement, that country may request the exporting country concerned to investigate the matter and to consult with it with a view to reaching agreement upon measures designed to prevent such circumvention. Such request shall be accompanied by a detailed, factual statement of the reasons and justification for the request. Failing agreement in the consultation within 60 days of such request, the importing participating country may decline to accept imports of the products concerned as provided for in article 3 and, at the same time, any of the participating countries concerned may refer the matter to the Cotton Textiles Committee which shall make such recommendations to the parties concerned as may be appropriate.

(c) Nonparticipants: The participating countries agree that, if it proves necessary to resort to the measures envisaged in article 3 above, the participating importing country or countries concerned shall take steps to insure that the participating country's exports against which such measures are taken shall not be restrained more severely than the exports of any country not participating in this arrangement which are causing, or threatening to cause, market disruption. The participating importing country or countries concerned will give sympathetic consideration to any representations from participating

exporting countries to the effect that this principle is not being adhered to or that the operation of this arrangement is frustrated by trade wih countries not party to this arrangement. If such trade is frustrating the operation of this arrangement, the participating countries shall consider taking such action as may be consistent with their law to prevent such frustration.

Article 7

1. In view of the safeguards provided for in this arrangement the participating countries shall, as far as possible, refrain from taking measures which may have the effect of nullifying the objectives of this arrangement.

2. If a participating country finds that its interests are being seriously affected by any such measure taken by another participating country, that country may request the country applying such measure to consult with a view to remedying the situation.

3. If the participating country so requested fails to take appropriate remedial action within a reasonable length of time the requesting participating country may refer the matter to the Cotton Textiles Committee which shall promptly discuss such matter and make such comments to the participating countries as it considers appropriate. Such comments would be taken into account should the matter subsequently be brought before the contracting parties under the procedures of article XXIII of the GATT.

Article 8

The Cotton Textiles Committee, as established by the contracting parties at their 19th session, shall be composed of representatives of the countries party to this arrangement and shall fulfill the responsibilities provided for it in this arrangement.

(a) The committee shall meet from time to time to discharge its functions. It will undertake studies on trade in cotton textiles as the participating countries may decide. It will collect the statistical and other information necessary for the discharge of its functions and will be empowered to request the participating countries to furnish such information.

(b) Any case of divergence of view between the participating countries as to the interpretation or application of this arrangement may be referred to the committee for discussion.

(c) The committee shall review the operation of this arrangement once a year and report to the contracting parties. The review during the third year shall be a major review of the arrangement in the light of its operation in the preceding years.

(d) The committee shall meet not later than 1 year before the expiry of this arrangement, in order to consider whether the arrangement should be extended, modified, or discontinued.

Article 9

For purposes of this arrangement the expression "cotton textiles" include yarns, piecegoods, madeup articles, garments, and other textile manufactured products, in which cotton represents more than 50 percent (by weight) of the fiber content, with the exception of handloom fabrics of the cottage industry.

Article 10

For the purposes of this arrangement, the term "disruption" refers to situations of the kind described in the decision of the contracting parties of November 19, 1960, the relevant extract from which is reproduced in annex C.

Article 11

1. This arrangement is open for acceptance, by signature or otherwise, to governments parties to the GATT or having provisionally acceded to that agreement, provided that if any such government maintains restrictions on the import of cotton textiles from other participating countries, that government shall, prior to its accepting this arrangement, agree with the Cotton Textiles Commitee on the percentage by which it will undertake to increase the quotas other than those maintained under article XII or article XVIII of the GATT.

2. Any government which is not party to the GATT or has not acceded provisionally to the GATT may accede to this arrangement on terms to be agreed

between that government and the participating countries. These terms would include a provision that any government which is not a party to the GATT must undertake, on acceding to this arrangement, not to introduce new import restrictions or intensify existing import restrictions, on cotton textiles, insofar as such action would, if that government had been a party to the GATT, be inconsistent with its obligations thereunder.

Article 12

1. This arrangement shall enter into force on October 1, 1962, subject to the provisions of paragraph 2 below.

2. The countries which have accepted this arrangement shall, upon the request of one or more of them, meet within 1 week prior to October 1, 1962, and, at that meeting, if a majority of these countries so decide, the provisions of paragraph 1 above may be modified.

Article 13

Any participating country may withdraw from this arrangement upon the expiration of 60 days from the day on which written notice of such withdrawal is received by the executive secretary of GATT.

Article 14

This arrangement shall remain in force for 5 years.

Article 15

The annexes to this arrangement constitute an integral part of this arrangement.

ANNEXES

Annex A

The percentages in this annex will be communicated in due course.

Annex B

1. (a) The level below which imports or exports of cotton textile products causing or threatening to cause market disruption may not be restrained under the provisions of article 3 shall be the level of actual imports or exports of such products during the 12-month period terminating 3 months preceding the month in which the request for consultation is made.

(b) Where a bilateral agreement on the yearly level of restraint exists between participating countries concerned covering the 12-month period referred to in paragraph (a), the level below which imports of cotton textile products causing or threatening to cause market disruption may not be restrained under the provisions of article 3 shall be the level provided for in the bilateral agreement in lieu of the level of actual imports or exports during the 12-month period referred to in paragraph (a).

Where the 12-month period referred to in paragraph (a) overlaps in part with the period covered by the bilateral agreement, the level shall be: (i) the level provided for in the bilateral agreement, or the level of actual imports or exports, whichever is higher, for the months where the period covered by the bilateral agreement and the 12-month period referred to in paragraph (a) overlap; and (ii) the level of actual imports or exports for the months where no overlap occurs.

2. Should the restraint measures remain in force for another 12-month period, the level for that period shall not be lower than the level specified for the preceding 12-month period, increased by 5 percent. In exceptional cases, where it is extremely difficult to apply the level referred to above, a percentage between 5 and 0 may be applied in the light of market conditions in the importing country and other relevant factors after consultation with the exporting country concerned.

3. Should the restraining measures remain in force for further periods, the level for each subsequent 12-month period shall not be lower than the level specified for the preceding 12-month period, increased by 5 percent.

Annex C

Extract From the Contracting Parties' Decision of November 19, 1960

These situations (market disruption) generally contain the following elements in combination: (1) A sharp and substantial increase or potential increase of imports of particular products from particular sources (ii) these products are offered at prices which are substantially below those prevailing for similar goods of comparable quality in the market of the importing country; (iii) there is serious damage to domestic producers or threat thereof; (iv) the price differentials referred to in paragraph (ii) above do not arise from governmental intervention in the fixing or formation of prices or from dumping practices.

In some situations other elements are also present and the enumeration above is not, therefore, intended as an exhaustive definition of market disruption.

Annex D

For the purposes of applying article 9, the following list of the groups or subgroups of the S.I.T.C. is suggested. This list is illustrative and should not be considered as being exhaustive.

	SITC Rev.	BTN
I. Cotton yarns and fabrics	651.3 .4 652	55.05 .06 .07 .08 .09 58.04A
II. Cotton made-up articles and special fabrics	ex 653.7 ex 654 ex 655 ex 656 ex 657	ex 46.02 ex 58.01–03 ex 58.05–10 ex 59.01–17 ex 60–01 ex 62.01–05 ex 65.01–02
III. Cotton clothing	ex 841	ex 60.02–06 ex 61.01–11 ex 65.03–07

Annex E

Interpretative Notes

1. Ad. article 3, paragraph 3: In Canada, there is no legislation whereby imports may be limited in a precise quantitative manner as envisaged in this paragraph. The provision available for limiting imports in order to avoid injury or a threat of injury to a domestic industry is contained in section 40A(7)(c) of the Customs Act which authorizes the application of special values for duty purposes. These special values cannot be used to achieve a precise level of imports. Accordingly, the participating countries recognize that, should Canada find it necessary to take action to limit imports pursuant to this arrangement, it would not be in a position to insure that imports would not fall below the minimum level as defined in this paragraph.

2. Ad. article 9: Notwithstanding the provisions of article 9, any country which is applying a criterion based on value will be free to continue to use that criterion for the purposes of article 9.

EXHIBIT J

LETTER FROM REPRESENTATIVE CARL VINSON TO PRESIDENT KENNEDY

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, D.C., February 15, 1962.

The PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: Although we have not yet seen the actual text of the International Cotton Textile Arrangement concluded at Geneva on February 9,

1962, we understand that the United States will hold the level of imports of cotton textile products for a 5-year term at virtually the present level.

As you know, we have been gravely alarmed by the erosion of the American textile industry. We have been distressed by American workers being thrown out of their jobs as a result of the flood of foreign textile imports.

It was therefore with great pleasure, Mr. President, that we learned of your program of May 2, 1961, for assistance to the U.S. textile industry.

We now wish to take this opportunity to congratulate you upon the noteworthy step which you have taken, as part of your program, in negotiating a long-term arrangement at Geneva between the United States and the 18 other principal cotton textile countries of the free world. This is, indeed, an important move in the right direction for cotton textiles, and we would hope that the administration would now promptly move on wool, manmade fiber, silk, and other textile fibers, which are in an even worse position, but which understandably could not be dealt with on this particular occasion.

Your confirmation that our understanding of the arrangement expressed in the first paragraph above is correct would be immensely gratifying to us and would act as a great stimulus to the American textile industry in modernization and advancement as a driving and fundamental force in our national economy. Last, we sincerely hope that the operation of the long-term arrangement will be carried out in such a way that its force is not modified or diluted by administrative judgment or action.

Respectfully yours,

Carl Vinson,
Chairman, House Textile Conference Group.

Exhibit K

Letter From President Kennedy to Representative Carl Vinson

The White House,
Washington, February 26, 1962.

Hon. Carl Vinson,
House of Representatives,
Washington, D.C.

Dear Carl: As you know, I have long shared the concern over the textile industry expressed by you and the other Congressmen who signed the letter of February 15. Every segment of our economy must prosper if we are to achieve satisfactory growth rates and satisfactory employment levels.

Nine months ago I proposed seven measures to help overcome the handicaps faced by the industry.

First, I directed the Department of Commerce to launch an expanded program of research, covering new products, processes, and markets. I understand that the National Academy of Sciences was asked by the Department of Commerce to help explore this whole broad area and to report its findings and recommendations. A labor-management committee appointed by the Secretary of Commerce is advising and assisting in the development of recommendations and a report is scheduled for completion on March 5.

Second, existing depreciation allowances on textile machinery have been revised to permit more rapid replacement and to take into account obsolescence. This action is already proving helpful in speeding modernization of textile equipment.

Third, in accordance with my direction, the Small Business Administration has made available necessary financing for modernization of textile machinery, lending over $6 million since this program was initiated.

Fourth, the Department of Agriculture submitted to me, and I transmitted to the Tariff Commission, a proposal for the imposition of an equalization fee to offset the cost to the U.S. mills of the adverse differential in raw cotton costs between domestic and foreign textile producers. The Tariff Commission has just concluded hearings upon this matter and I have already requested them to complete their investigation and report as soon as practicable.

Fifth, I have submitted to the Congress a trade expansion bill, which includes a proposal to permit plants and workers seriously injured or threatened with serious injury as a result of increased imports to receive assistance from the

Federal Government. Hearings upon this legislation are scheduled to begin March 12.

Sixth, all cotton textile products are now covered by a special international agreement reached at Geneva on July 17, 1961, authorizing the limitation of imports to the level of the 12 months ending June 30, 1961. This agreement expires September 30, 1962. The long-term agreement, which was just negotiated, will continue the same level of imports, with minor adjustments, for an additional 5 years. It provides the tools with which we can prevent adverse effects upon the cotton textile industry from imports, and the tools will be used.

I concur in your evaluation of the importance of the long-term arrangement. Of course, adherence by the 19 governments involved must still be obtained, and and the United States will exert every effort to obtain this adherence.

The rights of the United States under both the short-term arrangement and the long-term arrangement will be exercised in such a manner that their force will not be modified or diluted by administrative judgment or action. Representatives of the departments involved have explained to you and the others the way the arrangements will be administered and I assure you and your colleagues of my continuing interest. Under our plans for administering the arrangements the industry can plan production with complete confidence that its markets will not be disrupted by imports.

Finally, there is now pending before the Office of Emergency Planning an application by the textile industry for relief under the national security provisions of the Trade Agreements Extension Act. Consideration of this case upon its merits is being expedited and I am requesting the Office of Emergency Planning to make a recommendation to me without any unnecessary delay.

I have also requested the departments involved to implement my program for the wool, manmade fiber and silk divisions of the industry. Almost all of the points in the program announced on May 2, 1961, apply equally to each of these.

I appreciate very much your warm expressions of support.

Sincerely,

JOHN KENNEDY.

EXHIBIT L

LETTER FROM REPRESENTATIVE CARL VINSON TO MEMBERS OF THE TEXTILE CONFERENCE GROUP

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, D.C., February 27, 1962.

For Members of the Textile Committee:

You will recall that on February 15, 1962, we addressed a letter to the President of the United States with regard to the textile industry.

I enclose the reply I have received from the President which explains every step that has been taken and will be taken insofar as the textile industry is concerned.

There is no compromise or equivocation in this reply. It is straightforward and contains every assurance that our textile industry will be adequately protected.

Let me call your attention to the last sentence of the sixth point wherein the President, in discussing the long-term agreement that is now being submitted to the 19 participating countries, states: "It provides the tools with which we can prevent adverse effects upon the cotton textile industry from imports, and the tools will be used." There is no equivocation in this phrase.

Let me also call your attention to the last sentence of the fifth paragraph of the second page, wherein the President states: "Under our plans for administering the arrangements the industry can plan production with complete confidence that its markets will not be disrupted by imports.'

And finally, let me call your attention to the last page of the President's letter, in which he states that almost all of the points in the program announced on May 2, 1961, apply equally to wool manmade fiber and silk divisions of the industry.

CARL VINSON,
Chairman, House Textile Conference Group.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., July 30, 1962.

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

DEAR CHAIRMAN BYRD AND MEMBERS OF THE COMMITTEE: I am writing to express my concern for employees of industries in my area who would be adversely affected by provisions of the trade expansion bill now being considered by your committee, and request that you consider amendments to the legislation that would protect these industries against a further influx of foreign made products.

I have received thousands of letters from management and employees of Buxton, Inc., manufacturers of finished leather accessories; the Monsanto Chemical Co.; Savage Arms Corp., manufacturer of sporting rifles; and A. G. Spalding Bros., Inc., manufacturer of sporting goods, all expressing concern over threats to their jobs because of foreign competition.

These are key industries in my congressional district. I would not want to see them seriously injured because of an uncontrolled influx of foreign made leather goods, plastics, sporting rifles, and sporting goods.

I am enclosing, for your perusal, and ask that you note for the record and return to my office, a petition signed by the employees of the Savage Arms Corp. The American firearms industry is a vital factor in the national defense, even in this age of nuclear warfare. It is expected to provide the bulk of military small arms in time of emergency. In the past, this industry has met this demand most effectively.

Duties on imported firearms have been reduced sharply over the past 25 years or so. Further reductions are scheduled to take place this year and next. The number of imported firearms grew from 130,000 in 1956 to over 520,000 in 1960—a fourfold increase.

A great source of damage to the firearms industry has been the unrestricted importation of surplus military rifles at low prices. An industry petition, filed with the Director of the Office of Civil and Defense Mobilization (now the Office of Emergency Planning) on June 29, 1959, under section 8 (the national security clause) of the 1958 Trade Agreements Extension Act, for relief in this matter was turned down by the Office of Emergency Planning on June 5, 1962.

The Trade Expansion Act of 1962, in its present form, would give the President authority to reduce the present low duty by another 50 percent. One provision, if it were found to apply, would permit the duty to be eliminated entirely.

The proposed reduction or abolition of duty is supposedly on a reciprocal basis. In the case of sporting firearms, however, there is little or no reciprocity involved. We would be trading free access to the world's largest market for such goods in return for limited access to a very small market. Limited, because the importation and use of firearms is severely restricted by most European countries.

I am also enclosing, for the committee's information, a fact sheet on "Imports—Comparative Reports of Some Sporting Goods Items" compiled by the Athletic Goods Manufacturers Association. The items listed are produced at A. G. Spalding Bros., Inc. which has lost much of its market to foreign competition.

We in Springfield are proud of the Springfield Plastics Division of Monsanto which has produced 1 billion pounds of polystyrene, used in the manufacture of plastic toys, containers, and appliances. The Savage sports rifles and Spalding sporting goods are known to hunters and athletes the world over, and thousands of Americans carry Buxton wallets and leather key chains on their person.

I sincerely trust members of the Senate Finance Committee will consider these industries in your deliberations as you write a trade expansion bill.

Please consider the probable economic effects of proposed tariff reductions on the items and categories I have mentioned. Please make sure that safeguards for these industries will be written into the legislation.

Sincerely yours,

EDWARD P. BOLAND,
Member of Congress.

Imports—Comparative report of some sporting goods items

	1958	1959	1960	Only 1st 10 months of 1961 to October 31
Golf balls:				
Quantity	1,632,142	2,704,842	3,504,115	3,584,732
Value	$365,020	$635,390	$726,023	$676,852
Tennis balls:				
Quantity	1,850,070	3,196,109	4,092,709	3,719,797
Value	$510,337	$767,784	$822,816	$651,717
Baseballs:				
Quantity	958,635	973,144	913,010	2,067,128
Value	$71,521	$173,457	$175,691	$309,348
Tennis rackets:				
Quantity	486,973	722,409	884,744	649,186
Value	$421,983	$705,434	$804,617	$655,785
Badminton rackets:				
Quantity	5,239,126	7,979,878	7,969,791	6,386,669
Value	$1,840,882	$2,238,169	$2,049,091	$1,518,007
Baseball and softball gloves and mitts:				
Quantity	553,527	1,269,429	2,411,806	2,286,370
Value	$860,103	$2,484,110	$4,364,740	$3,852,865

STATEMENT OF CONGRESSMAN ARCH A. MOORE, JR., OF THE FIRST CONGRESSIONAL DISTRICT OF WEST VIRGINIA, IN OPPOSITION TO H.R. 11970

My purpose in appearing before you is to express my deep concern over the effect that passage of H.R. 11970 would have upon industry and employment in my district in West Virginia.

I may say that I voted against the bill when it came before the House but the bill passed, as you know. Were my concern less than it is I would rest on the reflection that in casting my vote against the bill I had done enough or all that an elected representative need do.

However, I do not feel that I should let it go at that. I feel that I should do all I possibly can to prevent enactment of the bill and that I would not in fact be doing my duty if I rested on my vote in the House.

My district has several industries that are exposed to the sharp edge of import competition that cuts deeply and at once in several directions. It cuts into our employment and payrolls and undercuts our labor standards. At the same time this low-cost import competition reduces profits earned by our industries and darkens their future. We cannot and will not have the industrial expansion we need in order to employ those who are out of work let alone the new workers who are added to our work force each year.

Mr. Chairman, there is nothing in our peacetime economy any worse than the inability to employ our workers. They need jobs and should have them and there is no satisfactory substitute for this. We cannot dedicate ourselves to a program that admittedly would throw more people out of work and into the arms of the Government for retraining and possibly relocation.

The present bill, H.R. 11970, is made to order to aggravate the difficulties that we already experience to an unacceptable degree, namely unemployment, in West Virginia, and may I add that the industries of West Virginia are not alone in their plight. They have a lot of company in other States.

The proposal to cut our tariffs another 50 percent and to place a great many items on the free list in a few years is the same as serving notice that the import-assaulted industries have no future, that they must retreat and be taken out of the mainstream of American industrial life. If they cannot meet import competition, regardless of the built-in handicaps they suffer by reason of the low-wage advantage of their competitors, they are to be branded as inefficient or obsolete and made ready for governmental dependence and paternal rescue.

This is offensive to the very marrow of the principle of self-reliance, provided fair ground rules prevail. Let these rules be fair, so that the cost burdens borne by our industries as a result of our higher standard of living and our very high public obligations, including the high public debt and high defense outlays, will be offset, and there will be no need to bail out these industries, with all that this implies. Give these industries a tariff or a quota that will offset the handicap they suffer and they will not only make their way but will expand step in step with the country and absorb their share of new workers.

That is the sort of policy we need today, and not one that will cause our industries to draw in their heads and adopt a defensive position. They need a brighter rather than a darker and receding market outlook. Bring them the assurance that their market will not be taken away from them by low-cost imports if they expand but rather that it will respond with sufficient purchasing power to buy the additional output resulting from expansion and there will be no reluctance to expand. On the other hand, confront them with the opposite or with deep uncertainty over the future and we invite stagnation and growing unemployment. To a considerable degree present unemployment is attributable to this very reluctance to expand in the face of mounting import competition.

The proposed new trade policy could perhaps be justified if the damage would be confined to a few areas in a few States; but that would not be the case. Already in the past 6 or 7 years industry after industry that previously had been immune to import competition has felt the knife. If we now extend our tariff reductions, industries that are already vulnerable will see their market more disastrously overrun and ruined while many of the previously immune industries will find themselves invaded. Their accustomed immunity will be of no avail. It will be breached despite their efficiency by the products of low-wage foreign competition even as the immunity of other industries was broken in the past 6 or 7 years.

There is not a State in the Union that does not already have industries that are being hurt by imports. The encounter is very widespread. The tendency to minimize the impact of imports does us a great disservice. New and drastic tariff cuts would expose so large a part of our whole industrial complex that our employment problem would be aggravated.

The theoretical offset to this, supposedly coming from increasing exports, would not materialize. About the only way in which we can hope to increase our exports materially is through further subsidization, as some 20 percent of our exports are already subsidized. In any case exports represent less than 4 percent of our total national product. A 10 percent increase in exports, i.e., an increase of $2 billion, would add only 250,000 workers to our payrolls, while the blight caused by imports of an equal magnitude would do much worse by discouraging the industrial expansion that otherwise would take place.

Last April the OECD (Organization for Economic Cooperation and Development) of which this country has been a member since last September, issued a report. It noted that economic growth in the United States had lagged behind Western Europe. It offered this comment:

"Rapid economic growth will not take place unless an adequate pressure of demand on productive services is maintained."

Then it added:

"Maintenance of such a pressure is within the control of governments, at least in the larger countries."

Before long they will be telling us what kind of pressures our Government should exert. Perhaps they are already telling us.

Then came a very enlightening statement. It is not only worth quoting but should be taken seriously. This is what it said:

"The first and basic condition for growth is that private firms should want to grow, and this in turn, depends on their having confidence, which is later justified by events, that certain conditions will be satisfied."

Now please note this, continuing:

"They need to be confident that they will be able to dispose of increase in output at a profit and that they will be able to find the means, particularly labor, which are required for growth. And if such confidence is to be maintained, they need to be successful in the event in both respects."

Now I would like to say "amen" to that and then to ask how this needed confidence can be generated when scores of our industries and thousands of our firms are already faced with crippling import competition or are threatened with it ?

The present bill would greatly extend the kind of apprehension that dissipates confidence instead of inspiring it. That this is an important consideration in pondering the trade bill can hardly be questioned. The matter of business confidence is again much under discussion and it would seem imprudent if not foolhardy to pitch this unsettling proposal upon the stage at present by passing the bill.

I can see no really solid or irrefutable argument in favor of the bill. It flies in the face of most of the substantial facts. We should ask that other countries match our trade liberalizing steps before offering more while they hold back. When other countries have torn away 80 percent of their tariffs without replacing them with other import restrictions we might be justified in offering to bargain some more; but not as matters stand today.

This bill assumes that we are overprotected and that our industries will have little difficulty in adjusting. I think this represents a woeful and dangerous misreading of the facts.

We must not be hypnotized by repetition of the fallacy that we are evidently competitive in the world because we have a $5 billion merchandise export surplus. This surplus is spurious, as everyone should know, but it continues to be repeated. Let us not be deceived by it.

I think, Mr. Chairman, that this, on top of everything else that is objectionable in the bill, would deliver too much power into the hands of the executive. There are few guidelines. The escape clause would be retained in a wholly inadequate form and the peril point guide would be discarded.

The bill in effect represents the abdictation of Congress where it should be supreme under the Constitution.

I would like to see the bill put over until next year, when we will know more about the Common Market and when other assessments can be made with greater confidence than at the present time.

(Whereupon, at 4:15 p.m. the committee adjourned, to reconvene at 10 a.m., Tuesday, August 14, 1962.)

TRADE EXPANSION ACT OF 1962

TUESDAY, AUGUST 14, 1962

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

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

Present: Senators Byrd, Smathers, Douglas, Talmadge, Williams, Carlson, Butler, Curtis and Morton.

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

The CHAIRMAN. The committee will come to order.

Senator CARLSON. Mr. Chairman, before we call the first witness, I would like to place in the record a statement from the president of the Seymour Foods, Inc., at Topeka, Kans., in regard to the imports and exports of eggs.

Also, a statement from the American Bakers Association in regard to the importation of bread.

The CHAIRMAN. Without objection the insertions will be made.

(The letter and statement referred to follow:)

TOPEKA, KANS., *August 13, 1962.*

Hon. FRANK CARLSON,
Senate Finance Committee,
Washington, D.C.

DEAR SENATOR CARLSON: I would like to call your attention to the statement of the International Trade Development Committee for the U.S. poultry and egg industry before the Committee on Finance, U.S. Senate, on H.R. 11970, August 1, 1962.

This statement was made by Mr. Vic Pringle of Harrisonburg, Va. Mr. Pringle is general manager and treasurer of the Rockingham Poultry Marketing Cooperative at Broadway, Va.

While Mr. Pringle's statement had particularly to do with the poultry industry, my support of the statement observes this fact and includes the egg products industry in the United States. The problem exists for both industries and the points made in the statement are the same for both industries.

I appreciate very much your interest in this matter.

Sincerely yours,

H. A. PERRY II,
President, Seymour Foods, Inc.

STATEMENT OF THE AMERICAN BAKERS ASSOCIATION ON H.R. 11970, THE TRADE EXPANSION ACT OF 1962

This statement is submitted to the Senate Finance Committee to bring to its attention in connection with the pending H.R. 11970, the proposed Trade Expansion Act of 1962, a serious economic situation of long standing which has continuously and adversely affected certain members of the American baking industry whose operations are conducted in the geographic areas contiguous to the

Canadian border. The situation has to deal with the ever-increasing flow of bread to the border States and, indeed, to States beyond the border, from our good Canadian neighbor to the north.

The situation has existed for many years and has always been a difficult one for American bakeries operating close to the border. In more recent years, however, with the improvement of transportation by better highways—and we emphasize the importance of this fact—the situation has become seriously aggravated by ever-increasing bread imports and a continuous enlargement of the areas of the United States which must now compete with these imports.

The essence of the problem derives from the fact that bakeries in Canada are able to manufacture commercial white pan bread, which constitutes approximately 90 percent of all the bread sold in the United States, at lower costs than can bakeries in the United States. To these lower production costs have been added lower distribution costs, which have enabled Canadian bakeries to sell bread in this country for as much as 5 cents per 20-ounce loaf less than similar bread manufactured in the United States.

For example, a recent tabulation of comparable costs in Windsor, Canada, as against those in Detroit, Mich. (and these are typical of other areas), gives the following breakdown:

White bread shipped from the city of Windsor, Canada, to the city of Detroit and the marketing area for many miles around, is sold in Detroit at wholesale prices ranging from 14 cents to 17 cents for a 20-ounce loaf, and retailed at prices ranging from 2 loaves for 35 cents to 2 loaves for 39 cents, compared with 20-ounce loaves of American-manufactured bread which wholesales for either 19 cents a loaf, retailing 2 for 43 cents; or 21½ cents a loaf, retailing for 26 cents.

This substantial difference in the selling prices of the American and Canadian breads does not mean the American baker is making more money on his product than his Canadian counterpart, or that he is less efficient in his operations; rather, it is caused by lower ingredient costs for the Canadian baker as well as lower wage and distribution costs. For example, in July 1962, the price for flour used by bakers in Detroit was $6.50 per hundredweight. Canadian flour purchased by the Canadian baker in Canada was $5.25 per hundredweight. This is a 24 percent higher price paid by the American baker for his major ingredient alone.

The American baker currently is paying $9.76 per hundredweight for sugar as against $8.10 per hundredweight paid by the Canadian baker, or 20 percent more. Dried milk in Detroit is 15 cents per pound as against 10 cents in Canada, or 50 percent more.

Wage rates for production workers show an even greater disparity. Dough mixers in Windsor, Canada, currently are paid $1.70 per hour; those in Detroit, $2.68, or 58 percent more. Oven men, $1.64 an hour in Canada, $2.65 in Detroit, or 62 percent more. Bread wrapper operators, $1.54 per hour in Canada versus $2.48 in Detroit, equivalent to 61 percent more. General bakery workers, $1.43 in Canada; $2.38 in Detroit, or 66 percent more. Driver-salesmen in Detroit average $140 weekly, plus many fringe benefits, as against $95 weekly, with limited fringe benefits, in Canada.

It can readily be seen that with such differences in ingredient costs and wage rates for identical products and work, the American manufacturer of bread is at a decided disadvantage regardless of how efficiently he may operate.

Under the Tariff Act of 1930, bread is on the "free" list, which means that no duty or import quotas whatsoever may be imposed on bread of any description. Nor can any arrangements be worked out under the General Agreement on Tariffs and Trade to control such imports, because the United States negotiators have no leverage for bargaining purposes and no statutory basis for action. Canada, on the other hand, imposes a 15 percent ad valorem tariff on bread which moves from the United States into Canada. Although we are here primarily concerned with bread, it should be noted that Canada has a tariff on cakes (as we do in the United States) which it has increased within the last few months in connection with its adverse balance-of-payments situation. This, we understand, has effectively limited the export of sweet goods from the United States into Canada.

Although Canada imposes a tariff on bread, it is doubtful that even without such a tariff there would be a Canadian market for American bread, because of the extreme cost differentials existing in favor of the Canadian bread manufacturer.

Imports of Canadian bread have become so extensive in recent years, and the potentials for the future so serious that we find ourselves compelled to seek what we consider to be minimal action to have bread placed on the "dutiable" list under the Tariff Act of 1930.

We have reviewed the problem on several occasions with various executive agencies, including the State Department, Department of Agriculture, Department of Commerce, and the Tariff Commission, with a view to obtaining a solution to the problem. Although all departments expressed sympathy, it was made quite clear in every instance that there exists no statutory basis for relief to the baking industry.

Because bread is not on the "duitable" list, it may be brought across the border in limitless quantities and without restriction. Indeed, one of our difficulties in making a complete statistical case arises from the fact that because bread is on the "free" list, records of imports under $250 are not required by customs, which means that tremendous quantities of bread move into the U.S. markets without any record being shown as far as customs records disclose. Consequently, the State Department in opposing our request for legislative action is able to state that on the basis of the records, an insubstantial amount of bread comes into the United Staes. Unforunately, however, the recorded figures show but a small part of the overall picture.

The bread-baking industry is one of the basic food industries in the United States, composed principally of independent operators. It is primarily an industry of small, local operations, beset with many economic problems today, including high ingredient and distribution costs, and inadequate prices for its products to recoup its costs. Many of these high costs are the direct result of Government programs designed to bolster farm prices and wage rates. But this same endeavor on the part of our Government enables competitors on the other side of the Canadian border to take advantage of the situation and move their products, manufactured with lower ingredient and labor costs, into the market areas of the United States with considerable profit to themselves at lower prices than American bakers can possibly sell.

Equity and justice suggest that if our Government intends to pursue programs which establish higher cost bases in the manufacture of our products, by the same token it should provide at least a minimum amount of protection from products imported from countries which do not have such government programs in operation.

We urge upon this committee, therefore, that bread be transferred from the "free" list under the Tariff Act and placed on the "dutiable" list at whatever rate the committee might consider appropriate; although in that connection we direct the committee's attention to paragraph 733 of the Tariff Act of 1930 which establishes a 30-percent ad valorem tariff for other bakery products. This could be an appropriate paragraph to which bread might be added.

Even with a tariff at this level, the disparity in costs is still of such magnitude in favor of Canadian bakers that they could export to the United States at a price below the domestic product. However, the inclusion of bread on the "dutiable" list, would enable our negotiators to have some leverage to seek some agreement with Canada to control the flow of these products into this country. At the same time, it would enable more agriculture products such as wheat, shortening, milk, and sugar, produced by farmers in this country, to be consumed here, and thereby assist our farmers, the Government, and the taxpayer.

It is appropriate to point out that one of the objections which the State Department makes to this proposal to place bread on the "dutiable" list is the fact that the United States is bound by agreement with Norway not to impose a tariff on "bread" for the duration of that agreement. However, the Norwegian bread in question is a specialty type of bread with which we are not here concerned. We are concerned primarily with commercial pan-type bread. It would be a relatively simple matter to exclude specialty type breads in whatever language the committee drafts, so that the integrity of our international commitments would be preserved.

It is also argued by departmental opponents to this measure that the quantity of such imports is relatively small in comparison with the total quantity of bread sold throughout the country. Statistically, this statement is correct, but it overlooks the immense economic leverage that goes far beyond areas where the bread may be immediately sold, which a relatively small amount of cut-price products can exert on the price structure of the product.

Also, because most of these imports are sold primarily in the border States, the local bakers in such areas suffer severely. These imports represent a substantial and significant percentage of bread sold in such areas even though not such a percentage of national production. It is certainly not "insignificant" as the State Department on various occasions has alleged. Because bread is perishable, it has no national market; it must be produced and consumed in relatively small areas geographically. Therefore, the proper relationship to be considered is the relation of imports to production in the market areas where both domestic and imported products are sold. This, we submit, is the proper criterion to consider.

It is a myopic point of view to insist that the only factor to be taken into account is the arithmetical relationship between total imports and total domestic production.

Our proposal is not contrary to the principles of free trade which this bill espouses. Rather, it is an equalization of competitive conditions—and a limited equalization, at that—by providing for American bread bakers a minimum amount of tariff protection against a situation over which they have absolutely no control, because of the effect of other Government programs which are the dominant factor in setting their costs.

It is rather ironic, as well as inconsistent, that wheat flour, the major ingredient in bread, accounting for about two-thirds of its physical volume, is subject to a tariff of $1.04 per hundred pounds when imported into the United States; but when converted into the product in which it is principally consumed, it carries no tariff whatsoever.

It is our hope that this committee in its deliberations on H.R. 11970 will take into account this serious problem of the many small bakers who are today feeling the pressure of these imports in increasing measure, and will take this opportunity—which is probably the only opportunity available to us for many years—to correct this situation and equalize the competitive factors as between our domestic and foreign bakers by transferring bread from the "free" list to the "dutiable" list of the Tariff Act.

Respectfully submitted.

JOSEPH M. CREED, *Counsel.*

The CHAIRMAN. Our first witness this morning is the distinguished Senator from Maine, Edmund S. Muskie. We are very happy to have you before the committee.

STATEMENT OF HON. EDMUND S. MUSKIE, U.S. SENATOR FROM THE STATE OF MAINE

Senator MUSKIE. Thank you, sir.

I would like at the outset to express my appreciation to the chairman and to the members of the committee for arranging this opportunity at my convenience. I know your sessions have been long and grueling ones, and I know you still have the hard job of drafting and reporting this important legislation.

On Thursday, August 2, I introduced an amendment to H.R. 11970, the Trade Expansion Act of 1962, which would give the President specific authority to enter into orderly marketing agreements with foreign countries, where such agreements would serve to protect domestic manufacturers from disastrous increase in imports from foreign industries producing articles under substandard wages and working conditions.

This proposal, in my opinion, is consistent with the objectives of the President's program for expanded trade; it is in line with his "adjustment assistance" program for workers and industries injured as a result of our trade policies; and it would provide meaningful protection for a substantial group of industries confronted with low-wage competition from highly industrialized and efficient operations overseas.

At the same time, it would not shut the door to foreign trade, but would assure foreign manufacturers an opportunity to share in the orderly growth of our domestic market.

It would provide a tool for the President to use, in those cases where the tool is practicable, in halting market chaos and in giving domestic manufacturers a "breathing space" in which to adjust to changing competitive conditions.

My recommendations can be considered in two parts.

The first is an examination of the special problems of low-wage competition, and the second is the specific remedy which I propose as an addition to those already specifically provided to the President.

The essence of the free-trade argument is that competition is good for everyone. It encourages efficiency, economical allocation of resources, better quality, and lower prices. These are the ingredients of the free-enterprise system in our domestic economy. What is often overlooked is the fact that the free-enterprise system succeeds only where one has a more or less homogeneous community, where there is mobility of capital and labor, and where certain minimum standards are maintained with respect to wages and working conditions, trade practices, and so forth.

The Fair Labor Standards Act is first and foremost a humanitarian document, designed to insure a decent standard of living for each person willing and able to work. It is also a device for protecting employers who pay their workers decent wages, from unfair competition by those who pay substandard wages and impose poor working conditions on their employees.

In the arena of international trade we cannot impose an international fair labor standards law. But we can recognize that the problem of wage cost differentials does exist.

The European Common Market has recognized this factor, and has taken steps to minimize the problems it creates, within the Common Market, as did the earlier Benelux Economic Union formed by Belgium, Luxembourg, and the Netherlands.

In creating the Benelux Union, difficulties were encountered in reconciling the economies of Belgium and the Netherlands. In many instances, wages in the Netherlands were considerably lower than wages in Belgium and, in consequence, money costs of production in the Netherlands tended to be lower than costs in Belgium.

The agreement of July 1953, establishing the Benelux Union, recognized these differences, and measures were adopted to raise the general level of wages in the Netherlands. At the time, this was not too difficult because of the favorable balance-of-payments position of the Netherlands.

Under articles 48–51 of the December 1957, Treaty of Rome, establishing the European Economic Community, it is provided that all restrictions on the movement of labor, capital, and enterprises within the Community are to be abolished by the end of the transition period, together with the gradual abolition of tariffs and other restrictions on commerce among the member states. All discrimination based on nationality regarding employment, wages, and other working conditions is to be eliminated.

The Treaty of Rome recognizes that it will not be easy to allow labor, and capital, particularly labor, to move freely among the mem-

ber states. Accordingly, it provides for a European Social Fund that is intended to improve the possibilities of employment and to increase the geographic and occupational mobility of labor within the Community.

Thus, there is precedent for recognizing that commerce between countries with widely disparate levels of living presents problems of adjustment that cannot be solved overnight.

The idea of "adjustment assistance" through the Social Fund is an attempt by the member states to work with, rather than against, the forces of economic adjustment.

This is the underlying argument for the adjustment assistance provisions of H.R. 11970. It is also an argument for additional tools in the control of the pattern of trade to help us work with those forces which will encourage a healthy growth in trade patterns.

I recognize that differences in wage rates, by themselves, do not constitute an adequate yardstick for judging the degree of competitiveness between U.S. producers of a given product and their foreign competitors.

To be meaningful, wages must be related to the productivity of labor and to other costs of production, including the cost of raw materials.

Highly paid labor that is highly productive is low-cost labor, in terms of the unit of product, as compared with low-paid labor that is relatively unproductive. The test of unfairness of competition is whether the labor involved receives wages and fringe benefits, per unit of output, that are substantially lower than wages and fringe benefits received for comparable labor in this country.

There can be little doubt that a country in which wages are generally low, relative to labor's productivity, is enabled to compete abroad in certain lines of production in which it would not be able to compete in the absence of this advantage.

Competition of this kind is particularly troublesome in lines of production in which it is relatively easy to transfer from one product line to another.

Soft consumer goods, such as textiles and shoes, are particularly vulnerable. Other industries facing comparable problems include electronic components and the wood-turning industries.

On August 2, this committee heard testimony by Mr. Harold Toor, treasurer of the National Shoe Manufacturers Association, illustrating the problem which arises when an efficient, highly competitive domestic industry is hit by efficient, highly competitive imports from countries where labor output is high and wages are low.

Imports of footwear, leather and nonleather types, have increased 234.5 percent since 1957—from 11 million pairs in 1957 to 36.8 million pairs in 1961. For the first 6 months of 1962 they have more than doubled the rate of the comparable period of 1 year ago. They were 6.1 percent of domestic production in 1961, 10.3 percent of domestic production in the first half of 1962, and 15.4 percent of domestic production in June 1962.

While imports have been increasing, our exports have dropped from 4.4 million pairs in 1957 to 3 million pairs in 1961.

The impact of such competition as this must be measured not only in terms of the volume of imports, but also in the rate of expansion

and the ability of the foreign competitor to concentrate on certain lines of production and to shift rapidly from one line to another. They key to the problem is market disruption.

Tariffs do not provide an adequate answer to this problem since the difference in foreign and domestic costs allows foreign exporters to land their product in the United States at 15 to 26 percent less than the price of the domestic product.

Some other technique must be found to slow down this disruptive change if we are to protect the jobs of the 350,000 to 400,000 workers in the 1,300 factories in 650 communities in 38 of our States.

Another technique is available, and has been used by this administration in the case of the Geneva Textile Agreements. This is the technique of orderly marketing agreements. Such agreements offer to domestic manufacturers the assurance that their markets will not be taken away from them suddenly, in a situation where they cannot possibly compete.

At the same time, the arrangements for such restrictions on imports as are necessary are carried out in a spirit of cooperation between the exporting country and this Nation.

Foreign exporters are told that they will not be shut out of the domestic market, but that they will have an opportunity to share in the American market as it grows. They will be given the chance to compete on a fair basis for a fair share of that market.

Last year, I introduced S. 1735, the Orderly Marketing Act of 1961. This legislation spelled out the procedures and the formula which would be applicable in the establishment of orderly marketing agreements. My amendment, which I advocate today, carries out the intent of S. 1735, within the framework of the general trade bill.

Under the amendment the President is given the specific authority to enter into orderly marketing agreements with other countries, to arrange for such import restrictions as are necessary to protect domestic industries struggling against a sudden flood of low-wage imports.

Such authority is not contained in the legislation, as written. I believe it should be included.

The amendment does not tie the President's hands. It does not say that this is the only technique of adjustment assistance or trade protection. It says only that this is one useful device, the merit of which the President has recognized, the use of which is entirely in his discretion, and which should be available to him in his implementation of our trade policy.

I urge the members of this committee to include this proposal in the Trade Expansion Act.

I have had distributed copies of my amendments which I have introduced and which has the support of Senators Bartlett, Chavez, Cotton, Dodd, Murphy, Pastore, Pell, Wiley, Long, and Randolph.

In addition there have been other Senators who have indicated a policy of noncosponsoring, who have indicated their support of this principle and their probable support of the amendment at the proper time.

So there is a widespread recognition not only in the Senate, but among industries, as to the need for some kind of remedy of this sort. So I urge the committee to consider it seriously, and I thank the committee for the opportunity.

The CHAIRMAN. Thank you, Senator Muskie.

You mentioned the differential in wages as between this country and other countries that are likely to import into this country. Have you got any definite figures on the hourly rate, the difference in the hourly rate of wages?

Senator MUSKIE. I put such a table into the record on August 2, Mr. Chairman, and I would be happy to include the table here. These differentials on total labor costs. Here are some of them that suggest the differences. The United Kingdom, the hourly earnings and fringe benefits in the leather footware industry, 97.4 cents an hour.

France, $0.939, Italy, which is one of our strong competitors, $0.451, Japan, $0.317.

The United States $1.946. These are illustrative and I would be happy to include the full table in the record.

The CHAIRMAN. I don't exactly understand one point.

Senator MUSKIE. $1.94 an hour.

The CHAIRMAN. What?

Senator MUSKIE. $1.94 an hour is the average.

The CHAIRMAN. $1.84?

Senator MUSKIE. $1.94.

The CHAIRMAN. Are the wages in this country?

Senator MUSKIE. And in Japan it is——

The CHAIRMAN. You are speaking of all industries or just this particular one.

Senator MUSKIE. This is the leather footware industry alone.

The CHAIRMAN. Say that again, please.

Senator MUSKIE. The United States, rounding out the third figure, the United States, $1.95 an hour; Japan, $0.32 an hour; Italy, $0.45 an hour. Including some of the Common Market countries, here is the Netherlands with $0.57 an hour; Beligum $0.69 an hour; West Germany, $0.83 an hour; Switzerland, $0.86 an hour; France, $0.94 an hour; the United Kingdom, $0.97 an hour.

The sources of these figures are the U.S. Department of Labor and the British Ministry of Labor Gazette.

The CHAIRMAN. Do they include the fringe benefits?

Senator MUSKIE. Insofar as they can be estimated they do.

The CHAIRMAN. Thank you very much, Senator Muskie.

Any questions?

Senator SMATHERS. Mr. Chairman, may I ask the able Senator—first I apologize, I did not get to hear his total statement. But as I understand the amendment, what the Senator seeks to do, he and his cosponsors, is in effect to establish or determine marketing negotiating procedures in your subparagraph (5), and then you call for the Tariff Commission—is that what you do—to determine whether or not injury is resulting to domestic industry by virtue of these trade agreements that the President has worked out?

Senator MUSKIE. Yes.

The first amendment, Senator, is simply an addition to the statement of purposes of the act.

The key amendment is the one on page 2, and this would give the President another tool. It would require a finding by the Tariff Commission, which already under the act has authority to make findings bearing upon the injury to domestic industries. This amend-

ment would pinpoint the injury which flows from wage differentials.

There are three key factors introduced by the amendment in the process of injury finding.

One, the existence of a wage differential which, two, sets up conditions of unfair competitive advantage to foreign manufacturers of a competing product, and, three, which produces substantial injury.

The three must coincide. Existence of a wage differential alone under the amendment would not trigger any relief.

The existence of a wage differential which produces unfair competitive disadvantage would not trigger relief but it would if it produces substantial injury to a domestic industry.

Then the remedy or relief provided in the amendment is entirely discretionary with the President, nothing that forces him to take action.

Senator SMATHERS. You say the Tariff Commission shall as a result of such investigation, I am reading on top of page 3, has found that injury is caused or threatened, the President "may" rather than "shall."

Senator MUSKIE. Negotiate.

Senator SMATHERS. Negotiate such agreement and provide such foreign competition—in other words, you are merely asking that in each one of these instances that the Tariff Commission make a study and if they conclude there is injury to the domestic industry then the President apparently will be so notified and he may make such further agreement with that country as would protect the domestic industry.

Senator MUSKIE. That is it exactly, Senator. That is it exactly. The industry, which I think is taking a very liberal view of the trade policy considering its problems and the fact it has no export market that is meaningful, recognizes that the President in the whole tone of the Trade Expansion Act understands the need for adjustment assistance so they are willing to give this to him as a tool entirely within his discretion. They feel he understands the need for adjustment and he would recognize injury if it were spelled out by appropriate findings of the Tariff Commission and would act accordingly.

So it is a discretionary rather than a mandatory tool which is recommended.

Senator SMATHERS. Now, the machinery of the Tariff Commission gets underway when, say, upon application of the interested party. That would mean ordinarily, of course, that party or that corporation, or that industry representative which is being injured, felt they were being injured.

Senator MUSKIE. That is right.

It might be labor or it might be management and, of course, the President, and the Tariff Commission themselves upon request of the injured parties or considering themselves injured may act on their own motion.

Senator SMATHERS. I have no further questions.

The CHAIRMAN. Any further questions?

Senator WILLIAMS. Senator Muskie, what would be the difference between your proposed amendment and the peril point as it is under existing law, in its application?

Senator MUSKIE. In the peril point proceeding, the objective, as I understand it, is to establish a tariff below which or a point in the tariff schedule below which we ought not to move without risking peril to an industry.

This amendment, although it does not restrict itself to tariffs as a remedy, is based upon the assumption that tariffs would not be an adequate remedy in situations that would be anticipated by it. So this relies on the orderly marketing or some people refer to it as "quotas."

I don't think this is a quota in the strict sense of the word, and also it doesn't establish any specific point below which there is danger. It simply says that under a given situation or under given situations of import competition there is risk of substantial injury to a domestic industry.

Senator WILLIAMS. Does he not already have the authority to negotiate these agreements with other nations to limit the importation into this country?

Senator MUSKIE. Under the Agricultural Act which we amended earlier this year in order to give the President authority to implement the textile agreements fully, there is such authority when we are dealing with an agricultural product or a manufactured product thereof.

There is some question as to whether leather shoes come under that authority, but in addition, of course, a great many shoes, and the bulk of the shoes produced in this country, are not leather and would not come under that provision of the Agriculture Act.

Senator WILLIAMS. Your amendment would extend the same provisions to all leather commodities or just to——

Senator MUSKIE. To everything.

This is not limited to any product or commodity.

The CHAIRMAN. Other questions?

Senator Muskie, would you desire your address to the Senate of August 2 inserted in the record?

Senator MUSKIE. I have it here. I would be very happy to have it.

The CHAIRMAN. I think it contains a good deal of information just in glancing over it. So we will insert it in the record.

Senator MUSKIE. I thank the chairman and the members of this committee for this hearing.

The CHAIRMAN. Thank you, Senator Muskie.

(The information referred to follows:)

[H.R. 11970, 87th Cong., 2d sess.]

AMENDMENTS Intended to be proposed by Mr. MUSKIE (for himself, Mr. BARTLETT, Mr. CHAVEZ, Mr. COTTON, Mr. DODD, Mr. MURPHY, Mr. PASTORE, Mr. PELL, Mr. WILEY, Mr. LONG of Missouri, 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 2, between lines 13 and 14, insert the following:

"(5) to establish orderly marketing negotiating procedures which will offer nations in which wages or working standards are significantly lower than in the United States a fair share in the growth or change in the domestic consumption in such manner as will also prevent unfair competitive advantage over United States manufacturers or producers."

On page 3, between lines 20 and 21, insert the following:

"SEC. 203. SPECIAL AUTHORITY FOR IMPORTS FROM NATIONS WITH LOW WAGES OR WORKING STANDARDS.

"In the case of trade with any nation or nations in which wages, including fringe benefits, and working standards with respect to manufacturing industries are substantially lower than such wages, including fringe benefits, and working standards in the United States, the Tariff Commission shall, upon request of the President, or upon its own motion, or upon application of an interested party, conduct a public hearing and investigation to determine whether or not as to any article or articles imported into the United States from such nation or nations there exists a differential between domestic and foreign costs of production which is due primarily to such lower wages, including fringe benefits, and working standards and which gives foreign manufacturers and producers of such article or articles an unfair competitive advantage over domestic manufacturers or producers of like or competitive articles such as to cause or threaten substantial injury to such domestic manufacturers or producers in the United States market. If the Tariff Commission shall, as a result of such investigation, find that injury is so caused or threatened, the President may, pursuant to section 201(a), negotiate with such nation or nations and proclaim such import restrictions as are appropriate to provide such foreign competition and domestic manufacturers or producers with an opportunity for a fair share in the growth or change in the domestic maket for such article or articles. Agreements, negotiated under this section may be without regard to the provisions of section 251 or title III."

[From the Congressional Record, Aug. 2, 1962]

THE TRADE EXPANSION ACT OF 1962—AMENDMENT

Mr. MUSKIE. Mr. President, I submit, for appropriate reference, an amendment to H.R. 11970, the Trade Expansion Act of 1962. I do so on behalf of myself, the distinguished Senator from Alaska [Mr. Bartlett], the distinguished Senator from New Mexico [Mr. Chavez], the distinguished Senators from New Hampshire [Mr. Cotton and Mr. Murphy], the distinguished Senator from Connecticut [Mr. Dodd], the distinguished Senators from Rhode Island [Mr. Pastore and Mr. Pell], and the distinguisbed Senator from Wisconsin [Mr. Wiley].

I ask unanimous consent that this amendment remain at the desk through Friday, August 10, to give other Senators an opportunity to join me in cosponsoring the proposal.

The PRESIDING OFFICER. The amendment will be received, printed, and referred to the Committee on Finance; without objection, the amendment will lie on the desk as requested by the Senator from Maine.

Mr. MUSKIE. Mr. President, I offer this amendment as a constructive effort to provide improved protection for those industries faced with disruptive increases in imports from low-wage industries in foreign countries, without frustrating the basic intent of the trade expansion program. Briefly, my amendment would give the President the authority to negotiate special agreements with low-wage countries to allow such countries an orderly share of our domestic market, without destroying our own industry because of the unfair advantage enjoyed by those foreign industries paying substandard wages. This will carry out the intent of S. 1735, the Orderly Marketing Act, which I introduced last year.

I ask unanimous consent that my amendment may be printed at this point in the Record.

There being no objection, the amendment was ordered to be printed in the Record, as follows:

On page 2, between lines 13 and 14, insert the following:

"(5) to establish orderly marketing negotiating procedures which will offer nations in which wages or working standards are significantly lower than in the United States a fair share in the growth or change in the domestic consumption in such manner as will also prevent unfair competitive advantage over United States manufacturers or producers."

On page 3, between lines 20 and 21, insert the following:

"Sec. 203. Special authority for imports from nations with low wages or working standards.

"In the case of trade with any nation or nations in which wages, including fringe benefits, and working standards with respect to manufacturing industries

are substantially lower than such wages, including fringe benefits, and working standards in the United States, the Tariff Commission shall, upon request of the President, or upon its own motion, or upon application of an interested party, conduct a public hearing and investigation to determine whether or not as to any article or articles imported into the United States from such nation or nations there exists a differential between domestic and foreign costs of production which is due primarily to such lower wages, including fringe benefits, and working standards and which gives foreign manufacturers and producers of such article or articles an unfair competitive advantage over domestic manufacturers or producers of like or competitive articles such as to cause or threaten substantial injury to such domestic manufacturers or producers in the U.S. market. If the Tariff Commission shall, as a result of such investigation, find that injury is so caused or threatened, the President may, pursuant to section 201(a), negotiate with such nation or nations and proclaim such import restrictions as are appropriate to provide such foreign competition and domestic manufacturers or producers with an opportunity for a fair share in the growth or change in the domestic market for such article or articles. Agreements negotiated under this section may be without regard to the provisions of section 251 or title III."

Mr. MUSKIE. Mr. President, I am not opposed to expanded trade. I come from a State with a rich heritage in foreign trade. I know that our Nation must trade if it is to grow, and we cannot export to other nations unless we buy from them. But I am not willing to ignore the fact that a number of domestic industries—particularly those requiring large labor inputs—are faced with a tremendous volume of imports from countries which have reached a high level of mechanization, without a corresponding increase in the wages paid to their workers.

The State of Maine, for example, has several kinds of manufacturing enterprises in this category, including shoes and leather footwear, woodworking, and textiles. The cotton textile industry has benefited from an import agreement negotiated between our country and 19 others at Geneva. The authority for the cotton textile negotiations is found under the Agriculture Act. There is no specific authority for such negotiations in the existing Trade Agreements Act, or in the legislation proposed by the President or as passed by the House of Representatives.

The whole thrust of the proposed trade bill is to expand trade opportunities, particularly between the United States and the Common Market. It assumes that we are talking about roughly comparable, mature industrial economies. It assumes that in such a trade expansion program, desirable as it may be, there are bound to be injuries to certain segments of our own economy. And so, it provides for certain protections, including the escape clause proceedings and adjustment assistance.

Both of these provisions are good, but they do not have a direct or sufficiently immediate relationship to the sudden flood of imports which threaten to engulf certain of our domestic industries.

What these industries need is prompt, and realistic relief. They need breathing space, a time in which to adjust the changing competitive conditions. This would be true in any case, but in the case of those industries where increased efficiency, added capital investment, and improved marketing are not sufficient to overcome the wide differential in wages between domestic and foreign manufacturers, they are entitled to special consideration.

Within our own Nation we have made it illegal to transport goods across State lines when such goods are manufacturer under low wages and substandard working conditions. The Treaty of Rome, which formed the foundation for the Common Market, recognized that true free trade between the Common Market countries could not be achieved until the separate nations had reached a certain parity in wages. We cannot enforce Fair Labor Standards Act on other nations, but we can insist on reasonable safeguards for our workers who must compete with workers in other nations receiving abnormally low wages and working under substandard conditions.

Today, Mr. President, Mr. Harold Toor, treasurer of the National Shoe Manufacturers Association, testified before the Senate Committee on Finance. He represents an important American industry which has been threatened by imports, and which is feeling the pinch of rapidly expanding imports from low-wage countries. Now, frankly, I would not have been surprised if the shoe industry had taken a rigidly protectionist attitude on the trade bill. To their credit, they have not. They have come out for expanded trade, in a rational

framework. This amendment is one part of the framework they support. It is a reasonable request, which I hope will receive the favorable action of this body.

Mr. Toor's presentation provides such an excellent outline of the general trade problem confronting such industries, and underscores the need of my amendment so forcefully, I ask unanimous consent that it be printed in the Record at this point.

There being no objection, the testimony was ordered to be printed in the Record, as follows:

"TESTIMONY OF HAROLD O. TOOR FOR THE U.S. SHOE MANUFACTURING INDUSTRY BEFORE THE SENATE FINANCE COMMITTEE, AUGUST 1, 1962

"My name is Harold O. Toor. I am treasurer of the National Shoe Manufacturers Association, president of the H. O. Toor Shoe Corp., and chairman of the board of the Freeman Shoe Corp. I am representing the National Shoe Manufacturers Association, the New England Shoe & Leather Association, and the St. Louis Shoe Manufacturers Association, which together include over 500 manufacturers producing at least 90 percent of all the footwear made in the United States.

"INDUSTRY LOCATION AND PLACE IN THE ECONOMY

"The leather shoe manufacturing industry is an essential industry whose products were rationed in World War II. It is made up of approximately 850 companies with over 1,300 factories in counties represented by 262 congressional districts in 38 States. These factories are in over 650 communities. In many cases, they provide the major economic support of the community. In certain States, for example, such as Maine, New Hampshire, and Massachusetts, shoe manufacturing, according to the three-digit Standard Industrial Classification of Manufacturing for 1959, was the largest manufacturing industry employer; in Missouri it was the second largest; and in Wisconsin and Pennsylvania it was the 11th.

"We generate a payroll in the United States, if we include suppliers of materials, equipment, and machinery, at somewhere between 350,000 and 400,000 employees. In certain cases where our manufacturers have opened new factories, the community has estimated that a 500-person payroll affects the economic welfare of 1,500 to 2,000 people. On the basis of this assumption, the activities of shoe manufacturing in the United States affect the economic welfare of a million to a million-and-a-half citizens. The shoe industry is vitally important to hundreds of small communities throughout the Nation.

"A HIGHLY COMPETITIVE INDUSTRY

"The shoe manufacturing industry is one of the most competitive in the Nation. Concentration in shoe manufacturing in the United States is minimal. The first 4 companies, according to the Census Bureau, in 1961 produced 23.4 percent and the first 50 companies, 51.6 percent of total output. In 1939, the first 4 produced 23.3 percent and the top 50 produced 51.3 percent, or about the same as today. The shoe industry remains for the most part in the hands of the small entrepreneur or businessman.

"Exit and entry in the shoe manufacturing industry is relatively easy. Buildings and machinery may be leased, and production undertaken with a relatively small amount of capital as compared with the investment required to enter manufacturing industry generally. Conditions in the industry are relatively fluid: Over the last 11 years 603 factories have ceased operation, while around 445 factories have begun shoe manufacturing.

"An index of the intensive competition prevailing in shoe manufacturing is provided by the Department of Commerce figures for average factory value of all shoes produced. The average factory value was only $3.80 per pair in 1961, as compared with $3.44 in 1950. This rather amazing picture is confirmed at retail where over 58 percent of the women's shoes sell at $6 a pair, or below; over 60 percent of all men's shoes at $10, or below; and over 72 percent of all children's shoes at or below $6 a pair.

"The intense conflict prevailing in shoe manufacturing is further illustrated by the fact that of the approximately 850 companies in the industry, around a third report losses to the Internal Revenue Service each year. The earnings of the entire industry average about 2 percent on sales, after taxes; the middle 50 percent of the companies, from 0.9 to 2.7 percent.

"SHOE MANUFACTURING INDUSTRY RECOGNIZES THE NECESSITY OF TRADE WITH NATIONS

"The shoe manufacturing industry of the United States recognizes the necessity of a policy and program of trade expansion as a national objective. We endorsed and supported the proposed Orderly Marketing Act of 1961, under which foreign manufacturers would share in the growth of our domestic market.

"We would like to support the proposed trade expansion bill, H.R. 11970. We have grave doubts, however, that we can survive as a healthy industry under this legislation unless there is an improved safeguard for businesses such as ours which face increasingly severe competition from imports.

"RAPID GROWTH OF FOOTWEAR IMPORTS POSES AN INCREASING THREAT TO THE SHOE MANUFACTURING INDUSTRY

"The table below reveals that over the past decade under the Trade Agreements Act our markets have been opened to footwear products of the world and a steady expansion has taken place in imports of footwear.

U.S. foreign trade in footwear (other than rubber footwear and slipper socks), 1951–62

Year	U.S. domestic production	Imports		Exports	
		Million pairs	Million dollars	Million pairs	Million dollars
1962 (6 months)	323.9	33.4	40.5	1.4	4.3
1961 (6 months)	304.3	16.3	26.9	1.5	4.3
1961	599.8	36.8	59.8	3.0	9.0
1960	598.4	26.6	53.3	3.2	9.4
1959	638.2	22.3	44.4	3.5	11.4
1958	587.1	23.6	32.9	4.2	13.4
1957	597.6	11.0	22.2	4.4	13.9
1956	591.8	10.0	18.5	4.5	14.1
1955	585.4	7.8	18.6	4.6	14.4
1954	530.4	5.6	10.4	4.7	14.6
1953	532.0	6.9	12.7	5.2	16.2
1952	533.2	5.3	11.1	4.8	15.3
1951	481.9	5.4	11.0	4.2	14.0
Percent change, 1961 over 1957	+0.36	+234.5	+169.4	−31.8	−35.3
Percent change, 1962 (6 months) over 1961 (6 months)	+6.4	+105.5	+50.5	−6.7	(1)

[1] No change.

"Since 1960 imports have expanded at an increasingly rapid rate. For the first 6 months of 1962 they have more than doubled. At the present time, imports are running at the rate of 10.3 percent of U.S. production. If the gain continues for the year, which is likely, imports will exceed 70 million pairs in 1962. If the gain in imports in 1963 is 50 percent, and in 1964 and 1965 only 25 percent, at the end of 1965 we shall be importing over 160 million pairs, or 24.6 percent of an estimated 1965 output of 650 million pairs. In summary, we shall have exported in the first half of the sixties practically all of our potential growth.

"IMPORTS THREATEN EMPLOYMENT IN SHOE MANUFACTURING

"This flood of imports will have a marked effect on actual and potential employment in shoe manufacturing. It is not surprising that the president of the AFL–CIO mentioned in his presentation before this committee the problems of shoeworkers arising from the great increase in imports.

"On the average each 3,500 production workers in the shoe industry working a 35–40 hour week, 50 weeks a year, produces about 10 million pairs of shoes a year. This output in turn provides employment for another estimated 1,200 workers in the supplying trades. A total of 4,700 workers, therefore, are provided with job opportunities in the manufacture of each 10 million pairs of shoes.

"This would mean that in 1961 at least 16,000 employment opportunities were lost in the leather shoe and supplying industries through imports. If im-

ports reach 160 million pairs by the end of 1965, then another 58,000 employment opportunities will have been sacrificed in the leather shoe and supplying industries. The support the shoe and allied payrolls give in hundreds of small communities through the Nation may well mean that directly or indirectly, a total of anywhere from 75,000 to 100,000 additional people may be affected by this trend.

"This flood of imports not only reduces employment opportunities for shoeworkers, but it forces shoe manufacturers to make arrangements of one type or another in foreign countries to produce shoes or shoe parts. A few manufacturers, thoroughly discouraged by the import flood, are investing in facilities abroad or making other arrangements so that they may import footwear or parts and thus remain competitive. Unless some action is taken to adjust imports to an orderly growth, this movement will grow apace, and we shall see dozens of factories moved from this country to Europe. What will happen to the workers in the small towns of Maine, Pennsylvania, Arkansas, and Missouri? It is the height of sophistry to assume that the adjustment provision of this bill will take care of all these people.

"The employment data that I have cited clearly indicate that at present reduced tariff rates, imports of footwear have essentially free entry into the United States. Further encouragement to imports is not needed. There is positive evidence that at existing duty rates—5 percent and 10 percent through 20 percent—the United States has made a substantial contribution to the objective of trade expansion in footwear.

"In contrast, our export trade in footwear has not shared in this expansion, principally because of higher costs here but also because of restrictions of one type or another in foreign countries.

"SHOE MACHINERY AND MANUFACTURING METHODS SIMILAR THROUGHOUT TRADING NATIONS

"The question may be asked: How can foreign shoe manufacturers make such substantial inroads in U.S. markets if the domestic shoe industry is modern, has built at least 80 new plants with over 3½ million square feet of space since 1950, is keenly competitive, alert to changes in markets, and possesses an excess capacity of at least 100 million pairs per year? The answer is clear. Differences between wage rates in the United States and shoe exporting countries are responsible for the growth of imports.

"Shoe manufacturing in other countries is similar in character to our own. It is relatively easy to enter, and there are hundreds of factories to supply the domestic market as well as foreign demand. Because shoes are a necessity, shoe factories in these countries were among the first to be reconstructed following the war. Many of these plants were rebuilt or modernized, with U.S. aid.[1] Shoe manufacturing is an assembling operation, and shoe machinery is of a relatively simple nature to assist hand operators in stitching, cutting, trimming, folding, smoothing, and so forth. Machinery and technology are universal, and today no one industrial country enjoys any substantial advantages over the other in machinery and methods.

"At the same time, it should be made clear that in general the productivity of American shoe factories may on the average be as much as 25 percent greater than in factories abroad although the productivity of a few of the larger factories in England, Italy, and Japan may approximate that of American factories producing a comparable type of footwear. Our productivity, however, cannot offset the substantial price advantage which exists today in favor of foreign shoe manufacturers.

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[1] In most cases the export demand is more important for foreign countries than it is for U.S. producers.

Italy, for example, exported about 42 percent of leather footwear production of 59,710,000[a] pairs produced in 1961, or around 25 million pairs. Of this 25 million,[b] approximately 15 million go to the Common Market countries and 10,940,542[a] to the United States, or about 18 percent of her total output.

The United Kingdom, out of a total production of 161,120,000[a] pairs in 1961 exported 7.3[b] million pairs, with 1,607,691[a] million pairs coming to the United States.

France exported about 11 million[a] pairs of shoes out of a production of 96,600,000[a] million pairs in 1961 Few come to America; 9 million pairs.[a]

[a] U.S. Department of Commerce.

[b] Organization for Economic Cooperation & Development, France.

"WIDE DIFFERENCE IN WAGE RATES ALONE RESPONSIBLE FOR FLOOD OF IMPORTS

"Wages in shoe manufacturing abroad range from a half to even a fifth of wages in the United States as the following table will reveal:

Foreign versus U.S. average hourly earnings and fringe benefits in the leather footwear industry

Country	Hourly earnings	Fringe benefits (percent)	Total labor costs	Country	Hourly earnings	Fringe benefits (percent)	Total labor costs
United Kingdom	$0.870	12.0	$0.974	Netherlands	$0.440	30.0	$0.572
France	.626	45.0-50.0	.939	Italy	.221	75.0-80.0	.451
Switzerland	.750	15.0	.863	Japan	.276	15.0	.317
West Germany	.638	30.0	.829	United States	1.630	19.4	1.946
Belgium	.510	35.0	.689				

NOTES

Fringe-benefit percentages are estimated by the U.S. Department of Labor. Period covered for each country is as follows: France, October 1961; Switzerland, October 1960; West Germany, May 1961; Belgium, April 1961; Netherlands, May-June 1959; Italy, June 1960; Japan, calendar 1960; and U.S. hourly earnings and fringe benefits, May 1961.

United Kingdom: "Clothing and footwear" category, adult males, 21 and over. France: "Hides and leather" category, skilled males, in Paris zone, the highest paid region in the country. Switzerland: Male workers. Italy: Average hourly earnings and fringes in a related industry, "Leather and leather products," are as follows: $0.219, 75 to 80 percent, $0.574. Japan: "Leather and leather products."

Sources: U.S. Department of Labor; British Ministry of Labor Gazette; NSMA (U.S. fringe benefits).

"Differences in wage rates here and abroad result in such price differences between foreign and domestic footwear that foreign producers may land shoes in this country at prices 15 to 25 percent lower than for equivalent items produced in the United States. In other words, this is the result of lower priced labor in foreign countries competing against higher priced labor in America. While some footwear designs from foreign countries have won for themselves an accepted place in the American shoe market because of design alone, in the great majority of cases foreign footwear has earned its place in the U.S. economy solely because of differences in price. By far the greater part of the imports today are styled in America and made in Europe or Japan for the U.S. market.

"It is easy to show in an example how important these differences in prices between foreign and domestic footwear become in the highly competitive footwear industry. About 175 million pairs of women's shoes sell at $2.98, $3.98, $4.98, and $5.98 a pair through the great mass shoe distributors of America. These retailers provide consumers with amazing values in shoes. They are, however, in intensive competition with each other for a greater share of the market. They, as well as shoe manufacturers, face a rising trend of costs. The cost squeeze requires them to search continuously for ways and means to increase markon in order to widen profit margins. In a $3.98 shoe, for example, as costs inch up, the retailer is forced to shorten his markon or move from the $3.98 to the $4.98 bracket. As there is a price elasticity in the demand for footwear, the retailer realizes that a move to a higher bracket may curtail his market or place him at a disadvantage against strong competition, or both.

"If, however, he can purchase these shoes abroad wholesale at important savings, then he can maintain his $3.98 bracket and at the same time increase his markon to meet heavier expenses. There is every encouragement, therefore, buying more from lower wage countries to hold the price line and increase markon. In a few cases, manufacturers of shoes who have been suppliers to large distributive outlets or who own distributive outlets, have been forced to curtail certain domestic production and open up factories abroad, simply because they could not meet import competition and supply their customers, whether wholesale or retail, with shoes at the right price.

"It is clear, too, from these comments why the shoe manufacturing industry is vitally concerned in maintaining even its present scale of low tariffs. Any reductions, for example, in the present duty of 20 percent on women's cement shoes would inevitably accelerate the growth rate of imports of these types in the United States from still other countries. Some countries now very easily jump the hurdle of our tariffs. However, as these tariffs become lower, other runners will also be able to jump over them.

"SHOE TARIFFS ALREADY THE LOWEST OF ANY TRADING NATION

"Shoe tariffs in the United States are the lowest of any important trading country in the world, as the next table will show. In the United States, too, there are no excise taxes or other restrictions which must be taken into consideration in calculating the final level of costs in certain countries.

Foreign duty-tax rates on U.S. footwear versus actual 1960 duty paid on footwear imported into United States

Country	Duty, percent rate [1]	Other taxes [2] (percent)	Net duty plus taxes (percent)	U.S. duty, percent paid [3]
Common Market:				
Belgium	16.0–21.6	12	30.0–36.0	6.7
France	16.0–22.3	25.0+2.0	48.0–53.0	11.4
West Germany	12.5–16.0	6.0	19.0–23.0	8.6
Italy	[4] 18.0	5.8	24.8	13.8
Netherlands	16.0–21.6	5.0	22.0–27.0	16.6
Luxembourg	16.0–21.6	4.0	21.0–26.0	(5)
Japan	20.0–30.0	20.0	40.0–50.0	18.3
Hong Kong	(6)	(6)	----	16.3
United Kingdom	(7)	5.0	11.5–36.5	7.2
Canada	[8] 27½	11.0	41.5	9.7
All countries	(5)	(5)	(5)	12.8

NOTES

[1] Based on cost, insurance, and freight or landed cost values, except for Canada.
[2] Applied to duty paid value. This results in net duty plus taxes being greater than mere addition of duty plus tax rates.
[3] Based on 1960 footwear imports, f.o.b. shipping point values. Duty actually paid.
[4] Maximum of 720 lire duty per pair.
[5] Not available.
[6] Free port.
[7] 3 shillings per pair or 10 to 30 percent, whichever is higher.
[8] Applied to U.S. market value or invoice, whichever is higher.

Source: NSMA, based on customs schedules and reports from U.S. Embassies, U.S. Department of Agriculture.

"LITTLE RECIPROCITY IN PAST NEGOTIATIONS

"This comparison of tariff schedules of the United States and foreign countries indicates further that there has been little reciprocity in previous trade negotiations. This may have been all very well during the reconstruction stage of European and Japanese industry. It throws the trading picture completely out of balance today when the same technology and equipment are used in foreign countries as in the United States, and these countries have the additional advantage of cheap labor.

"In judging the various levels of tariffs and the question of reciprocity, moreover, we must not forget that some of our Common Market friends have not been as generous as our negotiators. They have been discriminating against Japan and under GATT have refused most-favored-nation treatment to Japan because of low wage rates in that country. They do not hesitate to provide protection for their manufacturers against imports from low-wage countries. These Common Market countries recognize what it means to compete with a low-wage country in the world's market.

"We believe at this stage of world industrial development that the United States must insist in its negotiations on real reciprocity. Business Week has commented on this point as follows: 'It is essential, however, that we treat this matter from the start on a business basis. The postwar period of European weakness is over. We are now dealing with commercial equals from whom we have every right to expect a quid pro quo—if not some credit for one-sided concessions we have made in the past. Our new trade policy should be shaped—and used—accordingly. Even if we assume that this authority to wipe out certain tariffs would be an advantage in getting Europe to bargain, some limits and safeguards need to be put on it. For example, the administration should not be free to reduce U.S. tariffs to zero on several broad product categories while EEC in return cuts its common tariff 20 percent overall. From the statistics, such a swap might appear to be to our benefit. But chances are that the Europeans would gain more. The absence of tariffs in the United States, even on a limited number of categories, would enable them to penetrate our markets more deeply than we could theirs, as long as they retained a tariff wall.'

"RECOMMENDATIONS

"We recognize that Congress may pass a trade expansion program. We urge, therefore, the inclusion of certain safeguards for domestic industry in the final form of this trade legislation.

"1. We strongly endorse the principle embodied in the proposal which Senator Muskie will introduce in the Senate and urge the trade bill be amended to provide for the establishment of negotiating procedures for orderly marketing which will offer a nation in which wages are significantly lower than in the United States a fair share in the growth or change in domestic consumption in such manner as will also prevent unfair competitive advantage over manufacturers and producers in the United States.

"2. We also recommend that the Tariff Commission should, under section 221 of the proposed bill, after holding hearings, be directed to report to the President in advance of negotiation the level of duty or import restriction on any article or articles below which domestic producers of such articles would suffer serious injury from importation. The President should inform Congress where reductions are made in tariff duties or restrictions below such levels.

"In conclusion: The American shoe industry asks this simple consideration—a fair competitive chance of survival as an industry paying the world's highest shoeworkers' wages."

Mr. MUSKIE. We are talking here, Mr. President, about an industry which is important to hundreds of small communities throughout the Nation. It is made up of approximately 850 companies with over 1,350 plants in over 550 small towns and cities, as well as in the major metropolitan areas of Boston, New York, St. Louis, Philadelphia, Pittsburgh, Chicago, Milwaukee, Cincinnati, Newark, Jersey City, San Francisco, Oakland, Los Angeles, Providence, Baltimore, and Seattle. These towns and cities are within over 260 congressional districts in 38 States. Plants are also located in Puerto Rico.

I have here a report listing the towns and cities with shoe manufacturing plants in 37 States. It reports employment data for shoe manufacturing and related industries for 27 States for which such information was available. Total employment for the shoe industry and related industries is estimated at between 350,000 and 400,000 employees.

I ask unanimous consent that this report be printed in the Record at the conclusion of my remarks.

Mr. President, the trade bill we enact this year will be of tremendous importance, not only in its immediate impact on our economy, but also in the direction it establishes for the whole course of our future trade policy. I believe any rational trade policy must include specific tools for dealing with imports from low-wage countries. The trade bill, as of today, does not include such authority. My amendment would provide it.

To those Members of the Senate who wish to expand trade and provide reasonable protection to domestic industries I commend this amendment. It will not shut the door to imports; it will give foreign manufacturers an opportunity to share in the growth of the American market on an equitable basis. At the same time domestic manufacturers will know that they have a remedy against unfair competition, and the President will have a flexible tool in dealing with troublesome import problems from those areas of the world where wages and working conditions have not kept pace with industrialization.

I urge my colleagues to give serious consideration to cosponsorship of this amendment. I hope it will be adopted.

The CHAIRMAN. The next witness is the Secretary of Labor, Mr. Goldberg.

Take a seat, sir, and proceed.

STATEMENT OF HON. ARTHUR J. GOLDBERG, SECRETARY OF LABOR; ACCOMPANIED BY MRS. LOUISE FREEMAN, ASSISTANT SOLICITOR, EMPLOYMENT SECURITY DIVISION, DEPARTMENT OF LABOR

Secretary GOLDBERG. Mr. Chairman, and gentlemen of the committee, with your permission, Mr. Chairman, I will file for the record my prepared statement and will attempt to summarize its contents.

The CHAIRMAN. Without objection, please proceed in that manner.

Secretary GOLDBERG. It is with great pleasure that I appear before this distinguished committee again.

This committee has heard extensively from many witnesses about the legislative matter which is the subject of its current inquiry.

You have also heard from administration witnesses in support of the Trade Expansion Act, and you had from them a description of its various features.

I thought I could be most helpful to the committee today if I would discuss those aspects of the program which directly concern American workers and their jobs.

As this committee very well knows, it is the obligation of the Secretary of Labor under act of Congress under the basic charter of the Department, to foster, promote, and develop the welfare of the wage earners of the United States, to improve their working conditions, and to advance their opportunities for profitable employment.

I, of course, as I am sworn to do, am fully conscious of this congressional mandate upon me in the conduct of the affairs of the Department.

It is with full recognition of this obligation that I have reached the conclusion that the proposed Trade Expansion Act, as passed by the House, would help us achieve more and better employment for American workers and would provide better assistance than is now available for those workers who are adversely affected by imports.

As this committee very well knows from our hearings last year when we considered the temporary Unemployment Extension Act, unemployment is a matter of great concern to the administration and to me, and I have carefully examined this legislation in terms of the employment possibilities and the consequences to unemployment of this particular program.

This committee has heard about the importance of international trade to our economy, and you have heard from various witnesses about its importance to employment.

Comprehensive studies by the Bureau of Labor Statistics which I have distributed to the members of the committee in attachments to my testimony, show that the equivalent of 4 million jobs for American workers were supported by the world trade of the United States in 1960.

We can assume from the trade levels of 1961 that about the same thing is true of 1961.

Now, of course, we all are very much interested in what were these 4 million jobs. Of the 4 million jobs, 3,100,000 were export supported. They were required directly and indirectly to produce, to transport, and market the nearly $21 million of merchandise exported by the United States in 1960.

This estimate includes all American labor involved from the raw-material stage to delivery of the export to foreign port; while our exports are not ordinarily regarded to be a substantially big part of our gross national product, unlike the situation in some European countries, nevertheless the significance of our export trade is indicated when we look at the employment figures.

Almost 6 percent of total farm and private nonfarm employment in 1960 are attributable to our exports. When we break this down

we find that in manufacturing 8 percent of all employment stems from activities associated with exports.

In mining it is almost 13 percent, and in agriculture—you have had testimony about our agricultural economy—it is 13.2 percent.

Now, these are jobs throughout the United States. There is a chart which is attached in the material I have given you, which shows that export jobs are not concentrated in a few industrial or coastal areas.

They, as I have indicated, are scattered throughout the length and breadth of our great country.

In addition to that, of course, we derive jobs from imports. Imports supported the equivalent of 940,000 jobs in 1960, and I again wish to repeat that about the same thing is true in 1961.

They were jobs in connection with the transportation, handling, processing, and distribution of products imported for American markets.

I would not want this committee to believe that it is my view that increases in imports may not cause job dislocations for some American workers. They do on occasion. And we shall talk about that in a moment.

But, I think we must recognize that trade must be, is, a two-way street and I think we all recognize this, and we cannot have a flourishing export business which creates so many jobs of the magnitude that I have indicated, without importing items that may displace some American jobs.

The important question is not whether some displacement may not occur, but the important question is what is the extent of the displacement, and how best to deal with it.

Now, when we examine the extent of the displacement, we have, of course, to draw upon our experience. The 40 cases in which the Tariff Commission has found injury to American producers since 1946 present a group of cases that have been studied carefully from their impact upon employment and unemployment.

A study of those cases illustrates that the total net loss of employment from all causes in those cases was 28,000 people.

Now, I recognize that this statistic may not be wholly complete.

There are obviously other industries in which some firms have claimed injury from imports but have not filed for escape clause relief; it must also be remembered that while workers have been affected by job shifts due to imports, many job losses are absorbed through attrition, shift of workers to other activities, getting new jobs, and so forth.

So we have done a further study in the Labor Department through our respected, properly respected, Bureau of Labor Statistics.

In this study, it is estimated, and the study is attached also for your consideration, that a hypothetical employment of about 1 million workers would be required to produce in the United States the substitute goods equivalent in value to those imports which are competitive with U.S. output.

When I mention competitive, I believe in prior testimony before the committee, you have seen reference to the fact that 60 percent of our imports are deemed in general to be noncompetitive. There are many items which we need for our economy which we either do not

produce in the United States, cannot produce in the United States for lack of mineral resources, and so forth, or proper growing conditions. Coffee would be a good illustration, and many important metals of vital importance to our national security. In an approximation which has been made by the Department of Commerce, about 40 percent of our imports are competitive with U.S. output.

Senator DOUGLAS. Mr. Secretary, we could grow coffee and bananas in hot houses if that were to be advocated, could we not?

Secretary GOLDBERG. We could, but I think the housewives of this country and some of their husbands would stage a revolt against the high cost of producing coffee under those circumstances.

Senator DOUGLAS. I think if a strong protectionist movement resulted in growing bananas and coffee in hot houses that could be done, couldn't it?

Secretary GOLDBERG. It would be done but at a great cost.

I want to make it clear that the 1 million persons I have mentioned in no way represent jobs actually lost by American workers as a result of imports. We could not expect employment in the United States to rise by 1 million or even near it if all imports were terminated and no one, I think, would propose that as a sensible method of handling our trade problems.

I don't believe, in all the testimony before the Ways and Means Committee or this committee I have read, any witness has proposed a complete shutoff of all imports to the United States.

Many of these jobs never existed in this country. Many products have traditionally been imported, and for a variety of reasons have no true domestic counterpart.

Of course, if we summarily cut off what we call competitive imports or imports that could be competitive, employment presently created in our great transportation industry, the handling of imported articles in trade, in our wholesale and retail industries, would, of course, be substantially curtailed.

More important than that, of course, is that if we ever embarked upon a road which I do not believe anybody advocates, of cutting off our imports, we would do great harm to our export trade.

We could not expect our customers and friends overseas to remain good customers for American exports if we decided to cut off their exports to us.

Senator DOUGLAS. Mr. Secretary, forgive me for interrupting you, but is it not true when in 1930 we passed the Smoot-Hawley tariff bill this was followed within the next 2 or 3 years by a series of European tariffs which raised a levy against us?

Great Britain went on to Empire preference, European countries raised their tariffs, and the net result was to reduce our exports, isn't that true?

Secretary GOLDBERG. That is correct, Senator, and to decrease our employment as a consequence.

Now, also we, as was implied in the earlier question of Senator Douglas, we would also lose efficiency in the economy by any such procedure. And we would find, as I will illustrate in a few minutes when I analyze the nature of our exports, that we would be giving up jobs in some of our most efficient and high-paid industries to gain less efficient, and lower paid employment.

I have said I don't think anybody proposes this, and I am sure that is right. From reading the record of your hearings in the forms of the statements that have been made I would not deem this to be a realistic assumption.

Now, the more realistic approach is to estimate the employment effects of the proposed trade program.

These are estimates, made by again our Bureau of Labor Statistics economists, who converted into employment terms the Department of Commerce forecasts of increases in the imports of sensitive commodities over the 5-year span of this program. This estimate is that during the 5-year span of this program a total of only about 90,000 workers might be eligible for the assistance to be offered to those adversely affected by import competition.

This does not mean that all of the 90,000, though, will lose their jobs, because with the adjustment assistance contemplated by the bill it is hoped that firms involved in this problem will be able to rationalize their production, and continue employment. Of course, it is hoped that workers will receive the benefit of the assistance so that they can continue to be employed people.

Furthermore, our trading program, if it is to be a successful program, as we all hope it will be, and as I am convinced it will be, will generate more exports, and the 90,000 figure that I have just given you, in my opinion, will, under a liberal trade policy conducive to an expanding export trade, be far offset by the number of jobs which will develop. We need those jobs created by an expanding export trade very badly in terms of our unemployment situation.

Our studies indicate that for each additional $1 billion of exports there is generated about 150,000 jobs. And while we cannot, of course, because there are many factors that enter into trade—such as the Common Market and other factors—while we cannot be precise about what will happen in the next 5 years, I would certainly hope and anticipate that we would generate several billion dollars increase in our export trade, which, in turn, would generate jobs on the level of half a million or more, so that our total gain in jobs would be several hundred thousand from the operation of this program.

When I mention the jobs involved in exports, and the jobs involved in imports, I refer to the direct and indirect jobs involved in those industries.

Definition of direct or indirect is contained in the technical notes in the documents I have distributed. I do not want you to believe when I say indirect that we include in that the income generated jobs that go to service or feed or house the workers who are involved in the export trade or in our import trade.

What we mean by indirect is the supporting industrial, transportation, and other jobs which enter into export trade.

To give you an example—steel not only gets jobs from exporting steel products and loses some jobs because steel is imported, but steel gains jobs through the export of automobiles or refrigerators.

Those jobs are included in the definition. What is not included are the jobs involved in growing the food, renting the houses, clothing, and taking care of the goods and services required for people who work in our export and import business.

You heard reference to a multiplying effect in this area. There is a multiplying effect.

It has been estimated that for every one job directly and indirectly involved in our export and import trade, one and a half jobs are generated in these other areas, so that really we have a tremendous job stake in our export trade.

If we take our total direct employment of 4 million, we would then add about 6 million related and we would be talking in terms of 10 million jobs.

Now, we still, whether it is 90,000 more or less, we still must be concerned about the impact of imports upon our business about which the Secretary of Commerce testified so well the other day, and also upon our job opportunities. I am convinced that the best way to deal with the job displacement caused by imports is the way proposed in H.R. 11970, to take full advantage of the opportunity to increase employment through expanded exports, and at the same time to provide direct assistance to those displaced by such a trade policy coupled with tariff relief, where necessary.

That is proposed in the bill, and properly proposed in the bill.

This committee has properly devoted itself to a consideration of the problem of whether our high wages have priced us out of competition with low wage foreign producers.

We are very proud of the fact, I am sure all of us, that the United States has the highest labor standards in the world, but significantly along with the highest labor standard in the world which we want to maintain and preserve, we also have the largest volume of exports in the world.

The studies that you have before you of the BLS prove that it is primarily from our high wage industries that exports have taken place.

How can this be?

How can we compete so effectively if our wages are high, and how do our high wage industries who, in my opinion, are entitled to some of the tax relief that the President talked about last night for all industries, and for individuals, how do these high paid industries compete in the market, in the foreign market?

Sometimes a personal observation is better than all the statistics in the world. Last year the President sent a Cabinet Committee to Japan, and I happened to be a member of that Cabinet Committee, and I visited Japan.

Now, you have heard a lot of testimony about Japanese low wages, and about the Japanese ability to compete adversely with our products.

I shared that common belief although the figures indicated that we had a favorable balance of trade with Japan, and were shipping to Japan, one of our best customers, $700 million more in goods last year than we sent to them.

But sometimes you have to see with your own eyes what has happened. And I saw something which was reported very well in the Wall Street Journal on August 10, 1961, in an article which I would like, Mr. Chairman, to reproduce and offer for the record. It is very interesting that the Japanese in Tokyo, when you go around their department stores, are complaining about the competition from the United States, and the fact that we in the United States produce goods which they cannot compete with.

I would like to read a few excerpts from this excellent report of the Wall Street Journal which I verified with my own observation when I was in Japan.

Here are some of the excerpts and I quote them and as I say, I would like to offer this article for the record:

A 9-cubic-foot Hitachi refrigerator sells for $385 in Tokyo department stores—close to twice the retail price of a comparable American-made unit in the United States.

Engineers at Toyo Rayon, Japan's biggest producer of synthetic fibers, figure they can cut by 10 percent the production costs of Tetoron fiber, identical to Dacron, once the necessary petrochemical raw materials are produced in Japan. But that would only lower Toyo's costs to the U.S. level.

Komatsu Manufacturing Co., a major producer of construction machinery, finds its bulldozers and tractors can't compare abroad in price with U.S. products.

And peculiarly enough even in the steel industry, which has been complaining about Japanese imports.

And a Japanese company's recent bid to sell 112 tons of steel water pipe to the Philippines was undercut by 15 percent by a distant British firm.

Why is that, in light of what we have traditionally read about the Japanese low labor costs?

There are several reasons. One reason is that the, and I am paraphrasing, I am not quoting exactly and it is in this article and our own studies bear it out, one reason is that Japan's widely publicized cheap labor isn't as much of an asset as it seems.

Because of sizable fringe benefits, total labor costs in big companies sometimes are more than double their wage payments, and wage rates are rising fast.

Any remaining cost advantage of Japanese firms is more than offset by inefficient production methods, high raw material costs, heavy interest payments on loans, and the high cost of Japanese-made production equipment.

Now, this doesn't mean that there aren't cheap Japanese products. This article correctly reports, as I also saw——

(The following was later received for the record:)

[From the Wall Street Journal, Aug. 10, 1961]

JAPAN FINDS LOW PAY DOESN'T ALWAYS MEAN LOW PRODUCTION COSTS—APPLIANCE, SYNTHETIC PRICES TOP UNITED STATES; REASONS: COSTLY MATERIALS, LIMITED OUTPUT

(By Igor Oganesoff)

TOKYO.—A 9-cubic-foot Hitachi refrigerator sells for $385 in Tokyo department stores—close to twice the retail price of a comparable American-made unit in the United States.

Engineers at Toyo Rayon, Japan's biggest producer of synthetic fibers, figure they can cut by 10 percent the production costs of Teteron fiber, identical to Dacron, once the necessary petrochemical raw materials are produced in Japan. But that would only lower Toyo's costs to the U.S. level.

Komatsu Manufacturing Co., a major producer of construction machinery, finds its bulldozers and tractors can't compare abroad in price with U.S. products. And a Japanese company's recent bid to sell 112 tons of steel water pipe to the Philippines was undercut by 15 percent by a distant British firm.

These examples illustrate a striking point about Japan's expanding economy. Though the Nipponese can and do sell fabrics, transistor radios, cameras, chinaware, and other items at prices well below those of foreign competitors, many lines suffer from serious problems of high production costs and prices. They include most home appliances, synthetics, and machinery.

BENEFITS RUN UP COSTS

One reason is that Japan's widely publicized cheap labor often isn't as much of an asset as it seems. Because of sizable fringe benefits, total labor costs in big companies sometimes are more than double their wage payments—and wage rates are rising fast. Any remaining cost advantage of Japanese firms often is more than offset by inefficient production methods, high raw material costs, heavy interest payments on loans, and the high cost of Japanese-made production equipment.

Japanese subsidiaries of American companies aren't immune to these cost problems. The manager of one American-owned electrical equipment plant says he employs 30 percent more labor than his firm does in the United States to do a given job, because his Japanese assistants insist it's necessary. "We're stuck with the same fringe benefits and high raw materials costs as local firms," he complains. "Instead of saving a lot of money on production in Japan, we find total costs are nearly the same as in the United States—even with our latest machines and methods."

"Our cheap products are nearly all in the light industry field," observes Yasuo Katoh, an official of the Japan Machinery Exporters Association. This includes products such as fabrics, transistor radios, cameras, chinaware, and toys. The low costs of such fields stem from several factors, some of which do not benefit all light industries. Many such industries are not significantly affected by Japan's high raw materials costs. In some products, such as transistor radios, raw materials account for only a tiny portion of the value of the finished item. In some products, such as chinaware, the raw materials are inexpensive anyway.

TOYS AND FABRICS

A number of products, such as some types of toys, involve a good deal of handwork, whether they're made in Japan or the United States. So Japan is able to benefit from its relatively low labor costs. And many of Japan's light industry products, such as fabrics, have well-developed markets, both domestic and foreign. Producers have been able to take full advantage of high output, mechanized production methods.

Outside Japan's light industry, "very few kinds of industrial machinery or heavier consumer items are cheap," says Mr. Katoh. For one thing, raw materials costs are a bigger part of the value of such products. Then, too, the domestic market is limited for many heavier consumer items, such as refrigerators, and Japan's manufacturers thus haven't been able to take full advantage of mass production methods.

In largely automatic manufacturing processes, such as petroleum refining, or production of chemicals and synthetic fibers, the cost advantage of cheaper Japanese labor almost disappears. Here, raw material prices are the determining factor.

The fact that Japanese labor isn't as cheap as is generally believed, is emphasized by Chosaku Kono, assistant director of Hitachi's oversea business division. He estimates that straight factory wages in big industrial firms average 22,000 yen or about $61 monthly. But another $30 is paid out in bonuses and credits to employee retirement funds. And fringe benefits add an additional $50 monthly.

Even the young, unskilled girls hired for, say, Hitachi's washing machine factory at $25 monthly get similar benefits. One steel firm here pays its unskilled help the equivalent of $37 monthly—but "extra" jacks the total outgo to $128, an extreme but not rare example.

Besides basic pay, figured automatically on the basis of senority and education, rather than skills or position, all Japanese workers receive summer pay and yearend cash bonuses equivalent to between 1 and 2 months pay. Then the fringe benefits begin.

A Toyo Rayon Co. production worker gets a roomy apartment in a company house for the princely rent of $2.80 a month, though in some firms senior workers have to pay as much as $7. An employee of Toshiba Electric Co. can eat three meals a day at the plant cafeteria for only $7 a month. Company retail stores sell everything from food to electric refrigerators for up to 30 percent below outside retail prices, and usually at a loss to the firm.

Nearly all large firms operate free medical facilities for workers and their families. At Hitachi, a wage earner can be hospitalized for 2 years for tuberculosis and receive both free care and his full salary for the entire period. Some

firms operate cutrate housing and recreational facilities at hot springs or skiing resorts for their employees. Many larger companies offer free, private schooling for employees' children.

Finally, there's the company-financed retirement pension for every employee at the compulsory quitting age of 55. Depending on his education, salary, and position at the end, he will receive a sum between $5,000 and $17,000 in any major firm he has served for 30 years. Nearly all these benefits are more the product of traditional business paternalism than union pressure, though the unions are adding more demands.

Automatic yearly wage increases for all workers are part of the system. Last year, firms with more than 500 employees raised wages by an average of 6 percent. And because many enterprises were having difficulty recruiting young, unskilled high school graduates, starting pay was boosted by up to 20 percent.

THE "HOME" WORKSHOPS

Japan's ubiquitous "home" workshops, which employ up to a few dozen workers and turn out everything from sewing machine parts to complete tape recorders, are on the low end of the wage scale. Besides offering far less in the way of fringe benefits—often none at all—basic wages are as little as half of those in large enterprises. Balancing low costs for these factories, which employ mostly hand labor, are wide fluctuations in quality and efficiency. And even their wage advantage is vanishing; companies with less than 100 employees last year raised wages an average of 11 percent to compete with bigger firms for increasingly scarce labor. Some hiked $19 a month starting wages for unskilled girls by as much as 50 percent.

All Japanese firms, big or small, suffer to some extent from the high cost of imported raw materials, which keep resource-starved Japan in business. Japan's Machinery Export Association has figured that Japanese steel sheets, recently quoted at around $133.30 a ton here, are 15 percent more costly than comparable American steel in the United States. Iron ore is imported at high cost from India, Malaya, and even the United States, while coking coal, mostly from the United States, costs Japanese steel producers nearly double what American steelmakers pay.

Another example: Imported nickel costs over $3,000 a ton here, compared with 35 percent less in the United States. Nearly all cotton, wool, copper, and petroleum is imported and hence expensive.

At the same time, it's true that some Japanese steel products are exported. The United States, for example, regularly buys Japanese steel rods. Such cases as Yawata Steel Co.'s recent successful bid to supply 9,400 tons of steel plates and sheets to the Indian railway system are not uncommon. One reason: Japanese steel producers are granted certain tax concessions on exports, allowing a 3 to 4 percent reduction in price.

WINNING CONTRACT IN UNITED STATES

Japanese firms also do well on some machinery contracts that happen to hit the right combination of low-cost elements. For example, Hitachi recently won a contract to supply two 93,500-horsepower water turbines for a U.S. Department of Interior project in California for $700,000, or 15 percent under the next lowest bid.

Some Japanese manufacturers, however, privately admit they disregard part of their overhead costs in submitting foreign bids in order to generate prestige and more orders abroad.

Another cost booster is interest on loans. Fully 60 percent of company capital, on the average, is borrowed, mostly at short-term rates of 8 to 10 percent a year. A Hitachi official figures such interest payments can run as high as 3 percent of total production costs.

Manufacturing "prestige" items doesn't help, either. A moderately sized electrical firm, for instance, successful in the transistor radio and television set field, feels its name will be sullied if it can't show prospective buyers a complete range of electrical appliances. So it goes into small-scale, uneconomic production of air conditioners, washing machines, tape recorders, and vacuum cleaners. And with so many firms producing the same lines, it's difficult for any maker, even a major one, to boost output to optimum levels in the growing but still limited Japanese market.

Thus, one production line often must handle several models of an item. Readjusting equipment for each model run naturally takes time and labor. Hitachi's Taga factory, near Tokyo, until recently turned out some 20 different electric fans because, the factor manager says, "buyers demanded them and we had to display them in our showcases." Now the firm has trimmed the line to 10 models and costs have dropped a bit.

In Hitachi's Tochigi plant, which produces refrigerators and air conditioners just north of Tokyo, mustached manager Shinzo Hachinohe explains that some machines in his factory run at only 60 percent of capacity, though others are up to 90 percent. He points to one expensive rolling machine which forms refrigerator cabinets—and operates only half the time.

"If production were doubled, we could cut air conditioner costs by 20 percent," says Mr. Hachinohe. He watches as a worker changes a bit on a heavy multiple drill. "See, if this drill were used for the same operation all the time, we wouldn't lose time and money by resetting it all the time." He explains that at current levels of production individual lathes and drills can't economically be replaced by automatic machines. Most welding is done by hand, too, instead of by automatic multiwelding equipment. Thus, the plant is stuck with relatively far more labor than its American counterparts.

STORING REFRIGERATORS

Other little factors play a role. Japan's newly developed electric refrigerator market is still heavily seasonal, with most sales in summer. Hitachi produces them all year around and then has to foot warehouse costs for the fall and winter.

Most Japanese firms also farm out fabrication of small parts to minor producers. This can often be a cost saving, compared with tooling up for small quantities in a big factory. But many small producers, lacking modern methods, are highly inefficient and can't sell cheaply. An official of Komatsu Manufacturing, which specializes in construction equipment, figures his firm's own manufacturing and assembly operations are efficient enough, but that expensive parts supplied by outside makers push prices up.

Most Japanese firms admit, moreover, that their clerical and administrative sections are inefficient and loaded with unneeded employees. Thousands of young girls are employed in Japanese offices to do nothing more than bow visitors in and out and serve them green tea.

"In our office, we can't just pick up the telephone to ask another department an important question. We have to go around in person; it's a Japanese custom, and it takes a lot of unnecessary time," comments an official of a big electrical manufacturing firm.

And every Japanese businessman has had drummed into his ears for decades that his country hasn't enough jobs for its people—despite recent statistics that show practically full employment throughout the nation. "We can't just cut our clerical staff, even if it would save money. We have to think of the social problem," insists Kimio Kurabayashi, an assistant office manager of Mitsui Bussan, Japan's biggest export-import house, with 5,500 employees. Unions, of course, would block any actual staff trimming.

The CHAIRMAN. Mr. Secretary, I dislike interrupting you, but I have recently been to Japan. I went through the factories, and I don't agree that they are inefficient as you have just stated, and the wages definitely are around 28 cents an hour, including the fringe benefits.

I don't know where you got the information that they were very inefficient. They are naturally very efficient people, and in manufacturing I think they are among the most efficient people in the world.

They have good up-to-date factories, that were built with American money. Yet you say that they are so inefficient that the nature of the competition is greatly lessened. I can't agree with you because at my own expense I went all through Japan, spent quite a time there, and I got just the reverse of the impression that you have just stated.

Secretary GOLDBERG. Senator, I would like to comment further on that, and that is, and give you some additional figures to indicate some of the factors which enter into this area which I think lead to this result.

Take, for example, our great coal industry, which is a good case in point. We have the statistics there.

A Japanese—an American coal miner makes eight times as much in wages as his Japanese coal miner counterpart. He produces 14 times as much coal. So you see——

The CHAIRMAN. You are getting off the point.

I thought you were talking about textiles and things like that.

Secretary GOLDBERG. I am using——

The CHAIRMAN. Do the Japanese import coal from here?

Secretary GOLDBERG. They have been importing substantial quantities of coal.

The CHAIRMAN. It isn't consequential. But their textiles exported into the United States are very consequential. You are speaking of the inefficiency; do you refer to textiles or coal?

Secretary GOLDBERG. Well, I have talked about various plants. In the heavy-goods industries, some of which I have cited, and in the heavy appliances, their output per man-hour does not compare with the U.S. output per man-hour.

Then you have another factor—if I may just finish—you have another factor, and that is that I studied their labor relations a little bit, Senator, when I was there, Senator, if I may make a statement about that.

They are overstaffed in manpower tremendously. They have an old system——

The CHAIRMAN. I never saw any featherbedding over there.

Secretary GOLDBERG. Well, they work harder. They are hardworking people, but they are tremendously overstaffed. They have a custom which we do not have in the United States; many of our labor unions would like to have it. Once you go on the payroll you stay on the payroll until you retire whether there is work for you——

The CHAIRMAN. I would like for you to discuss the textile business—you got into coal. We don't fear any importation from Japan on coal. But we do in the textiles.

Do you contend that the textile plants are very inefficient?

Secretary GOLDBERG. No, they have very good textile plants. But I mentioned this. I mentioned rayon and synthetic fibers, on the basis they did not have the raw materials and that raises their costs substantially.

The CHAIRMAN. Well, you know they get the raw materials now by buying our cotton for 8½ cents less than the American manufacturer of cotton goods and textiles can buy it.

You understand that?

Secretary GOLDBERG. Yes, I do. And the cost I gave you—I didn't give it to you——

The CHAIRMAN. They got the advantage of buying American cotton in Japan for 8½ cents less than an American manufacturing plant can buy it, and that combined with a 28 cents per hour wage makes a very formidable danger to this country, especially with their efficiency.

Have you been to Japan?

Secretary GOLDBERG. Yes; I was reporting the observation.

The CHAIRMAN. Have you seen the new factories that were built with American money?

Secretary GOLDBERG. I have seen factories there; yes.

The CHAIRMAN. We gave it to them.

Secretary GOLDBERG. Yes.

The CHAIRMAN. We destroyed the factories there and then rebuilt them.

Secretary GOLDBERG. Of course they are rebuilding factories not only with money that we gave them but from loans we make to them.

The CHAIRMAN. It is the first time I heard anybody say the Japanese are inefficient people.

Secretary GOLDBERG. I got just the reverse impression. They are hard working, and hard working does not mean they have efficiency of production.

The CHAIRMAN. If they have a little inefficiency they make up for that by work. They have cots in the factories; you probably saw them.

Secretary GOLDBERG. Yes.

The CHAIRMAN. And the women there will sleep a few hours, then they will start to work again, and they get no overtime.

Secretary GOLDBERG. But, you know, Senator, I was going to finish with this and then go to——

The CHAIRMAN. So that will make up for a good deal of this so-called inefficiency.

Secretary GOLDBERG. But when you analyze the best figures that are available on what is the key to, as any businessman will know, whether he can compete or not, the key is unit labor cost on his products. If you look at the unit labor costs, the best figures which are available on unit labor costs, the unit labor costs in Japan and I will give you a table on that and the source which I have here (see p. 2079), the unit labor cost in Japan per unit of output in manufacturing is not substantially different from the United States.

The unit labor cost per output in manufacturing in Japan in 1959 was 58 cents, this is in all manufacturing, and in the United States was 67 cents.

That figure would surprise a lot of people.

The CHAIRMAN. Now, say that over again. I don't understand it.

Secretary GOLDBERG. The unit cost, the labor cost per unit of output.

The CHAIRMAN. In what?

Secretary GOLDBERG. In manufacturing.

The CHAIRMAN. What manufacturing?

Secretary GOLDBERG. All manufacturing.

The CHAIRMAN. Including the textiles?

Secretary GOLDBERG. All manufacturing—yes, textile is a manufacturing industry—was 58 cents in Japan, and 67 cents in the United States.

The CHAIRMAN. What do you mean by unit cost?

Secretary GOLDBERG. What it costs to produce a unit of any particular article.

The CHAIRMAN. Do you mean a yard of textiles or what?

Secretary GOLDBERG. That would be a unit in textiles.

The CHAIRMAN. Well, did you ever buy anything——

Secretary GOLDBERG. The ton of coal.

The CHAIRMAN. Did you ever buy anything in Hong Kong?

Secretary GOLDBERG. I have never been in Hong Kong.

The CHAIRMAN. You can buy the most beautiful silks there and brocades, et cetera, for one-tenth of what you can buy them in this country.

Secretary GOLDBERG. I have no doubt, Senator, as I have indicated in this testimony, that in certain areas that will be true. But looking at the picture at large, in terms of the value of what is produced, and you have to take a total look, you have to look at the total result, here is a more astonishing figure.

If you look at our output per man-hour in manufacturing in terms of values, what we put out, and this relates to the type of goods we produce, it is even, I think, more impressive.

In Japan, which produces these textiles, light goods, producing some heavy goods, but at heavy costs, Japanese output in terms of value per man-hour was 50 cents in 1959.

Our output per man-hour in manufacturing in 1959 in terms of value was $3.66.

The point I am making is this, and then I would like to move on if I may unless you have another question you would like to put to me, you have to look at the type of goods, the total output, efficiency, raw materials, productivity, availability of capital.

For example, and that is an important element, the Japanese manufacturer who wants to put out goods, and this is true in many European countries as well, has to pay for his capital far more than our manufacturers have to pay for their capital, and that is an element of cost, what you have to pay for capital being, of course, an element of great cost.

I do not say that this applies—I will supply these charts to your committee, and the source—I do not say that on every item this is so. I say overall it is so, and the proof of the pudding is the fact that we are exporting, what we are exporting as against our imports, and the further proof of the pudding is that we are exporting in the high-wage industries, and obviously we could not be successful in that if our employers weren't efficient producers, and our workers were not efficient workers.

(The following was later received for the record:)

Labor cost per unit of output in manufacturing, 1953 and 1959; and output per man-hour in manufacturing, 1959

	Labor cost per unit of output		Output per man-hour, 1959 (in 1953 dollars)
	1953	1959	
Belgium	$0.54	$0.53	$1.18
Canada	.73	.84	2.35
France [1]	.55	.42	1.32
West Germany	.75	.85	.83
Italy	.57	.51	1.01
Japan	.72	.58	.50
Netherlands	.53	(2)	(2)
Norway	.72	(2)	(2)
United Kingdom	.76	.90	.82
United States	.63	.67	3.66

[1] Wage rates (adjusted for supplementary benefits) were used instead of hourly earnings.
[2] Not available.

NOTE.—The figures represent the labor cost, in current dollars, of producing $1 of manufactured goods in 1953 prices. They were computed by dividing output per man-hour in manufacturing by hourly labor costs in manufacturing. It is assumed that supplementary benefits bore the same relationship to total labor costs in 1953 as they did in 1959.

Figures for output per man-hour were computed by dividing value added in manufacturing, converted to 1953 dollars, by the product of persons engaged in manufacturing (employees, self-employed, and unpaid family workers) and average hours worked. No account is taken of differences in prices of manufactured products among countries.

Source: Cooper, Richard N. "The Competitive Position of the United States," "The Dollar in Crisis" (edited by Seymour E. Harris), Harcourt, Brace & World, Inc., New York, 1961. Original source data for the table came from the United Nations, "Yearbook of National Accounts Statistics," 1959; International Labour Office, "Yearbook of Labour Statistics," 1959; Organization for European Economic Cooperation, "General Statistics"; First National City Bank (New York), "Monthly Letter," December 1960; and the U.S. Department of Labor (Bureau of Labor Statistics), "Trends in Output per Man-Hour in the Private Economy, 1909–58."

The CHAIRMAN. As I understand it you say that it costs more to manufacture certain articles in Japan than it costs in this country?

Secretary GOLDBERG. That is correct.

The CHAIRMAN. You are the first person I have ever heard say that.

Secretary GOLDBERG. I am not the first, Senator, again I want to remind you——

The CHAIRMAN. I would like for you to give me a report on the textiles.

Secretary GOLDBERG. I will be glad to do that.

The CHAIRMAN. Do you contend that the textiles, that the cost of textile manufacturing is as high, taking the whole, as it is in this country?

Secretary GOLDBERG. I will be glad to furnish the information we have on textiles to you but I am giving you the figures that are available about manufacturing in general, and——

(The information requested was under preparation at time the hearings were printed. When submitted it will be incorporated in the committee files.)

The CHAIRMAN. Well, figures can be used all kinds of ways, I found that out.

Secretary GOLDBERG. I hope that I am using them in an appropriate way.

The CHAIRMAN. I don't think you have used them in an appropriate way, with all courtesy to you, with respect to textiles because I have made a personal investigation of it and every textile manufacturer in this country knows that the Japanese can manufacture and ship here cheaper than they can do here in this country.

Do you question that?

Secretary GOLDBERG. I will give you the figures on textiles but at the same time I do not yield the point I am making to you that the statistics show that we can compete in the stuff we send to Japan with Japanese production, and do compete and we sell them more than we import.

The CHAIRMAN. The only reason we have survived is because we made an agreement with Japan that the exports to this country of textiles would be at a certain level. If we would permit Japan to export all she pleases into this country, what would happen then?

Secretary GOLDBERG. We have such an agreement with Japan and——

The CHAIRMAN. I say, if you say it costs them more to manufacture than it does here, suppose we lift all restrictions, let Japan import in here as much as she pleases what would happen to the textile industry?

Secretary GOLDBERG. Again, Senator, you confine your question to one industry. I have said that I have no doubt throughout that industry that they are a lower cost-producer than we are but you have got to look at the total picture.

You cannot just confine it to one particular industry. Because after all, trade has to be a two-way street, and we have made agreements like those in textiles because we regard textiles to be a rather special case.

The CHAIRMAN. Do you favor permitting Japan to export in this country as much as she desires?

Secretary GOLDBERG. Depending upon the circumstances, no, depending upon some circumstances, yes. I do believe in the textile thing that the agreement we made was a good agreement. I do believe that in total trade with Japan, we have been the beneficiary. The figures show that in total trade. I think we will increase our trade with Japan, and we will have the benefit, as we do now, of a great surplus of trade with that country. I think Japan is one of our best customers. We all want to keep it that way.

The CHAIRMAN. As I gather it, you wouldn't be disturbed if all restrictions were removed?

Secretary GOLDBERG. I didn't say that.

The CHAIRMAN. What did you say?

Secretary GOLDBERG. Oh, no. I am supporting this bill which contains escape provisions, and which contains other provisions designed to safeguard our products.

The CHAIRMAN. I am going back to what I understood you to say: that articles manufactured in Japan are made at a higher cost than in this country, is that what you said?

Secretary GOLDBERG. I said some, Senator.

First of all, let me put the posture of what I said. I was reading from the Wall Street Journal, a reputable reporter, who had made a survey. The Wall Street Journal is not notable in lacking for protection of the interests of the businessmen of the United States.

That journal, a very competent reporter for that journal, made observations, as he did about refrigerators. What I saw in the Japanese department stores bore out what he said about refrigerators. He made observations about heavy machinery.

What I saw bears out his observations.

You have made an observation about textiles. I agree with you just as I have agreed with the reputable reporter for the Wall Street Journal. I have not said, and I hope, I don't want to imply it, that I would agree that we ought to abandon all of these safeguards which this bill contains.

I am supporting this bill.

The CHAIRMAN. You still contend, though, that the cost of manufacturing in Japan is higher than it is in this country?

Secretary GOLDBERG. In many articles, in many articles.

The CHAIRMAN. What are some of the manufactured products that we send to Japan which are cheaper than the Japanese can make them?

Secretary GOLDBERG. Well, we can provide a list of what our exports are to Japan which I would be glad to, but some of the articles are mentioned here—bulldozers, tractors, refrigerators, coal. These are some of the items we can produce much more efficiently than the Japanese can.

Senator SMATHERS. How much agricultural products do we export to Japan?

Secretary GOLDBERG. We do a substantial amount of export of agriculture to Japan and we want to continue that.

The CHAIRMAN. Outside of cotton which they get for 8 cents less, what else do they export to Japan?

Secretary GOLDBERG. There is quite a list of agricultural products, Senator.

The CHAIRMAN. Have you got the figures on cotton which they are buying from us at 8½ cents less than the American manufacturer can buy?

Secretary GOLDBERG. I don't have it at hand but I am sure it can be supplied to the committee.

The CHAIRMAN. I wish you would supply it.

Secretary GOLDBERG. I will be glad to.

(The information referred to follows:)

Leading commodities in U.S. exports to Japan, 1960 and January-June 1961

[In millions]

	Annual, 1960	Semiannual, January-June 1961
Total, all commodities [1]	$1,330.4	$900.2
Agricultural products	485.2	323.3
Grains	71.3	52.3
Oilseeds and vegetable oils	106.9	57.2
Cotton	217.0	157.4
All other agriculture	90.0	56.4
Nonagricultural products	845.2	576.9
Coal and products	53.4	30.2
Petroleum and products	77.9	43.3
Steelmaking materials	131.1	139.4
Copper and alloys	67.6	50.8
Industrial machinery [1]	121.2	83.4
Other machinery [1]	50.2	34.7
Chemicals [1]	126.9	75.1
All other [1]	216.9	120.0

[1] Excludes "special category" (security) exports.

Source: U.S. Department of Commerce, World Trade Information Service Statistical Report, 62-6.

Senator CARLSON. Mr. Secretary, before you leave Japan, one thing which has concerned me has been this: I believe the testimony shows that the European Common Market countries, which we are trying to and will associate more costly with under this proposal, do have import restrictions, and variable levies against the importation of goods from Japan; is that not correct?

Secretary GOLDBERG. Yes, and I think they treat Japan very unfairly.

Senator CARLSON. But that is a fact; is it not?

Secretary GOLDBERG. Yes.

Senator CARLSON. That is one of the things which has concerned me here is a great flock of trading countries that will not permit Japanese goods in.

Secretary GOLDBERG. One of our goals in Japan is, as a friend in the free world, to work together to eliminate those restrictions.

Senator CARLSON. Mr. Secretary, I have no quarrel with Japanese trade but it is—but it has been one of the things which has concerned me, we are a great country, trading bloc with them and they reduced it and it has caused me some concern.

Secretary GOLDBERG. Yes; there is.

Senator CURTIS. Mr. Secretary, I don't want to ask my main questions now, but there was a statistic that you covered on page 2 of your statement.

Secretary GOLDBERG. Yes, sir.

Senator CURTIS. That I can't understand.

Secretary GOLDBERG. Which one is that?

Senator CURTIS. Page 2, the last sentence in the first paragraph:

In manufacturing, 8 percent of all employment stems from activities associated with exports. Mining almost 13 percent, in farming it is over 13.2 percent.

Now, isn't it true that of our gross national product we only export 5 percent?

Secretary GOLDBERG. That is correct, sir.

Senator CURTIS. What is the explanation that we only export 5 percent of our gross national product but you contend that that 5 percent of exports is provided to make for 13 percent of the jobs?

Secretary GOLDBERG. Our gross national product, Senator Curtis, as you know, consists of the total of goods and services.

Senator CURTIS. Yes.

Secretary GOLDBERG. In the United States. And we don't export many services, so that the ratio, is a greater part of the manufacturing, farming, and mining employment and very little in the service area.

Senator CURTIS. Well, I understand that. But if you take the gross national product and compare it dollarwise with what we export it is 5 percent.

Secretary GOLDBERG. That is correct.

Senator CURTIS. Now, the fact that some of that was for services, I can't, I still can't accept that as a valid explanation of your contention that 8 to 13 percent of jobs come from exports when it is only 5 percent of the business?

Secretary GOLDBERG. Senator, it isn't my contention, it is a subject of a very detailed report by the BLS, and the best statistical methods available, checking all sources, and this is the document that we have filed with you where the supporting data are indicated. Services will have a very great impact because more and more we are—our GNP is being affected by the growth in services. We are growing in services more than we are in manufacturing and mining.

Senator CURTIS. What percent of the gross national product is services?

Secretary GOLDBERG. I am looking for that figure. May I supply it? I will check that figure. It is a high percentage. I don't have it at hand at the moment but I can give you that figure.

(The information referred to follows:)

U.S. gross national product, 1961

	Amount (billion)	Percent distribution
Total	$521.2	100.0
Goods output	258.9	49.7
Durable	92.8	17.8
Nondurable	166.0	31.9
Services	203.5	39.0
Construction	58.8	11.3

Source: Economic Report of the President, January 1962, table B-4, p. 212.

Secretary GOLDBERG. I do not want to indicate by what I said when we got into the discussion of Japan, I would like to leave Japan for a moment although I didn't like to leave it when I was there for just a few days, it was a nice country to visit.

The CHAIRMAN. I think it would be better to leave Japan until we got a little more information.

Secretary GOLDBERG. Yes.

The CHAIRMAN. I was simply amazed to hear that it costs more to manufacture goods in Japan than here.

Secretary GOLDBERG. We, of course, trade with a lot of other countries and import from a lot of other countries, and one of the important things to remember about our general wage structure is that, as you have indicated, and as we all know, the fringe benefits are an important factor in determining wage scales and in determining what an employee gets. We have reviewed those, and we have found that, of course, that in our trading partners, and other areas, the supplementary benefits which are paid abroad traditionally have been much higher than supplementary benefits paid here in the United States.

Now, we have been increasing the amount of our supplementary benefits in recent years particularly since 1949. This has been a big development in our country.

On the other hand, just to give you some percentage figures, we generally estimate, on the basis of our last study, that of total employee earnings in the United States, 16 percent are supplementary benefits in the form of fringes.

In Belgium, it is 31 percent, in France, it is 50 percent, in Italy, it is 74 percent, in the Netherlands, it is 30 percent, in West Germany it is 44 percent. These are some of the figures which I think are interesting.

Senator SMATHERS. Thirty percent of what now? What are those figures?

Secretary GOLDBERG. Belgium is 31 percent.

Senator SMATHERS. Thirty-one percent of what?

Secretary GOLDBERG. Estimated supplementary benefits as a percent of earnings, of wages.

Senator SMATHERS. Percentage of wages?

Secretary GOLDBERG. That is correct.

Senator WILLIAMS. In dollar volume how does that compare?

Secretary GOLDBERG. In dollars we would be higher with 16 percent.

Senator WILLIAMS. Sixteen percent would be higher than 70 percent?

Secretary GOLDBERG. That is correct. But it does illustrate that in order to get a rounded-out figure of the total wage pattern you have to include these other benefits.

Senator WILLIAMS. Yes, but——

Secretary GOLDBERG. And I am merely citing it for that effect.

Senator WILLIAMS. The cost of an item is figured on dollars and cents and not percentages, isn't that correct.

Secretary GOLDBERG. That is correct.

But on the other hand in order to get the total costs you have to look at these other items.

Senator WILLIAMS. That is right.

Secretary GOLDBERG. You would agree with me, Senator, on that.

There is another aspect of this, and hopefully and fortunately the rate of wage adjustment which is taking place in Europe, and even in other countries, is increasing more rapidly now than in the United States.

They start from a much lower base, it is true, but the rate of increase has been much more substantial than the United States in recent years.

This is a hopeful development. We hope it will continue.

If I may file with you, Mr. Chairman, a chart showing the rate of these increases.

The CHAIRMAN. Do you desire to insert it in the record?

Secretary GOLDBERG. Pardon?

The CHAIRMAN. Do you desire to insert it in the record?

Secretary GOLDBERG. May I insert it in the record?

The CHAIRMAN. Without objection.

(The information referred to follows:)

Indexes of total labor cost per hour in manufacturing, 1953, 1957, 1961

[1953=100]

Country and item	Year			Percent change	
	1953	1957	1961	1953 to 1957	1957 to 1961
United States, production workers: Labor cost per hour	100	120	136	20	14
France, all employees:					
National currency basis: Labor cost per hour	100	152	[1] 209	52	[1] 37
U.S. dollar value basis: Labor cost per hour	100	141	[1] 149	41	[1] 6
Italy, production workers: Labor cost per hour	100	124	[1] 148	24	[1] 19
Japan, all employees: Labor cost per hour	100	122	159	22	30
Netherlands, all employees:					
National currency basis: Labor cost per hour	100	150	179	50	19
U.S. dollar value basis: Labor cost per hour	100	150	186	50	24
Sweden, production workers: Labor cost per hour	100	131	168	31	28
United Kingdom, production workers: Labor cost per hour	100	133	166	33	25
West Germany, production workers:					
National currency basis: Labor cost per hour	100	134	189	34	41
U.S. dollar value basis: Labor cost per hour	100	134	197	34	47

[1] Preliminary.

NOTE.—Total labor cost per hour includes average earnings per hour and estimated supplementary benefits per hour. Average earnings per hour comprise base pay, overtime pay, incentive and premium pay. Supplementary benefits comprise obligatory and nonobligatory social security payments.

Source: Data computed by the U.S. Bureau of Labor Statistics.

Secretary GOLDBERG. I would like to talk now about the specific provisions of the assistance program contemplated by the bill.

The philosophy of the present bill, as I think I tried to explain when Senator Byrd asked me his questions, is that there ought to be in addition and not in replacement, there ought to be, in addition to the traditional method of protecting injuries, other devices either to be used as supplements or in some cases to be used as alternatives to tariff protection, and the philosophy of the adjustment assistance provisions is to provide those other devices.

Now, it seems to me, and this is one of the reasons I have felt strongly from the standpoint of the employees involved, that this bill contains better protections for workers than the present programs. This bill preserves the essence of present programs in terms of an escape provision which is written out in the bill, but at the same time contains provisions which give assistance where at the present time no assistance is available.

Let me illustrate what I mean by that.

At the present time if an application is filed under our present legislation, it must be filed for an industry as a whole.

There may be in that industry a general level of noninjury from trade, but particular firms and particular workers may be injured by the rise in imports due to tariff concessions.

Today we have no method of dealing with that problem. This bill provides a method of dealing with that problem because it provides assistance both to individual firms and to groups of workers who may be affected by that type of situation.

Senator WILLIAMS. Mr. Secretary, who would make that determination as to whether X industry was affected?

Secretary GOLDBERG. The Tariff Commission when it is an industry application, the Tariff Commission makes the determination, reports to the President, who then is provided with a variety of methods by which he can deal with this particular problem.

Then, of course, Congress in the event that the President does not give effect to a proposed tariff adjustment that is contemplated by the Tariff Commission, then Congress, of course, by vote in both Houses may insist that that protection be given notwithstanding that the President has not approved.

Senator WILLIAMS. And they would do that by naming a company?

Secretary GOLDBERG. Well, Senator, can I explain—perhaps I could do it better by discussing the workers adjustment provision and stating how that would operate.

Senator WILLIAMS. All right.

Secretary GOLDBERG. Let's take two cases, and I think my two illustrations will show how that is done.

Let us assume that an industry files an application, a traditional application. The Tariff Commission would hold hearings of all interested parties, and the Tariff Commission would make a determination of injury and then would report it to the President.

At that point, the President can determine that tariff protection is required or that the firms, various firms in the industry, he won't name any specific firms, or that firms in the industry, are entitled to help or that workers in the industry are entitled to help, or a combination of those devices.

Then in determining the particular firms entitled to assistance, the Secretary of Commerce would then, after the President makes his determination, as Secreary Hodges has testified before you, he would then be charged with the obligation of determining whether or not the firms meet the standards in this bill.

In terms of the workers involved I would be vested with the responsibility of then determining whether in particular firms unemployment has resulted from that tariff concession.

After I make that determination, then the worker would have to apply to a regular state employment agency for a determination to be made whether he was a worker in that firm who lost his job because of the injury and who meets the qualifications provided in the bill.

Now, there is a second method, if I can finish both examples, I think that by using both examples we can get the whole picture.

A group of workers, this is what's not present now in the law, this is a defect, if I may say so, in present law, a group of workers or their

representatives, or a firm or group of firms, they may file a petition, and they may say that they have been injured.

The Tariff Commission does two things. The Tariff Commission conducts a determination on the individual firms and the group of workers involved, as the case may be, and it must make a finding in both of those cases, and then the law requires that it go beyond that, even though no industry determination has been requested, it must go on and make an industry determination.

Senator WILLIAMS. In this second instance would that determination be made on a specific industry, I mean a specific company in an industry?

Secretary GOLDBERG. Yes, sir; or a group of workers, and also on the industry itself.

Senator WILLIAMS. And you would make the final determination under the first phase as to which company in the group of industries was eligible for these payments, that is, the workers.

Secretary GOLDBERG. Only after there has been a determination by the Tariff Commission.

Senator WILLIAMS. I understand that.

Secretary GOLDBERG. In both cases, there must be a Tariff Commission determination.

Senator WILLIAMS. I understand that. But then at that point it would be your responsibility to examine this and to select from this finding those particular companies in that industry which were affected?

Secretary GOLDBERG. Yes.

Senator WILLIAMS. And establish the eligibility for the workers thereof?

Secretary GOLDBERG. In that particular one?

Senator WILLIAMS. Yes.

Secretary GOLDBERG. However, in all probability under the procedures that have been established here, notice having been given by the Tariff Commission and a period of time being permitted for applications to be filed for particular firms, there would be determinations about firms and workers, which would be a guide to me.

Senator WILLIAMS. I understand that.

Now, there would be in that determination some close decisions where it would be borderline cases as to whether you decided X company should be——

Secretary GOLDBERG. I would be dealing with workers in this instance?

Senator WILLIAMS. Yes; you would be dealing with the workers but at some point there could be some borderline decisions; could there not?

Secretary GOLDBERG. I think whenever you make a decision you are always confronted with the possibility that there might be.

Senator WILLIAMS. I understand that.

Now, the point that bothers me is, as you make these borderline decisions you decide that X company is not, the workers of X company are not eligible but you decide the workers of A company are.

They are very closely related, both are borderline decisions, but the workers of the latter company would be drawing twice the benefits of the first company. Yet they would all, that is, from the work-

ers' standpoint, each man would feel, "Well, I am unemployed because of the imports and just because the Secretary said it hadn't hurt the company for which I worked as bad"—he only gets half as much.

Would that be some problem?

Secretary GOLDBERG. I would hope, and all I can express is the hope, whether it is the Tariff Commission in one instance or myself in the other, based upon what general material the Tariff Commission has found, that we would try to do equal justice and equal equity to everybody under the standards prescribed by this bill and by the Congress.

Senator WILLIAMS. I appreciate and do not question that. But the net effect would be, though, from the workers' standpoint that one worker would be drawing, could be drawing double what the other neighbor is drawing?

Secretary GOLDBERG. It would not. I don't think generally it would be double but he would be drawing more.

Senator WILLIAMS. More, that could be.

Secretary GOLDBERG. Yes, it could be. But that would be based upon a finding that the unemployment in one case was not due to an increase in imports and I would have to make that finding and in another case, that the unemployment was due to an increase in imports.

Senator WILLIAMS. I understand that but I just wondered if you wouldn't have quite a controversy there and some dissatisfaction.

Secretary GOLDBERG. There might have been some problems but we administer programs and we will try to do, as I have said, equity on the subject.

Senator BUTLER. Mr. Secretary, at that point the petition can be filed by a group of workers under the bill.

Secretary GOLDBERG. Yes.

Senator BUTLER. What constitutes a group of workers?

Secretary GOLDBERG. It may be filed by a worker, a group of workers.

Senator BUTLER. Any worker?

Secretary GOLDBERG. Yes.

Senator BUTLER. Even though the company itself may feel it has not been injured by importations. A worker in a company——

Secretary GOLDBERG. Yes.

Senator BUTLER (continuing). Can make that petition subject——

Secretary GOLDBERG. He may file a petition.

Senator BUTLER. Yes.

Secretary GOLDBERG. But I would have to find or the Tariff Commission would have to find that it is more than one worker who has been injured. It has got to be a substantial number in the firm or in a subdivision of the firm.

Senator BUTLER. What is a substantial number?

Secretary GOLDBERG. Well, you would have to——

Senator BUTLER. What would you consider to be a substantial number? I have difficulty in getting my hands on a thing which is a substantial number.

What does it mean?

Secretary GOLDBERG. When you deal always with questions of that type you have to refine it, we would have to issue rules and regulations. It could not be—it would depend upon the circumstances.

If an individual—obviously where a single employee is involved it's not a substantial number. If a production line is shut down and the people in a production line have lost their jobs that would obviously be a substantial number of a subdivision of a firm.

Senator BUTLER. All right.

Now, then after a substantial number of persons have filed this petition, is it then the duty of the employer to bring in his books and records and have them examined to see whether or not injury has really been done?

Secretary GOLDBERG. Let me distinguish, if I may, Senator Butler, between two things: First, the worker cannot instigate a petition for relief of the employer.

Senator BUTLER. But anything the worker does necessarily involves the employer, and the workers' case is dependent upon the records of the employer, and the cooperation of the employer.

Now, suppose the employer says, "Well, I have not been injured in any way and I don't think there is anybody whose substantial interest has been injured here and I won't cooperate."

What would you do with such an employer? What would you do with him?

Secretary GOLDBERG. In the legislation drafted here he would have to appear basically before the Tariff Commission.

Senator BUTLER. Is he subject to subpena, is he subject to legal process?

Secretary GOLDBERG. The Tariff Commission does have now subpena powers.

Senator BUTLER. It has subpena powers.

Secretary GOLDBERG. Yes, under the present law.

Senator BUTLER. And the subpena powers go to his records?

Secretary GOLDBERG. Subject to all constitutional limitations.

Senator BUTLER. A subpena duces tecum could be issued and he would have to produce all of his records.

Secretary GOLDBERG. Subject to constitutional limitations, but I am advised——

Senator BUTLER. Who would see those records?

Secretary GOLDBERG. The Tariff Commission.

Senator BUTLER. Would those records be put in the hands of his employees so they would know his secret operations of business?

Secretary GOLDBERG. No. They would not.

Senator BUTLER. They would not.

How would you protect against that?

Secretary GOLDBERG. Well, I think you might, I don't know whether the Tariff Commission has testified before you, but the Tariff Commission has a notably good record of protecting the confidential character of communications and I believe—I may be mistaken, and the chairman could correct me—I believe resorts to subpenas very infrequently. In almost every case, an employer in this category is a cooperative employer.

Senator WILLIAMS. Would it be possible, Mr. Secretary, for the Secretary of Commerce to rule that a specific industry or company

was not affected adversely, and for you to rule that a specific industry or company was not affected adversely, and for you to rule that they were or must you and the Secretary agree on that?

Secretary GOLDBERG. We administer different concepts.

Senator BUTLER. I appreciate that.

But could one of you rule that X company was adversely affected and thereby the workers were eligible, and could the Secretary rule that X company was not affected and, therefore, the company would not be eligible?

Secretary GOLDBERG. Yes.

Senator BUTLER. Yes, the answer is "Yes."

Senator WILLIAMS. Or vice versa?

Secretary GOLDBERG. Yes, this could happen with a good basis. Let me point out the basis.

Suppose that as the result of imports a production line were shut down, and the men in that line were thrown out of work, and we find, the Tariff Commission finds, that this was due to the increase in imports.

The employer, however, gets out and gets other business, and restores his production quickly, but he never puts back that line and it is a substantial production line.

I could make a finding then—and the Secretary of Commerce would make a finding—for the worker, the Secretary of Commerce could make a finding the other way.

He might lose business but he might by attrition or other devices replace those employees so they don't lose employment but he could give assistance to the firm and the workers would not be entitled to assistance.

Senator WILLIAMS. One further question: Could you, under any circumstances, render a favorable decision to X company or to an industry when the Tariff Commission had not made its similar recommendations earlier?

Secretary GOLDBERG. No.

Senator WILLIAMS. You could not override it. I see. Thank you.

Secretary GOLDBERG. No.

Senator BUTLER. Mr. Secretary, answer this question: In connection with Senator Williams' question. Under the bill as it is drawn, the President of the United States can reduce a tariff or modify a tariff or completely wipe out a tariff, abolish a tariff, without having a report from the Tariff Commission?

Secretary GOLDBERG. No.

Senator BUTLER. Yes, he can under section 224 of this bill if the Tariff Commission for some reason or other hasn't reported within the 6-month period then the President can do as he wishes in connection with the tariff that he has listed—in connection with the tariff on an article that he has listed.

Secretary GOLDBERG. Senator Butler——

Senator BUTLER. If that is so the industry could be very badly hurt, and have no relief under this bill at all.

Secretary GOLDBERG. Oh no, they could never under whatever procedures there were in the bill, affect the industry's right to file its petition for either escape relief or adjustment assistance. That right is a solid right protected by the bill.

Senator BUTLER. All right.

But you will admit that under the bill as it is drawn, it is perfectly possible to abolish or reduce a tariff or to modify a tariff or to even increase a tariff without a report, a peril-point report from the Tariff Commission.

Secretary GOLDBERG. If the industry files, and the industry has the power to file.

Senator BUTLER. I am not talking about the industry filing but talking about the President of the United States listing a number of articles and he says, "I am going to make an offer to the Common Market" or some other agency to reduce these tariffs.

The industry is then put on notice that the article they manufacture is—the tariff on it is—going to be reduced.

Now, the bill says they shall have a hearing before the Tariff Commission. But if within 6 months that hearing and report has not been had, the President can go ahead and do what he wants to do anyhow.

Secretary GOLDBERG. Senator, that would not be in keeping with the intention of the bill, as I read it.

Senator BUTLER. I am not talking about what is in keeping with it. I am talking about the law. I am talking about when the courts get hold of this bill, and this bill plainly says on its face that a tariff can be reduced or indeed abolished without having any peril-point report from the Tariff Commission, I believe what the law says.

Secretary GOLDBERG. As I recall that provision of the bill——

Senator BUTLER. Well, it is section 224; it is a very short section.

Secretary GOLDBERG. There must be a public hearing before the President can enter upon negotiations.

Senator BUTLER. There must be a public hearing before a Presidential Board, yes, an interagency board but the Tariff Commission itself doesn't have to report on it.

Secretary GOLDBERG. You are reading 224.

Senator BUTLER. I am reading 224, yes:

> The President may make an offer for 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—

I interpolate "one"—

> he has received advice concerning such article from the Tariff Commission under section 221(b) or—

Not "and," but "or"—

> after the expiration of the relevant six months' period provided in that section, whichever first occurs.

Secretary GOLDBERG. Yes, but Senator——

Senator BUTLER. But suppose the Tariff Commission gets bogged down and can't make the report, or suppose somebody reaches the Tariff Commission and says, "If you make the report the next time you won't get appointed."

What do you do? The industry gets wiped out and has no treatment at all from the Tariff Commission.

Secretary GOLDBERG. I would not make the asumption that the President would proceed under this bill in this fashion.

Senator BUTLER. Well, I pick up a newspaper every day and see where people say, "You do this or this is going to happen to you," and I don't see why we should have the practice under this bill any different from anything else.

Secretary GOLDBERG. The purpose of this bill is to make sure so that the Tariff Commission proceeds promptly so that the President in the conduct of his responsibilities can go ahead and conduct——

Senator BUTLER. For your information, Mr. Secretary, I have written the Secretary of Commerce and asked them if they would agree to an amendment in this section to make it mandatory that the President have that peril-point information in his hands before he makes a finding and the Secretary of Commerce has told me, "No."

Secretary GOLDBERG. I am not aware of that correspondence.

Senator BUTLER. I am aware of it and I have had correspondence with him about it and I think it is one of the very bad weaknesses in this bill.

Secretary GOLDBERG. Senator, if I may just make this observation: The intention of this bill is for the President to receive the advice of the Tariff Commission.

Senator BUTLER. I know. But you know what place is paved with intentions. All these good intentions, it has got to be written into the law, Mr. Secretary.

Secretary GOLDBERG. I do not believe, Senator Butler, that the President of the United States trying to discharge his responsibilities will not try to carry out the—what Congress has written.

Senator BUTLER. If he can carry out what Congress has written he will never hear from the Tariff Commission but you.

Secretary GOLDBERG. But you have to rely upon the history in the past. There always has been a time limit.

Senator BUTLER. Wouldn't it be easy to write that into the bill?

Secretary GOLDBERG. But I also think we have to give a little prod to the Tariff Commission. We have had time limits in legislation that Congress traditionally wrote, and at no point I think before you or any other committee has the Tariff Commission come in and complained that the President has abused his authorities and disregarded the Tariff Commission.

The CHAIRMAN. Mr. Secretary, at this point, I would like to bring in a matter that is very important, too, I think.

This bill places a great additional burden upon the Tariff Commission——

Secretary GOLDBERG. Yes, it does.

The CHAIRMAN. Does it not?

As to ascertaining what individuals and industries are entitled to assistance.

On November 21, 1961, the President of the United States asked the Tariff Commission to investigate the cotton products especially with respect to selling cotton in Japan at 8½ cents less than in this country. There was delay in making the report. The hearings ended 6 months ago. The Finance Committee directed the chairman on August 10, 1962, to write to the Tariff Commission and ask why a decision had not been rendered. That decision is pertinent, I think you will agree, to the legislation that is pending before the committee. Here is the reply:

Let me say I have respect for the Tariff Commission. I have dealt with it for many years, and I think they are honest, absolutely honest, and they are doing the best they can. But I question the wisdom of putting great additional burden on them when they are not performing promptly the functions they now have.

Here is the letter from the Chairman of the Tariff Commission addressed to the chairman of this committee:

> 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. * * *

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—

and that would be approximately September 1.

Remember, that this investigation was asked by the President nearly 9 months ago, and the hearings were closed 6 months ago.

Now the letter continues:

> 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, 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).

Now, I simply bring that to your attention and for the record because already the Tariff Commission appears to be tremendously overburdened. I think it is one of the most important matters they have ever had. They have had 9 months and they haven't made a decision yet. And I think you will agree that this pending legislation places a lot of additional work upon the Tariff Commission?

Secretary GOLDBERG. Mr. Chairman, I don't think it appropriate for me to report on the Chairman's letter, on the letter of the Chairman of the Tariff Commission. I have enough problems explaining the administration of my own Department without intruding upon the jurisdiction of another.

So I hope you will——

The CHAIRMAN. Don't misunderstand me. The point I am making is that the Tariff Commission cannot perform promptly the functions that are put upon them now and I am not criticizing them.

What will happen if they have to decide when all these applications are made alleging injury from imports?

Secretary GOLDBERG. Well, traditionally, of course, the Tariff Commission has been doing that and in your letter the Chairman of the Tariff Commission reports on the discharging of his responsibilities under the escape-clause provisions, so that what we have here is in a sense carrying out those traditional functions.

We do have these additional duties in connection with groups of workers. I have talked to the Chairman of the Tariff Commission about this problem. I cannot, again, talk for him.

But I don't think in the light of the figures I have given you about the number of workers affected in the 5-year period that this is going to place an enormous burden upon the Tariff Commission.

The CHAIRMAN. There has been a good deal of question raised about your figures, you contended only about 18,000 people are going to be injured by imports.

There may be many more thousands in that area.

Secretary GOLDBERG. It is 90,000, Mr. Chairman. 18,000——

The CHAIRMAN. 90,000 in 5 years.

Secretary GOLDBERG. Yes.

The CHAIRMAN. It is 18,000 a year.

Secretary GOLDBERG. It will average that amount, it won't be that much at the beginning. We think it will be less in the beginning and it will build up to a total.

The CHAIRMAN. Many statements have been made that are greatly in excess of that figure, but is it not true that additional burden will be placed upon the Tariff Commission with respect to the assistance program contained in this bill?

Secretary GOLDBERG. That is correct, Senator.

The CHAIRMAN. Whatever is done here, I want to see carried out successfully; but here is a Commission already waylaid, and additional burdens are being put upon it by this bill.

Do I understand that all that it requires is application for the Tariff Commission to investigate as to whether a certain industry and certain employees are inqured?

Secretary GOLDBERG. Yes.

The CHAIRMAN. Well, that is going to be abused, in my opinion, because injury may come from a number of causes.

It may come from inefficient management. It may come from competition within this country, it may come from any number of sources.

If industries are going to be offered the opportunity to get Federal loans—I assume on security less than required for bankable loans—and if individuals are to get weekly payments of $61 maximum for 52 weeks—78 weeks if they are taken into a retraining course—I have the feeling that many applications will be made, some of them deserving and some perhaps not.

Secretary GOLDBERG. Well, Mr. Chairman, let me say this, and then if I may I would like to talk about the amount that you have raised.

The possibility of abuse always exists when the Government provides relief through administrative machinery.

But the history of the escape-clause provisions indicates that the Tariff Commission is a responsible Commission.

It is also expensive for parties to invoke relief that isn't ultimately called for, so there are safeguards present against abuse of the administrative process.

I think that this can be handled and I am sure that the Tariff Commission, a very fine body, as you have indicated, and I join with that, will be able to handle the load.

The CHAIRMAN. I simply invite your attention to the investigation of cotton products requested by the President on November 21, 1961. No report has been made.

That is about 9 months on one of the most vital questions that has come before the Commission.

Secretary GOLDBERG. Again, Mr. Chairman, I don't want to intrude upon the Commission's work. I know that the Commission said in its lett that this was quite an unusual problem, and I think the chairman hi. self indicated the magnitude of it, so I would just like to let it rest there without intruding my judgment on the Commission's.

The CHAIRMAN. I do not fully understand about these applications for assistance.

Can any industry, can the employees of an industry make an application or does the industry itself make the application for relief?

Secretary GOLDBERG. The provisions there are not essentially different from the present law. Right now escape peril provisions may be filed by the industry or by the employer or the industry.

What is new, Mr. Chairman, if I may say so, is the workers' adjustment provision and the firm adjustment provision.

Senator WILLIAMS. If I understood you correctly, you said under the present law the application could be filed by the industry or by the company.

Secretary GOLDBERG. By the union.

The CHAIRMAN. What about the employees?

Senator WILLIAMS. By the union?

Secretary GOLDBERG. Yes. Or by a group of employees.

Senator BUTLER. But not by the particular business.

The CHAIRMAN. Wait a minute, let's get that straight. Or by the union.

What do you mean? Did you say union?

Secretary GOLDBERG. I said it may be filed by workers without a union, it may be filed by their representative if they have a certified or recognized union.

The CHAIRMAN. In other words, the unions could file it, individuals could file the application?

Secretary GOLDBERG. That is correct.

The CHAIRMAN. And the industry itself could file it?

Secretary GOLDBERG. That is correct.

The CHAIRMAN. You have three different parties?

Secretary GOLDBERG. That is correct.

The CHAIRMAN. You think that is going to be confined to 18,000 workers out of 60 million?

Secretary GOLDBERG. I said that I believe that we will find when we administer the statute on the basis of the study we have made previously over what has been happening that——

The CHAIRMAN. What I am trying to say, Mr. Secretary, is that while such applications may not be granted, there are likely to be applications for relief although they are suffering from mismanagement, or competition within this country, or any number of things beyond injury from imports.

Secretary GOLDBERG. That is correct, Mr. Chairman.

The CHAIRMAN. And if such applications are made the Tariff Commission must investigate them. I think it is humanly impossible for the Tariff Commission to do that in addition to the work they are doing now.

Secretary GOLDBERG. I respectfully, if I may say so, think unfounded petitions may be filed, that is true.

That is true in any system of administration. But I think we will find by experience, judged by the experience of the past, that this will be in manageable proportions.

The CHAIRMAN. It will be what?

Secretary GOLDBERG. In manageable proportions.

The CHAIRMAN. Well, this is a new field, Mr. Secretary, we are going into, don't forget that.

Secretary GOLDBERG. Only in part, Mr. Chairman.

The CHAIRMAN. This is one of the most radical changes that this country has ever adopted with respect to foreign trade.

I think it is going to lead to the Common Market. You may disagree with me. I think it is the first step to going into the Common Market.

Secretary GOLDBERG. I have heard no such plans discussed in the administration.

The CHAIRMAN. I know the administration may not agree to it now, but if the Common Market is a success in Europe, and the people there become self-sustaining, within the Common Market, without tariffs, the time may come when it would be necessary for us to go into the Common Market in order to have no tariffs between ourselves and the members of the Common Market.

Secretary GOLDBERG. The philosophy of this bill is not to join the Common Market but to put us in a position.

The CHAIRMAN. The object is not to put us in the Common Market?

Secretary GOLDBERG. But to put us in position to compete in the Common Market.

The CHAIRMAN. I asked the Secretary of Commerce what he intended to do, he said it was a partnership with the Common Market.

Maybe you can explain better than he could what a partnership with the Common Market may be because I don't understand it.

Secretary GOLDBERG. I firmly adhere because I prefer not to talk for any of my colleagues, I would like to put it in my own words.

I would say it is designed to compete with the Common Market.

The CHAIRMAN. Designed to compete with the Common Market?

Secretary GOLDBERG. That is correct.

The CHAIRMAN. Then you compete with them by lowering the tariffs here; is that it?

Secretary GOLDBERG. So we will have access to the market for our goods.

The CHAIRMAN. That is a question of negotiation; isn't it?

Secretary GOLDBERG. That is correct.

We have to have the means to do that.

The CHAIRMAN. Would you negotiate with the Common Market as a whole, or would you negotiate with the individual countries in the Common Market?

Secretary GOLDBERG. Well, when we negotiated with those countries, I assume we would have to negotiate within the framework of their own agreements, whatever they may be.

The CHAIRMAN. Then, what is going to happen to GATT, those 40 nations we now have agreements with?

Secretary GOLDBERG. We would continue with GATT procedures, and we would not exclude the GATT procedures.

The CHAIRMAN. You know that tariffs now average 10 percent in this country. Incidentally, as you probably know, I was in the Senate when the reciprocal trade was adopted and I endorsed it and supported it and made a speech for it, and as compared to Hawley-Smoot tariffs that existed when I came to the Senate in 1933, those tariffs have been reduced by 75 percent.

We have actually reduced our tariffs more than the Common Market has, which I understand is 15 percent, and further reductions, I think, should be made.

Secretary GOLDBERG. Only if we negotiated good deals.

The CHAIRMAN. Only by negotiation?

Secretary GOLDBERG. I take it that the philosophy of this bill, with the safeguards written into it, is to protect us.

The CHAIRMAN. Isn't this a step—and I am not saying it is wrong, I am just trying to find out—as a rule if you are a partner in something don't you eventually get into it?

That has been my observation. I just don't understand the difference between a partnership with the Common Market and being a part of the Common Market.

Secretary GOLDBERG. Mr. Chairman, as I said, I can only speak for what I know, I am not aware of any plans on the part of the administration to join or associate itself with the Common Market.

What this bill is designed to do, I think, is in the great tradition of what you stood up for and I remember that very well, when you stood up and I am old enough to do that.

Some members of the administration are not, but I remember.

[Laughter.]

Secretary GOLDBERG. I remember that many people thought that the way to protect our country was to close ourselves off from trade, and we got into disaster.

And I remember that you and many other people opened the doors for what has helped our country.

As I understand the philosophy of this bill, it is designed to permit us to negotiate sensibly, to protect our country.

I am not aware that there is a design not disclosed by this bill to do something more than that.

The CHAIRMAN. What is not clear to me quite yet is why we are not in a position to do that now.

Let me go back once again to my own connection with it.

I made, I think I said before, my maiden speech in 1934 in favor of the reciprocal trade program, and I have handled two bills as chairman of this committee for the extension of the reciprocal trade program.

We were told then exactly what you are saying now.

Why should drastic changes be made in that bill unless it is intended that we go into the Common Market?

Secretary GOLDBERG. I think the reason, as I understand it, is we found we need broader negotiating authority to protect our own interests.

The CHAIRMAN. Haven't we got the power to protect our own interests now?

Secretary GOLDBERG. The limitations upon the authority of the administration, the President, any administration to conduct negotiations, are such that it is not believed so.

The CHAIRMAN. Don't forget when you talk about protecting our own interests there are only two ways we can protect against importations, one is by higher tariffs, and the other is by quotas, is that right?

Secretary GOLDBERG. Well, you can also be——

The CHAIRMAN. I am speaking of particular articles, our manufactured products in competition with imports?

Secretary GOLDBERG. But you can also be a better negotiator.

If you have a right to negotiate across the board you can give here and take here.

The CHAIRMAN. Haven't we got that right now?

Secretary GOLDBERG. Well, there are limits as I understand it on the power to do that under the present bill.

The CHAIRMAN. I have been on the committee for 30 years and I thought we had that right now.

If we choose to exercise it, of course, what has happened is most of the Presidents haven't signed these recommendations of the Tariff Commission, as you know.

I think the escape clause has been recommended in about 125 cases and only about 15 or 20 have been signed, so I don't think it is working.

Another thing along that line, so I won't be taking your time this afternoon—I think you are going to have to come back this afternoon.

Are you disturbed by the migration of American plants going abroad and competing, probably sending back manufactured goods at very much less than it costs us to produce them in this country.

Does that disturb you?

Secretary GOLDBERG. Some aspects of it do disturb me and some do not.

I mean, if American firms go abroad to get markets, otherwise not available and send their earnings back here so that they can constitute part of our national capital, that is a good asset.

On the other hand, if through tax havens, other devices that you have been studying so intensively, they get advantages that they ought not to have, and as a result take plants away from this country that ought to be here, then I think that this is not a good development.

The CHAIRMAN. We have endeavored to take away some of those advantages, and I think we succeeded in some degree.

Secretary GOLDBERG. Yes, sir; you have addressed yourselves to that in the tax bill.

The CHAIRMAN. In regard to taxation of these companies abroad, and I asked Mr. Henry Ford how much money he had spent in construction of plants aboard—buying out that company in England—and so forth, and he said over $300 million.

I asked him how many employees he had over there. He said 130,000.

Well, I said, "that removes any incentive on the part of the Ford Co. to export."

Well, he said, "that is true but we haven't been able to export cars any way," which I think is correct.

But I said, "what about sending cars back to this country would that be practical"?

Well, he said, he thought may be sometimes it would be.

Would it be good for the laboring people of this country to have American money manufacture articles abroad at the lower wages that exist there in competition with labor being used to manufacture in this country?

Secretary GOLDBERG. Well, I would hope, Mr. Chairman, if we had this bill, and we were able to negotiate better arrangements with countries abroad, that the inducement——

The CHAIRMAN. Mr. Secretary, this bill is liberalizing it. It isn't putting more restrictions up.

Secretary GOLDBERG. But we expect to get something out of this bill, Mr. Chairman. We don't expect just to give. We expect to get also.

You know I am an old negotiator and it is inconceivable to me that we would enter into a negotiation in which you don't get a quid pro quo.

The CHAIRMAN. Well, we didn't get so much quid pro quo in some of the negotiations to date, I will tell you that.

Secretary GOLDBERG. But we want to improve it.

The CHAIRMAN. But the State Department had control of it and after World War II they used it as an instrument to contain communism and so forth.

Secretary GOLDBERG. Well, I think this bill——

The CHAIRMAN. I complained about it time and time again. They didn't use their power along the lines of reciprocal trade.

They did it to please and gratify some nation that was threatening to go communistic.

Secretary GOLDBERG. Mr. Chairman, you are getting me off into every other Government Department.

The CHAIRMAN. If you say our negotiators have done what they should you are one of the few people that I know of who thinks that.

Secretary GOLDBERG. I have said this, Mr. Chairman. I think this bill strengthens our negotiating position.

Among other things, this bill has a person who is designated, with the concurrence of the Senate, to be the chief negotiator for our country in conducting trade negotiations.

It also has written in provisions also which are fairly new to get the benefit of consultation by labor and industry in conducting negotiations.

It also strengthens by law the authority of the Inter-Agency Trade Committee which heretofore has been created only by Executive order.

I regard all of those provisions, and I know that I am to be one of that committee, I certainly am not going to sit on a committee advising on trade policy and making it a one-way street.

I would expect we would get value received for our negotiations.

The CHAIRMAN. Have you got a record of the companies that have gone abroad since the Common Market began to take form?

Secretary GOLDBERG. I do not.

The CHAIRMAN. Would that be available?

Secretary GOLDBERG. I think that probably that would be in the Department of Commerce.

The CHAIRMAN. I would like very much to have a record of all the companies that have gone abroad and expenditures which have been made abroad which incidentally have had an affect on our balance of payments.

Secretary GOLDBERG. If I get that, Mr. Chairman, I would be glad to supply it.

(The information requested was subsequently furnished but was too voluminous to be incorporated in the printed record.)

The CHAIRMAN. If you could get those companies that export back to this country, after using the cheap labor, or cheaper labor, where they are located it would be helpful. I understood you to say you were not concerned about that.

Secretary GOLDBERG. I didn't say that, Mr. Chairman. I don't want to be misunderstood.

The CHAIRMAN. You are on the stand now, and I am not going to let you off.

Secretary GOLDBERG. I am concerned about any aspects of policy that covers problems of workers of this country.

The CHAIRMAN. You said you were not concerned about the low wages abroad——

Secretary GOLDBERG. I am.

The CHAIRMAN. Compared with the high wages here.

Secretary GOLDBERG. I am, and I hope I haven't been misunderstood in that, I am concerned about that.

We spend a lot of time in the Department, and before I came to the Department, I spent a lot of time when I represented the labor movement, trying to upgrade labor standards abroad.

We have to do that. I did not say I was not concerned. I wouldn't want that impression created.

The CHAIRMAN. Maybe I exaggerated a little. I got a little steamed up under what you said about Japan. [Laughter.] They are paying 28 cents an hour. We are paying nearly $2 an hour. You said something about them not being efficient. I think they were pretty efficient in this last war.

Secretary GOLDBERG. Unfortunately so.

The CHAIRMAN. It is a country that I have got to admire. They have only got 20 percent of cultivatable land cultivated in Japan. Everybody works, the old people, the young people, and the women, as I say, will sleep in the factories and work without overtime.

Now, regardless of their lack of skill, as you describe them, the fact that they are willing to make these sacrifices which our people in this country are not willing to make, makes them very formidable and they are going ahead and they are going ahead fast.

If you haven't been there recently you ought to go back. They have gone ahead like a house afire.

Secretary GOLDBERG. Mr. Chairman, the peculiar thing is that about 90 percent of what you have said I agree with entirely.

I want to make that clear.

The CHAIRMAN. I understand you said a little while back——

Secretary GOLDBERG. I hope to persuade you on the 10 percent which we disagree on, which is that in many areas our highly efficient production here is able to outcompete the Japanese, that is the only point I wanted to make.

The CHAIRMAN. I see.

Well, do you anticipate that the wages of these countries abroad will be increased more in production than the wages in this country?

Secretary GOLDBERG. I do.

The CHAIRMAN. In the years to come?

Secretary GOLDBERG. And it is very necessary that they be increased more.

The CHAIRMAN. But you don't expect any increase in wages here substantially?

Secretary GOLDBERG. There are wage increases in this country taking place all the time.

The CHAIRMAN. But if both sides are increasing all the time, the differential remains the same.

Secretary GOLDBERG. But the proportion of the increase abroad has been much greater than here.

The CHAIRMAN. But they started at a very low base.

Secretary GOLDBERG. That is correct.

The CHAIRMAN. And it will take many years to get equal.

Secretary GOLDBERG. That is correct.

Senator WILLIAMS. Do you think their dollar increase in wages will be greater than our dollar increase?

Secretary GOLDBERG. In dollars rather than percentages?

Senator WILLIAMS. That is right.

Secretary GOLDBERG. Not starting, not for a considerable period of time.

Senator WILLIAMS. How can they catch up with us if we raise dollars faster?

Secretary GOLDBERG. Well, it takes time to catch up.

Senator WILLIAMS. I mean they will never——

Secretary GOLDBERG. But there is another thing.

Senator WILLIAMS. It takes time. You won't catch up until at some point they raise them faster than we do dollarwise.

Secretary GOLDBERG. There is another factor which enters, of course, in the dollar increase, and that is the profit side.

Senator WILLIAMS. I recognize that.

Secretary GOLDBERG. Yes.

Senator WILLIAMS. But still wages in those countries can never catch up on percentages alone.

Secretary GOLDBERG. No, but as I pointed out on the chart I read on unit costs they have some catching up to do with us.

Senator WILLIAMS. I recognize that. But I think we ought to make the point that wages just can't catch up on percentages alone.

The CHAIRMAN. There is a very important vote coming on so we will recess until 2 o'clock, Mr. Secretary, and we will ask you to come back.

(Whereupon, at 12:20 p.m., the committee recessed to reconvene at 2 p.m. of the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.
Senator CURTIS. Thank you, Mr. Chairman.
I would like to ask you, Mr. Secretary, is the Federal trade readjustment allowance program, which is title II, chapter 3, a Federal unemployment compensation program under another name, or can it be substantially distinguished from existing Federal and State unemployment compensation programs?

STATEMENT OF HON. ARTHUR J. GOLDBERG, SECRETARY OF LABOR—Resumed

Secretary GOLDBERG. Senator Curtis, I do not believe that it can be correctly characterized as a Federal unemployment compensation program, and it is not designed to federalize the existing unemployment compensation program. I want to make that very clear.

Senator CURTIS. Is it unemployment compensation?

Secretary GOLDBERG. It is compensation to people who are thrown out of work because of the fact that our trade policy, which is a matter of national policy, has resulted in a decision from which overall our people would benefit, but particular workers or firms may be adversely affected.

I would like to describe it this way: We have traditionally had a method of protecting people who were adversely affected by trade policy. We start with tariffs. Then as we liberalized our tariff laws, we had escape clause provisions which we hoped would do this job.

I would regard this adjustment assistance program as a program which substitutes a better form of protection for workers affected by this policy than has heretofore existed.

Senator CURTIS. That is not what I am getting at, Mr. Secretary, not the virtues of it, but the question of whether or not it is unemployment compensation, because there are 43 States, I believe, having laws that expressly bar the States from supplementing State unemployment compensation payments with Federal unemployment compensation payments.

The courts will judge it on what it is, not how we describe its virtues or the semantics we choose.

Now, unemployment compensation in the State is money coming to the individual when he is out of work; isn't that right?

Secretary GOLDBERG. Yes.

Senator CURTIS. That is one of the features of this; is it not?

Secretary GOLDBERG. This is compensation paid to a worker who is affected in his employment; yes.

Senator CURTIS. Yes.

Ordinary unemployment compensation, under those State laws, it requires that he must have been regularly employed for a certain period of time in that particular place?

Secretary GOLDBERG. But this is a different provision because we do not ordinarily require in State laws the type of attachment to the

work force and to the employer that we require under this particular law.

Senator CURTIS. Well, now, he has to have worked in the industry that closed because of imports; does he not?

Secretary GOLDBERG. He has to have worked, but the requirements are much stricter, and the involvement with an employer who is affected by a trade policy must be present. That is not true of unemployment compensation.

Senator CURTIS. But it is tied to the fact that he has a previous work record.

Secretary GOLDBERG. Yes, he must be attached to the work force, as I said, in a much more stringent way, Senator, than has heretofore been the case under State laws.

Senator CURTIS. Well, that does not justify your semantics that you have used here. The fact that one State may have strict unemployment compensation laws and another State more liberal laws, does not make one unemployment compensation and the other one something else.

Secretary GOLDBERG. But there is a different thing here. I am trying to explain it not on a semantic basis but on the basis of fact.

Let me see if I can read this, because I think you have asked a very important question. This was, of course, considered carefully by the House committee, and you will recall that the House Ways and Means Committee said——

Senator CURTIS. That does not make it so, to say something is not what it is.

Secretary GOLDBERG. No; but I would——

Senator CURTIS. You would have no standing in court whatever.

Secretary GOLDBERG. I would like to report what they said, and I would like to explain why I think what they said is a correct statement.

They said on page 30 of their report:

> Your committee believes that the scale of trade readjustment allowances is appropriate in view of the fact that the finding that the unemployment was caused by increased imports resulting from the removal, in whole or in part, of tariff protection implies that continuation of the prior tariff would have provided full job protection. This worker assistance is, therefore, in the nature of an adjustment to conditions brought about by removal of prior job protection and is not unemployment insurance The terms of worker assistance are not meant to be precedents for the unemployment insurance program.

I think there is a distinction. In the ordinary unemployment insurance case a worker is out of work for any variety of reasons. But here the problem is that we have changed our trade program, we have made a concession.

The employer is affected by virtue of that change. As a consequence of that, the worker is affected. As a consequence of that, since we are substituting a different form of protection from one traditionally enjoyed, it is felt he ought to have some assistance. That is the philosophy behind it.

I do not think the courts would regard this to be unemployment compensation of a type that would preclude this payment. You are referring to the fact that some States feel they may have some difficulties in this area, Senator?

Senator CURTIS. They know they will: they know they will.

We have received the testimony of trade associations here in addition to the fact that every administrator who has testified has made this assumption, and let me ask you this question:

Is it your contention that this is different because the tariff has been removed?

Secretary GOLDBERG. May I comment? It is different because of vital distinctions.

Senator CURTIS. There is no distinction.

Secretary GOLDBERG. I would like to make the record straight. I read the testimony of my State colleagues, but I think we ought to have the whole record in this area.

This problem arose in the House, and the distinguished chairman of that committee asked the State Conference of Employment Security Administrators how the States stood on this problem. You get a quite different picture when we get the complete roundup of the States.

Thirty-three States indicated they would have no difficulty with this provision. Seven States indicated that they would have difficulty. Five States indicated that they might or might not have difficulty. Three States said they needed attorney-general's opinion, and there was no reply from four States.

Now, that is quite a different picture.

Senator CURTIS. But the point is, you and I are aware of the fact that this particular language was inserted in the House report for the sole purpose of making this provision compatible with State law.

Secretary GOLDBERG. Well, I would not impute that motive to the distinguished Members of the House.

Senator CURTIS. I do not think there is any question about it.

Secretary GOLDBERG. I think not. I testified there, and I recognize the language that was in the report as having been developed out of questioning by the chairman and many members of that committee.

The point that we were making throughout was that this was really an assistance program designed to substitute one form of protection for another. I do not believe that this is designed for any other purpose.

Senator CURTIS. Well, now, you admit that they must be out of work, and to that extent it is common with unemployment compensation.

You admit that they must have worked prior thereto. To that extent it is like unemployment compensation.

Now, the amount that they are going to receive is a percentage of their wages, is it not?

Secretary GOLDBERG. That is correct.

Senator CURTIS. And that is like unemployment compensation, with the exception of what causes the unemployment, and you tell me how the operation of this program is any different from unemployment compensation.

Secretary GOLDBERG. First of all, this is a supplemental program. It is not a primary insured program for unemployment compensation.

This is a program not designed to duplicate or replace unemployment compensation, but to provide a supplemental assistance benefit to a worker who, as a result of the adoption of a Federal policy, is adversely affected.

I think that is the key distinction.

Senator CURTIS. You have not answered my question.

Secretary GOLDBERG. Well, I have tried to.

Senator CURTIS. My question was in its operation. How is this different from unemployment compensation?

Secretary GOLDBERG. Well, there are many features that are different. I could go into many features.

For example, here you have got to be out of work as a consequence of this trade policy as determined by findings made by the Tariff Commission or by me, pursuant to an overall industry finding by the Tariff Commission.

Now, in unemployment compensation almost throughout the States if you are out of work for any good cause you get unemployment compensation benefits. This is quite different from that type of result.

Senator CURTIS. I have restricted my question. Aside from the cause of unemployment, in what way does the operation of this program differ from an unemployment compensation program?

Secretary GOLDBERG. Because, as I have said earlier, this is not an insurance benefit. This is a supplement paid because of the particular circumstances in which the worker finds himself. That is not an unemployment compensation program.

Senator CURTIS. Isn't the Federal temporary supplemental unemployment compensation program an unemployment compensation program?

Secretary GOLDBERG. That is an unemployment compensation program which is grafted right onto the State programs, and merely extends the period, with all of the other features that are applicable to the regular unemployment compensation programs.

Senator CURTIS. You said a bit ago that one of the distinctions of this was that it was the result of a decision made by the Government; is that right?

Secretary GOLDBERG. That is correct.

Senator CURTIS. Now, suppose there is a man employed building airplanes. The Government makes a decision to discontinue that type of airplane, and they spend that money thousands of miles away in a missile program. The man becomes unemployed.

It does not change the status of his payments, the fact that it was a decision by the Government that caused him to become unemployed, does it?

Secretary GOLDBERG. I think there is a vital distinction there, and a very important one that we maintain. We have just resisted some efforts to extend this principle to plants that are under Government contracts in some collective bargaining that has recently taken place.

Traditionally the Government in its procurement policies deals with private employers, and traditionally the Government in the area of this type of private employment has not assumed any burdens of protecting those workers from risks of their employers incident to getting business.

The Government is a source of business.

On the other hand, here traditionally with respect to trade, the Government has recognized obligations to people. This is much more analogous to a veteran's situation than it is to the situation of the worker that you have described.

Senator CURTIS. But the veteran draws his unemployment compensation according to the schedules within his State both as to amount and length of payments; isn't that correct?

Secretary GOLDBERG. Not always.

In 1952 when the Korean Veterans Act was enacted, an amount was provided which was a supplement, like this, to the State payment.

Senator CURTIS. All right. But all of these programs, including this one, are unemployment compensation programs, are they not?

Secretary GOLDBERG. No, I do not agree with you, Senator. I respectfully disagree. I think there are features of this that make it different.

Senator CURTIS. You have not mentioned any of them. You have talked about and you have confined it to the cause of the unemployment.

Secretary GOLDBERG. I have tried to. I may not have convinced you, but I have given the reasons that I think distinguish it.

Senator CURTIS. The President has not been convinced, either.

Secretary GOLDBERG. What was that?

Senator CURTIS. The President has not been convinced, either.

Secretary GOLDBERG. The President of the United States?

Senator CURTIS. That is right. He said, and his speech is printed in the Congressional Record on page 11,221:

> We provide unemployment compensation if anyone is adversely affected.

Secretary GOLDBERG. Well, I would like to say this: I think the President was talking in very broad terms, but I am sure what I have said to you today has the President's support in detail since I have discussed this matter with him.

Senator CURTIS. All right.

If this is not unemployment compensation, what changes would you have to make in the proposed law to make it unemployment compensation?

Secretary GOLDBERG. Well, I presume if the law provided that you would pay regular unemployment compensation if you were thrown out of work, that would do it. I would think that would be terribly unfortunate and very unfair. The fact of the matter is, Senator——

Senator CURTIS. You have just stated in substance that if you were paid the regular unemployment compensation this would do it. That would need nothing in this act.

Secretary GOLDBERG. Which I think would be very unfortunate and very unfair.

Senator CURTIS. All right.

Now, the provisions of this act, what changes would you have to make under it to make it be properly described as unemployment compensation?

Secretary GOLDBERG. I do not think you could change this act with the basic concept that it has, to convert it, because the concept of this act is a different program.

Senator CURTIS. Mr. Secretary, suppose the Congress chose to let those States having a prohibition be without the program and we said we wanted to enact an unemployment compensation system or program to take care of workers in industries, in situations where industries have been closed by imports.

What changes in the language of the bill would we have to make?

Secretary GOLDBERG. I presume, Senator Curtis, that Congress could, of course, make any decision it wanted to and call the bill anything that Congress chose to call it.

I would say if you were dealing with workers affected by trade, and you gave them an additional benefit to what the States provided, you would have what I call an assistance program. whatever you called it, because that is what it really is if the purpose of it is to tide these people over to help them retrain, to help them adjust to the dislocations caused by trade.

Senator CURTIS. Do all of them have to take training?

Secretary GOLDBERG. If training is offered they must or they do not get this allowance.

Senator CURTIS. Isn't that true in some of the existing programs?

Secretary GOLDBERG. It is true only in the manpower-training program where you have a training allowance. It is not true of unemployment compensation.

The CHAIRMAN. We will have to recess and come right back.

(A short recess was taken.)

The CHAIRMAN. The Chair has a few questions here. I will read them.

The question, Mr. Secretary, is there can be no question as to the marked discrimination between workers which the TRA would bring about. The $61 maximum weekly payment under the TRA program is substantially higher than benefit payments in any State unemployment compensation law.

The duration of 52 weeks' payments, 78 weeks if the recipient has taken a retraining course, approximately doubles the duration provided in the State laws.

However, it seems to me that this discrimination not only exists as between those laid off by reason of foreign competition and those laid off for all other reason, but would also exist between workers laid off by reason of the foreign competition.

If you will let me give you an example, the Dan River Cotton Mills in Danville, Va., has about 12,000 employees. This industry is the economic backbone of that community whose payroll sustains the stores, the banks, and the service trade generally.

If this measure is enacted, the controls over tariffs could be exercised so as to adversely affect the operation of the Dan River Mills. In fact, the operations could be very substantially diminished, if not halted altogether.

If this situation did occur, then it is abundantly clear that there would be substantial repercussions on the entire economy of the Danville community. Layoffs in the service industry would probably parallel layoffs in the mill industry.

Is it not quite reasonable to argue that the persons displaced in the service industries at Danville would just as much be casualties of our foreign trade policy as the displaced individuals in the mills?

Certainly it cannot be sad that Federal tariff policy will declare the proximate cause of displacement in the service industries.

Would you please answer that, sir?

Secretary GOLDBERG. Yes, sir.

First of all, Mr. Chairman, it is true that if a worker gets an adjustment allowance he will receive a supplemental unemployment compensation allowance and, therefore, more money than a person unemployed for normal reasons, and he will receive it, as you correctly point out, longer.

Now, there are several things, however, which have to be noted in this connection. We have discriminations which exist now under existing law.

If you are, for example, employed in most States, and the employer employs fewer than 4 workers, you are not covered.

If you get a manpower-training allowance under a bill passed by Congress, you get not the amount you would get as an unemployed worker, your unemployment compensation allowance, you get the average unemployment compensation allowance of the State, which may be higher.

Why that discrimination? You have asked that question, and I will talk about the service thing in a minute. First of all, I have never found that workers object to logical distinctions, and they have recognized, as the testimony of their representatives before your committee indicates, they have recognized that traditionally the workers have been protected by a different form of protection, tariffs, and workers themselves, I would believe, feel that where there is an impact of imports, special provision ought to be made in this situation.

Now, you asked why should this not be extended to the service industry. Well, because a service occupation, first of all, is dependent upon many sources.

I recognize that in the particular community there may be one dominant plant, but I would think it would not be a good principle to broaden this from the area of direct impact. If we did that, where would you stop?

The CHAIRMAN. You think there would be many in the service industries in different sections that would be in competition, so to speak, with other labor that would get these benefits, special benefits?

Secretary GOLDBERG. Service industries?

The CHAIRMAN. Yes.

Secretary GOLDBERG. No; I do not believe so. Service industries are not affected by imports directly.

The CHAIRMAN. The point I was making is that right in the same industry there would be discriminations, would there not?

Secretary GOLDBERG. In the same industry, no, there would be no discrimination if the workers were affected the same way. If imports had an adverse effect they would all be treated equally.

The CHAIRMAN. Another question: Let me point out the discrimination that would exist between displaced mill workers and displaced service trade workers, all of whom are out of work by reason of decisions that could be made under this measure.

A millworker who earned $93 would receive a $61 weekly benefit for 52 weeks, and if he were taking a retraining course for an extended period, up to 78 weeks under TRA.

The laid-off mechanic in a garage right across the street from the mill, whose weekly earnings were $93, would receive $34, which is in Virginia, the State unemployment compensation maximum, for a period of 24 weeks.

I want to ask, don't you think this totally arbitrary and unrealistic distinction between workers who are laid off by reason of foreign competition would generate pressures for extending the scope of this Federal supplemental benefit program?

Secretary GOLDBERG. No; I do not think so, Senator, and for this additional reason. Our statistics indicate very clearly that the bulk of adversely affected workers here will be in the manufacturing area, and this is the area where employment has not been expanding but has either been stationary or declining somewhat.

In the service industries we have found this an expanding area of employment and, therefore, the assistance which we have provided is the assistance which is directed at the product.

I think we want to administer this tightly and not loosely, and I think we would not be warranted to extend it.

The CHAIRMAN. You are familiar, I know, with the so-called war displacement benefits bill of January 1942, and the reconversion benefits bill of 1944. The war displacement benefits bill was proposed by the administration at the start of World War II. The argument in support of it was that it was necessary to convert our peacetime production to the production of war materials. This would cause the millions of workers to stand by while plants were retooling for production.

Just as in the case of the bill before us, it was argued that the unemployment of millions of workers was due to the exercise of national policy and, therefore, it was the responsibility of the Federal Government to make adequate provisions for them in their idle periods.

So supplemental Federal benefits were proposed exceeding both in amount and duration, the benefits.

When the was was nearing its end, the reconversion bill of 1944 was offered. The argument was the same; millions of workers would lose their jobs with the end of the war, and the cancellation of huge Government contracts, war contracts, they would be out of work while plants retooled for peacetime production.

Again it was argued that unemployment was due to Government action and it was the responsibility of the Federal Government to provide adequate standby payments.

At least these proposals did not try to arbitrarily and capriciously differentiate between the unemployment caused by Federal action, as with this measure in the Dan River case I gave you. There have been efforts to impose—there has been an effort to impose an overall Federal supplemental system on the States.

Despite your stated intention, don't you think the enactment of this measure would establish a precedent for its extension into other fields affected by Government action and, finally, into all unemployment compensation areas?

Secretary GOLDBERG. I would certainly strongly say "No." It is not intended to be a precedent. As a matter of fact, as I told Senator Curtis, very recently we took a strong stand as an administration against the Government assuming responsibility in the area of Government contracts for items which properly are matters for the employer and the workers.

We do have a traditional area here where, from the beginning of our tariff programs, the Government has adopted protective measures, and what we are doing is dealing with the type of protection the Government ought to afford.

I would strongly oppose this being a precedent in any area.

The CHAIRMAN. What I am getting at is, though, that the base on which you, the reason that you, ask for this special compensation is because of Government action, namely, the reduction of tariffs, I assume, and thereby jobs are lost.

These other things that I have mentioned, when the war was over, that was a Government action, when the war was started, and all that, and there are a good many things that the Government may do from time to time to influence unemployment. This thing of imports coming in is just one.

Secretary GOLDBERG. But those traditional results, those results which flow, we have accepted throughout, without extending special protections.

Congress did not enact the measures that were proposed and as I remember the statistics, a few years later we had the greatest employment we ever had in history, and we had the lowest unemployment we ever had in history, so Congress showed pretty good judgment.

But in this limited area there traditionally has been some form of protection.

The CHAIRMAN. Senator Talmadge of Georgia is unable to be here this afternoon and, on his behalf, I am asking several questions.

The first is: On Monday of this week three State administrators appeared before this committee and each of them stated that under their respective State laws in their present form they would be unable to enter into agreements with the Secretary which required that a State agency pay State benefits in the same week in which a TRA payment was claimed or due.

I understand that there are several other States which take this position. I also understand that in all the laws of the 43 States provisions are contained to the same effect as the laws of the States which were represented here at this hearing last Monday.

Mr. Secretary, it appears to me that we should be deeply concerned about the enactment of the proposed TRA program if there is a real possibility that many States could not participate in its administration as contemplated by the TRA program.

I know you have given thought to this point, and I would like to have your opinion as to whether you consider that the State laws do prohibit them from entering into the type of agreement which is set out in this measure.

I may say that the State of Virginia, I am told by the chief of the unemployment insurance agency there, the State of Virginia could not operate under this law without changing its law, and the Virginia Legislature does not meet until 2 years from last January.

Secretary GOLDBERG. Mr. Chairman, I would be glad to comment on that.

The three States whose employment security administrators apappeared before this committee were Wisconsin, Georgia, and Virginia, and I am acquainted with the commissioners in each case. They are estimable gentlemen, and now——

The CHAIRMAN. It happens that those two States, Virginia and Georgia, have members on this Finance Committee, and it is hard to explain to their people that we are doing something that will cut off Virginia and Georgia entirely, cut them out entirely.

Secretary GOLDBERG. I would like, however, to respectfully disagree with them.

In the case of Wisconsin and Georgia, two of the States which testified before this committee, while this is the opinion of the employment security director, it is my understanding that the attorney general of those two States differ and, as a legal matter, I see no inhibition in the States joining in those programs.

The CHAIRMAN. The attorneys general have given a ruling in Virginia and Georgia?

Secretary GOLDBERG. Not Virginia. Wisconsin and Georgia.

The CHAIRMAN. Wisconsin and Georgia?

Secretary GOLDBERG. Not Virginia.

The CHAIRMAN. We have got to look at Virginia, don't we?

Secretary GOLDBERG. Yes. [Laughter.]

I certainly think so.

Now, in Virginia the reason I differ with the administrator is this: the same problem—this problem arises out of a provision which is fairly uniform throughout the States which disqualifies an individual, and I quote the standard provision—

for any week with respect to which or a part of which he has received or is seeking unemployment benefits under an unemployment compensation law of another State or of the United States: *Provided*, That if the appropriate agency of such other State or of the United States finally determines that he is not entitled to such unemployment benefits, this disqualification shall not apply.

However, there is another provision which is in these laws and that provision reads as follows generally, and I think it is in all the State laws:

Potential rights to benefits accumulated under the unemployment compensation laws of one or more States or under one or more such laws of the Federal Government, or both, may constitute the basis for the payment of benefits through a single appropriate agency under terms which the commissioner finds will be fair and reasonable as to all affected interests and will not result in any substantial loss to the fund.

Now, when you have a law you have got to read all of the provisions of the law to get it. Now, this problem, I believe, is very similar to the one which arose when Congress enacted the Veterans' Readjustment Assistance Act of 1952. The same essential principle was involved: can you accept a supplement, a Federal supplement. I see no difference in essential principle.

All of the States, including Virginia, with one exception, I believe—the one exception at that point was Wisconsin, which participated but handled it a little differently under its regulations—all of the States, without the enactment of new legislation, except in one or two instances where they went later to the legislature for confirmatory legislation, all of the States signed agreements that permitted supplemental benefits to be paid to the Korean war veterans by agency contracts, and that is why I respectfully disagree with my colleagues who testified before you. I believe that if they had the authority to do that, as they plainly indicated when they signed agreements to do that, applying the same principle, they have the authority to do it in this particular instance.

The CHAIRMAN. I think the witness from Wisconsin indicated there were 44 States that had some questions.

Secretary GOLDBERG. That is not—again I do not know what he said—but that is not correct.

Mr. Mills, as I have said, conducted this inquiry and found quite to the contrary.

The CHAIRMAN. Then Senator Talmadge asked me to ask you another question. In the event that some States continue to feel unable to enter into the arrangement whereby they would pay out the training allowances provided in the measure, have you considered procedures by which these payments will be made directly by the Federal Government?

I note there is no law, no provision of law, dealing with this possibility.

Secretary GOLDBERG. We have, Mr. Chairman—we did consider all the possibilities, and we offered this as what we thought was the most appropriate way of handling this assistance program as a supplementary benefit.

I think what is involved in the question of the distinguished Senator from Georgia is that if the Federal Government, for example, paid all of the costs of this allowance would that create a problem under the laws of any State. It would not, obviously. At this point this provision would not come into play.

The CHAIRMAN. Senator Talmadge asked me to ask you one other question: Last Friday there were three or four management witnesses representing State trade associations. This representation covered the majority of the States.

Each of them stated that the associations which they represented could be counted upon for certain to take legal action to enjoin any payments of State benefits if a TRA benefit was payable in the same week.

If the unemployment compensation agencies of the States which were represented by the witnesses here proceeded to pay out benefits under the law obtaining what they considered to be a prohibition, the witnesses considered that the employers of a State would be interested parties because of the payments of money contributed by them to State unemployment compensation funds. Maybe such restraining action would prevail and maybe it would not. However, don't you think it raises a serious problem where litigation could hold up the operation of the TRA program for protracted periods? What is your thinking on this?

Secretary GOLDBERG. Of course, the courts of the country are free to any citizen, and these gentlemen have the right to go to the courts, as we all do.

The precedent that we have at hand, the court decision that dealt with a veteran's case in New Hampshire, seems to me not to offer them much hope. A similar challenge was made to that law, and the Supreme Court of New Hampshire in the case of *Royer* v. *Brown* (93 A. 2d 667), in 1953 held against the contention that the State associations were raising before this committee.

The CHAIRMAN. Thank you, Mr. Secretary.

Senator Curtis?

Senator CURTIS. Mr. Secretary, resuming the line of thought that we were pursuing before, I raised the question about defense workers

being laid off by reason of a decision of Government to discontinue a particular weapon and do something else.

Can it not be said that unemployment caused by our defense policy is no more and no less the responsibility of the Federal Government than anticipated unemployment that should be caused by tariff policy in the measure before us?

Do you think laid-off defense workers should receive less than workers who might be laid off by the operation of this bill?

Secretary GOLDBERG. I think they are quite different. I think they are quite different.

Senator CURTIS. Do you think they should receive less?

Secretary GOLDBERG. Yes, I think they should be handled under our normal unemployment compensation system, and it would not be a desirable precedent to extend it. I have so said at union meetings, conventions, and in collective bargaining discussions in which I have participated. I think they are quite different and I would like to say why.

Senator CURTIS. Very well.

Secretary GOLDBERG. First of all, defense workers traditionally have not received such benefits. They are workers who are employed by private employers and, by the way, their employment has been stepping up as a group. Individuals may be affected, but their employment has been expanding in the aerospace industry and in other industries.

I do think we are dealing here, and I think the workers recognize the distinction—not every individual obviously, but they recognize the distinction—that their unemployment is a product of the operation of the economic system not traditionally protected. But in the other area here is a traditional protection.

Senator CURTIS. Now, Mr. Secretary, the very creation of their jobs was due to a Government decision for certain defense procurement. The Government again decides once more to discontinue their particular establishment.

Now, you have here where the Government has made a decision in the past to give tariff protection. The Government later makes a decision to remove that tariff protection. You would distinguish that?

Secretary GOLDBERG. When the defense worker took that job he had no history of getting any protection from the Government on unemployment.

All workers in America have a long tradition that the Government looks at what happens in the event trade has an impact upon the jobs. That is a very vital distinction.

Senator CURTIS. Well, to me this distinction between the Government acting in its employment character and in its sovereign capacity is a distinction without a difference. There is a distinction, you say. If there is a distinction I have not been able to observe it.

Would you say the Government is acting in its sovereign capacity when it drafts men into the Armed Forces and discharges them into civilian life?

Secretary GOLDBERG. That tradition—now, you say——

Senator CURTIS. The Government is acting in its sovereign capacity there.

Secretary GOLDBERG. Yes. But there is a tradition for making special provisions for veterans. Traditionally we have done so.

Senator CURTIS. Yes. But are they not paid benefits at the rate prescribed under State law?

Secretary GOLDBERG. No; they get a special provision which Congress has enacted for them.

Senator CURTIS. But at the present time aren't they paid according to rates prescribed by the State laws?

Secretary GOLDBERG. Yes; at the present time. But Congress has on prior occasions adopted special provisions for veterans.

Senator CURTIS. Yes; at one time we had a special provision. Now we have the State rates which destroys the fact that there is a distinction.

Secretary GOLDBERG. No. I fully recognize that Congress can make a change in the rules. That is Congress prerogative. But Congress has from time to time recognized a distinction and assumed special responsibilities.

Senator CURTIS. If we enact the program contemplated in this bill, would you say that it could not logically be used as a precedent for any and all other unemployment that might be traceable to future enactments relating to the sovereign role of Government?

Secretary GOLDBERG. I would distinctly say—I said that when you were out, Senator Byrd asked me a similar question—it ought not to be constituted as a precedent. We do not propose it as a precedent. We regard it to be sui generis as part of a trade program.

Senator CURTIS. How can you distinguish between an individual or a group who lost their jobs because of the sovereign action of Government and another group who lost their jobs because of the sovereign action of Government?

Secretary GOLDBERG. Well, everything in life, I think, is a question of degree. When we talk about the sovereign action of Government in the defense field, the Government is acting as—the Government does not operate these plants. The Government is ordering merchandise, goods, and services like many people are.

In many of these plants, the Government is not the sole customer. There is quite a distinction, I think.

Senator CURTIS. Your Department has made estimates of unemployment caused by changes in the minimum wage. If there are future revisions in the minimum wage law which might occasion unemployment, would you suggest a minimum wage readjustment allowance for those who had been displaced because of such Federal action?

Secretary GOLDBERG. Emphatically not. I do not believe that that would be desirable or advisable. I would be opposed to it.

Senator CURTIS. They would be out of jobs because of the sovereign action of the Government.

Secretary GOLDBERG. I am glad to report the Congress increased the minimum wage last time and we had no displacement. Our studies show that actually employment increased, which is a happy omen.

Senator CURTIS. You predicted some——

Secretary GOLDBERG. For particular individuals it might happen, but the overall result was quite good.

Senator CURTIS. Well, the overall result does not help an unemployed person, does it?

Secretary GOLDBERG. You are right about that. The individual might be affected, but we would not propose as a result of an enactment of a law of Congress of this type, where there has been no protection afforded, that we put a minimum wage on top of a minimum wage. I do not think that would be desirable.

Senator CURTIS. Would you suggest when changes are made in our tax laws that there also would be provisions made for special treatment of workers who are displaced by reason of the operation of the tax provisions?

Secretary GOLDBERG. I would hope the changes that the President talked about last night in the tax laws would increase employment opportunities.

Senator CURTIS. Yes. But there are times when taxes have to be increased.

Secretary GOLDBERG. I would not say that we make allowances under those circumstances.

Senator CURTIS. What do we now do for persons discharged from the armed services? It is my understanding that an ex-serviceman receives benefits in the same amount and for the same duration as provided in State unemployment compensation laws in which the ex-serviceman resides; am I correct in that?

Secretary GOLDBERG. Yes. But I think one thing I neglected to mention, I think we have drawn a distinction in the past, and Congress has drawn it, between those who are really war veterans, who have gone through a hot war like Korea and then World War II, and servicemen who are called up for what is the equivalent of national service.

Senator CURTIS. But we are giving to these ex-servicemen the same treatment as other unemployed workers; are we not?

Secretary GOLDBERG. Yes; at the present time.

Senator CURTIS. Do you think a discrimination in favor of workers losing their jobs by reason of foreign competition over persons serving in the Armed Forces can be justified?

Secretary GOLDBERG. I think that here we have this: a worker who has served in the armed services comes back into the general population and has protection for reemployment rights which Congress has afforded him and he has, therefore, special benefits which are not present for a worker displaced by a trade policy.

Senator CURTIS. Information has come to me from one State where the Attorney General has rendered, to my mind, a rather tortured opinion holding that this is not unemployment compensation and is not in conflict with State law. I am told he did so after a representative of the Department of Justice visited him and presented an argument to support that contention.

Do you know anything about any such visitations?

Secretary GOLDBERG. Again I want to say that I have enough problems running my own Department without wandering over into the Attorney General's Department.

Senator CURTIS. Has there been any attempt on the part of anyone in the administration to get favorable decisions from the States?

Secretary GOLDBERG. I have no doubt that there have been conversations with State people about the subject; yes, sir, Senator. I just

wanted to say I was not taking responsibility for my colleagues in the Department of Justice. But there have been conversations, yes.

Senator CURTIS. That is all at the present, Mr. Chairman.

The CHAIRMAN. Senator Carlson?

Senator CARLSON. Mr. Secretary, I shall pass up a vote now. There will be plenty of others, I think. I did not want to keep you here.

There are some problems in this field that have concerned me and, as I understand this legislation, it gets down to a factory versus an industry when you get down to the final decisions. In other words, this is not an industry program, it is a local factory situation that is affected by foreign imports.

Secretary GOLDBERG. No. It may be an industry or a factory.

Senator CARLSON. Yes, but it can get clear down to the individual plant.

Secretary GOLDBERG. It can get down under the program for certain types of assistance to the individual plant.

Senator CARLSON. Let us say, for instance, an industry that has five factories in the United States in various locations, and they can prove and do prove and show they are damaged 20 percent by imports.

Now, that means, I assume, they will close one factory. Who determines which factory they will close?

Secretary GOLDBERG. Well, I presume the management decision would determine that. The Government does not determine what the manager will do under those circumstances or how he will handle his business in light of that.

The only time that the Government would enter under this bill would be if the workers in that factory, or the factory itself, would come in for an adjustment assistance for that particular segment of that company.

Senator CARLSON. Will that not cause some real problems, particularly in your industry and particularly with the leaders of a great union organization who have contracts in all five plants? Someone is going to have to make a determination as to which one shall close.

Secretary GOLDBERG. Well, again I say there that the decision is up to the manager. No government makes that decision for him. He retains the right to run his business and make management decisions.

He retains the right just to close the factory and not go to the Government at all. He retains the right to change the character of the business and go into another business.

Senator CARLSON. Let us get out into the oil industry of the United States. I think it can be definitely proven that oil imports which are increasing rapidly are causing some real concern in some oil producing areas.

Now, we have many States that produce oil. It happens to be that Kansas is fifth in the Nation, so I am somewhat familiar with it. These imports are causing some real problems, economic, and unemployment, and can be proven.

Who is going to determine what area you are going to start paying the benefits to to the unemployed?

Secretary GOLDBERG. An application would have to be made. It would not be self-generating, and the application would have to be made either for the oil industry as an industry asking for help, or for companies, firms, asking for help, or for workers asking for help.

We would only, under this bill the Government would only, act if an application were made.

Senator CARLSON. When they act——

Secretary GOLDBERG. Excuse me, but there is also a provision in the bill that upon an application of this committee or the House Ways and Means Committee, a determination can also be made.

Senator CARLSON. Assuming that a decision is made that unemployment has increased or as the result of imports of commodities, and you select a State, and I mean someone is going to select a State, for instance, where the payments are to be made, they will not be paid all over the United States on the basis of this bill. Doesn't that work a hardship on that particular State when it comes to the payment of unemployment compensation as the result of an industry that is affected?

Secretary GOLDBERG. No, because the State would be paying unemployment compensation in any event.

What would happen is that the State would get some help because its workers, after all, are citizens; they contribute to the community, by getting and spending an additional payment that would come from this supplement.

Also the benefits of a training program would help the people to carry themselves over, to readjust, and the firm would get some benefits in technical assistance, loans if necessary, to help tide itself over this period.

So I think the State would benefit, and employers generally in the State would benefit.

Senator CARLSON. Well, having served as a Governor of a State for 4 years, and being greatly interested in the unemployment compensation program, I think we have a very good one not only in Kansas but other States, that it is well handled, it just occurs to me that we are adding great numbers of burdens on an agency that is getting along very well at the present time.

You did discuss with the chairman and the Senator from Nebraska the thought of the Federal Government furnishing all these payments. In fact, I am not so sure that I would not favor that in view of the fact that the government itself is responsible for this unemployment.

But I would ask you this: If we did that, if this committee and the Congress determined to do that, should it not be handled through the Department of Labor rather than through the State unemployment compensation commissions?

Secretary GOLDBERG. Well, I think that the State departments, if we went either route, would like to handle it because we pay the administrative costs of it, and we are anxious to preserve their operations in this area.

They have expertise and know-how to do it, and it would seem to me under the circumstances that they would be glad to do it, as they did with the veterans program. The burden will not be very great because we do not anticipate a large number of people will be involved.

Senator CARLSON. Of course, Mr. Secretary, I will have to admit, I have not anything to base my information on, but I am not as optimistic as you are about these 18,000 people a year. I hope that

is right, but I can see evidences of where there may be great dislocations in the future.

I hope there are not, but I can see it, and evidently if you have estimated 18,000 a year, 90,000 for this 5-year program, you have industries in mind that are going to close up.

Secretary GOLDBERG. Well, we would include in this 90,000 a projection of workers who would apply for the trade readjustment allowance from any industry that might shut down. It is an estimate. We think it is a pretty solid estimate.

Senator CARLSON. All I can say is I hope you are right.

Secretary GOLDBERG. I hope so, too.

Senator CARLSON. I sincerely hope so. I hope this program works, I really do.

Getting back to the State unemployment compensation agencies, I will agree with you that they are set up to handle it, and they should handle it, but they are going to have some problems, in my opinion, and I get right out to the precinct, I get out home, and here are families in the same community, neighbors, one of them drawing $65 a month or whatever it is, and in our State the maximum is $44.

They go to the same grocery store, their children go to school together, and I can see where they are going to talk about this situation, and it is a real problem. I wonder if you have thought that through.

Secretary GOLDBERG. Yes, Senator, we have given very serious thought to it.

There are right now various differences in payments that are made.

Senator CARLSON. Between States or in States?

Secretary GOLDBERG. In States. The same, as you know, Governor, from your experience, the same neighbors, by reason of level of earnings, amount or period worked during any quarter, they may draw quite different levels of unemployment compensation.

They will have in the community railroad workers whom Congress has covered under a different law, who get a different level of compensation. I do not think that this is going to create too much difficulty.

Senator CARLSON. It just seems to me it is a problem that our committee must give some thought to.

Doesn't the Federal Government finance wholly and assume a special and direct responsibility for all the servicemens' benefits and the civilian benefits in that field?

Secretary GOLDBERG. After being briefed by Mrs. Freeman, I am going to ask her to answer the question.

Senator CARLSON. You could not have a better briefing, I can assure you.

Secretary GOLDBERG. Would you answer the question, please?

Mrs. FREEMAN. To the extent that the Federal civilian worker or the ex-serviceman has wage credits earned under the law of the State, the State pays.

To the extent that there are added to the Federal credits, you see they combine them for the base period, the Federal Government pays the extra cost of any additional benefits resulting from the Federal credits. That might be 100 percent, it might be less.

Secretary GOLDBERG. Senator, let me just say what I said earlier. I do not know whether you were here, but in response to a question

Senator Talmadge asked through Senator Byrd, I said that a strong argument, I think, could be made here for a Federal pickup, a strong argument could be made.

The reason for the original proposal and the reason the House acted the way they did, was that this was intended to be a supplemental benefit on top of the State system.

Senator CARLSON. I have a question here which has been submitted, I have two of them to be exact. Should the employers of a State be called upon to meet the obligations of what is alleged to be a particular and special responsibility of the Federal Government? I think you have discussed it some.

Secretary GOLDBERG. Yes.

Senator CARLSON. And should State unemployment compensation funds which are established for usual and customary unemployment be used to meet a special and particular obligation of the Federal Government in the execution of its tariff policy?

Secretary GOLDBERG. This, I think, is the question I was discussing when I said a strong case could be made out in support of that position.

The theory on which this bill was developed is that unemployment compensation has generally been paid to people like that under the State system, and the extension of the period and the supplement, it was felt, would be unfair to impose upon the States, and also the training part of it. Under this proposal of ours, if you will look at the financing, the Federal Government already would pick up the major part of the costs of this program, not all of them, but a major part of them.

Senator CARLSON. Now we get down to it. You say they are going to pick up the major part of it. I will ask you this question and then I am going to get off of this Federal financing. Would the administration object to full Federal financing of the adjustment assistance to the workers?

Secretary GOLDBERG. Well, I am in a position where I am supporting the bill that came over from the House. This is the bill that we have endorsed and supported, and I will have to maintain that position, but I would like to leave it by saying I think a pretty strong argument could be made the other way.

Senator CARLSON. I can make one myself.

Secretary GOLDBERG. I think you have made one, Senator.

Senator CARLSON. I think we ought to explore it a little bit because I know it is going to get some discussion.

If we did, how large a staff would we have to create? We cannot expect the department to take over this kind of work without some people. Have you given any study to it?

Secretary GOLDBERG. Yes. Very small. We do not believe that this program would result in any appreciable increase in our staff. We are equipped to handle our part of it with very little increase in force and regardless of whether the program was financed as we suggest, or financed as you have intimated, we would execute agency contracts with the States and pay the cost of administration in that way.

Our own establishment would not be increased in any material way by this program.

Senator CARLSON. In other words, it is not your thought, if this should develop, that you would set up a separate State agency to investigate the cases, to receive applications?

Secretary GOLDBERG. No, Senator. We would rely upon the State agencies to perform their traditional role in this area.

Senator CARLSON. I think that is all, Mr. Chairman. I appreciate this very much.

The CHAIRMAN. Thank you very much, Mr. Secretary. I hope you have time to catch your plane.

Secretary GOLDBERG. I appreciate the courtesy that you have extended to me, Mr. Chairman.

Senator CARLSON. I am very sorry about delaying you.

(The statement of Secretary Goldberg follows:)

STATEMENT OF ARTHUR J. GOLDBERG, SECRETARY OF LABOR, RE THE TRADE EXPANSION ACT OF 1962, AUGUST 14, 1962

Mr. Chairman, your committee has already heard extensive testimony from administration witnesses in support of the Trade Expansion Act and describing its various features.

My function today is to discuss those aspects of this program which directly concern American workers and their jobs.

As you know, it is my obligation as Secretary of Labor under the Department's basic charter "to foster, promote, and develop the welfare of the wageearners of the United States, to improve their working conditions, and to advance their opportunities for profitable employment."

It is with full recognition of this obligation that I say that the proposed Trade Expansion Act as passed by the House would in my opinion help us greatly to achieve more and better employment for American workers and would provide better assistance, than is now available, for those workers who are adversely affected by imports.

The impact of international trade on employment in the United States has been well documented. Comprehensive studies[1] by the Bureau of Labor Statistics, which I am distributing to the committee, show that the equivalent of 4 million jobs for American workers were supported by the world trade of the United States in 1960.

Of these 4 million jobs, 3.1 million were export supported. They were required directly and indirectly to produce, transport, and market the nearly $21 billion of merchandise exported by the United States in 1960. This estimate includes all American labor involved from the raw material stage to delivery of the export at the foreign port and represents almost 6 percent of total farm and private nonfarm employment in 1960. In manufacturing, 8 percent of all employment stems from activities associated with exports; in mining it is almost 13 percent; and in farming it is over 13.2 percent.

There are jobs dependent on exports in every State of the Union. They are not concentrated in a few industrial or coastal areas. I am attaching a brief table setting forth the State-by-State breakdown of the 3.1 million figure.

Imports supported the equivalent of 940,000 American jobs in 1960. These were jobs in connection with the transportation, handling, processing, and distribution of products imported for American markets.

We recognize, of course, that increases in some imports may cause job dislocation for some American workers. As Secretary of Labor, I have been very much concerned with this problem. We know, however, that trade must be a two-way street and that we cannot have a flourishing and growing export business, which creates so many jobs, without importing items that may displace some American jobs.

The important questions are, what is the extent of that displacement, and what should be done about it?

Some light is shed by experience since 1946 under the present escape clause. The 40 cases in which the Tariff Commission has found injury to American

[1] Comprehensive studies referred to, entitled "Domestic Employment Attributable to U.S. Exports, 1960" and "Employment in Relation to U.S. Imports, 1960," may be obtained from the Bureau of Labor Statistics.

producers represent a group of cases that have been subjected to full investigation and adjudication. In these cases the total net loss of employment from all causes was 28,000. We recognize that there are other industries in which some firms have claimed injury from imports but have not filed for escape clause relief. It also must be remembered that while workers have been affected by these job shifts, many job losses have been absorbed through attrition, shifts of workers to other activities, and so forth.

Additional light is thrown on the job loss question by a recent study of the Bureau of Labor Statistics. In this study it is estimated that a hypothetical employment of about 1 million would be required to produce in the United States the substitute goods equivalent in value to those imports which are competitive with U.S. output. It is very clear, however, that this figure in no way represents jobs actually lost by American workers as a result of imports. We could not expect employment in the United States to rise by 1 million, or even near it, if all imports were terminated.

Many of the million jobs have actually never existed in this country. Many products have traditionally been imported and have no true domestic counterpart. Moreover, employment presently created in the transportation and handling of imported articles would, of course, be eliminated.

Most significantly, of course, any attempt to restrict imports would have an immediate adverse effect on our export trade. We could hardly expect our friends overseas to remain good customers for American exports if we decided to cut off their exports to us.

Therefore, the net cost of trying to gain the additional jobs displaced by imports would be an overall net loss of jobs and efficiency to the economy. There would be, in addition, a decrease in our standard of living since we would be giving up some of our most efficient and highly paid jobs, those in export industries, to gain less efficient and lower paid employment.

The most realistic approach to the effect of imports on employment, in my judgment, is to estimate the employment effects of the proposed trade program. While these effects depend upon events which still lie ahead, it is our rough estimate that during the 5-year span of this program a total of only about 90,000 workers might be eligible for the assistance to be offered to those adversely affected by import competition.

Let me point out that even this small displacement should be more than offset by the number of other jobs generated by an expanding export trade. Our 1960 studies indicate that each additional $1 billion of exports generates about 150,000 jobs and helps our economy to operate at a high level of efficiency.

Let me also say that I am convinced that the best way to deal with the job displacement caused by imports is the way proposed in H.R. 11970—to take full advantage of the opportunity to increase employment through expanded exports and at the same time to provide direct assistance to those displaced by such a trade policy, coupled with tariff relief where necessary.

I do not agree with those who claim that our high wages have priced us out of competition with low-wage foreign producers.

Historically, the United States has been distinguished as the country with the highest labor standards and the largest volume of exports in the world.

Significantly it has been primarily from our high-wage industries that we have exported. This principally reflects the high productivity of American industry and labor which means lower unit costs. For this reason, as a high-wage nation, we must continue to make every effort further to improve the productivity and efficiency of our industries.

In addition, the cost of some raw materials, of distribution, of capital and other elements in the final cost of a product tend to be lower in the United States than in many foreign countries. Other considerations, such as quality, service, financing, and distribution, also help us to remain competitive.

We should, of course, encourage the raising of wage standards abroad in order to assure that any import competition is based on economic progress and not on the exploitation of labor. As the President's trade message indicated, we intend to do this through appropriate consultation with major exporting nations. Specifically, we intend to continue international discussions of charges of unfair standards and to propose periodic reporting on labor standards in exporting industries.

For all these reasons, I have no doubt about the ability of U.S. producers to compete in world markets.

Trade stimulates our domestic industries to become more competitive, thus increasing consumption and lowering prices. Trade also stimulates innovation, and broadens our markets and the base of our material consumption.

Though these factors can't be measured they are a very significant part of maintaining a dynamic and expanding economy which leads to high levels of employment.

This is the philosophy of the Trade Expansion Act. It seeks to promote job opportunities for American workers by expanding our international trade, not by restricting that trade. At the same time it recognizes that if a trade expansion program is to be effective there must be a means, other than by restricting imports, for assisting those injured by increased imports. Here lies the fundamental importance of the adjustment assistance provisions of H.R. 11970.

Today, where foreign trade creates domestic problems, the remedies now provided are only the restriction of trade through the use of tariffs or quotas. The exclusive use of such remedies not only loses for our Nation the benefits of expanded trade but also may leave unsolved significant problems of worker and firm adjustment.

Domestically, the result of such an action is that consumers must pay more for the products they buy and our exporters are exposed to retaliation from foreign countries in the form of higher duties or other restrictions on our export products.

No one can deny that despite the cost of taking restrictive trade action to protect domestic industries, sometime such action is necessary. H.R. 11970 provides for such action through an escape clause procedure which can be applied when an industry is determined to be seriously injured by imports.

Our present trade policy does not provide any relief, however, for individual firms or groups of workers which are injured by imports although the industry to which they belong has generally continued profitable operations despite the imports. Nor does it meet the situation where much of one industry could compete with imports if only the firms and workers were assisted to increase their productivity.

The proposed Trade Expansion Act of 1962 would provide the necessary means to assist firms and workers to adjust to import competition under such conditions, and in so doing would provide the President with a supplement, and in many cases an effective alternative, to tariff protection.

The act insures that the adjustment assistance furnished to workers will be coordinated with the assistance provided to firms in order to protect to the fullest extent the workers' seniority, pension, and other job benefits.

Let me emphasize that such adjustment does not necessarily mean a change of jobs or line of production. It may mean simply increased efficiency or skill in one's present work or business so that foreign competition can be met in the marketplace and not shut off at the port of entry. It is, instead, as the President has stated, "a program to afford time for American adaptability and American resiliency to assert themselves."

The importance attached to affording time for change is illustrated by the "staging" requirement contained in section 253, under which reductions or eliminations of duties could be put into effect at a rate no greater than that of five equal annual installments.

The staging requirement, the escape clause procedure, and the adjustment assistance provisions for firms and workers in H.R. 11970 all compliment each other. Their common purpose is to provide a variety of tools with which the President can assist the United States to equip itself to engage in ever-increasing volumes of world trade.

Secretary Hodges has already discussed the procedures for determining import injury to firms, workers, and industries, as well as the provisions for direct assistance to firms of technical assistance, loans, grants, and tax relief. I would only like to emphasize the importance of prompt determination of the workers' eligibility for assistance. A program for assisting those who lose their jobs because of import competition should not be so time-consuming that assistance is provided only many months after separation.

Thus, in order to provide adjustment assistance as promptly as possible so that it can help the individual when he needs it most, the Tariff Commission must report its findings on eligibility to apply for adjustment assistance to the President within 60 days.

I should now like to discuss the worker-assistance program provided by the proposed act.

The principal form of assistance will be cash payments called trade readjustment allowances. To be entitled to these allowances, the worker must have had substantial employment in his import-affected job over the 3 years immediately preceding his total or partial separation. He must have earned wages of $15 or more in at least half the weeks of those 3 years. In addition, in the year preceding his separation, he must have had at least 26 weeks of employment, at wages of at least $15 a week, in a firm or firms which have been found to have significant unemployment caused by imports

These trade readjustment allowances are only payable for weeks of unemployment, including weeks in which the worker is undergoing approved training, and he must meet the usual requirements of State law that he be available for work and not otherwise disqualified. In order to encourage workers to accept work even though full-time work is not available, weeks of unemployment also include weeks in which the individual earns less than 75 percent of his average wage and in which he works less than full time.

The allowances will provide unemployed workers, including those undergoing approved training, with an amount equal to 65 percent of their individual average weekly wages but in no event more than 65 percent of the average wage in manufacturing, for a maximum of 52 weeks.

The average allowance paid will probably be in the neighborhood of $49, since the wages of most workers who may be affected will probably average about $75. The average wage in all manufacturing at present is about $92, which would provide a maximum allowance of $61. To avoid pyramiding, any unemployment insurance for which a worker is eligible will be deducted from the allowance.

Because older workers usually have a harder time finding new jobs, the bill provides an extra 13 weeks of allowances for those who are 60 or over at the time of their separation. In addition, because it may take time to place a worker in a training program, the bill provides that he may receive as many as 26 extra weeks of payments to assist him in completing a training course.

Every effort will be made to assist workers to remain with their present employer or to find other jobs utilizing their existing skills. When this cannot be done, the provisions of the act are designed to encourage workers to enter approved training programs. Those who refuse training without good cause will not thereafter receive cash allowances unless and until they subsequently accept training.

The act also authorizes payment of relocation allowances to the head of a family who has little or no prospects of suitable reemployment in his home locality and who has a job or job offer of suitable long-term employment somewhere else. The help consists of paying the costs of transportation for the worker, his family, and their household effects and of giving him a lump-sum payment, now about $230, toward the various other costs involved in a move.

I would like to emphasize that only if the worker voluntarily chooses to move to a place where a job is available will he be offered this financial assistance, and only if an employer has voluntarily made a firm and suitable job offer which is not available in his home community.

When the training appropriate for a particular worker is available only at a location outside of commuting distance from his home, the act provides for paying his transportation to the training site. It also provides for a modest subsistence payment while he is away from home.

In administering the adjustment assistance program for workers, existing programs and Federal, State, and local agencies will be used to the fullest extent consistent with the objectives of the Trade Expansion Act. Thus, training will be provided through the Manpower Development and Training Act, or other existing programs; and counseling, job assistance, and payment of the weekly readjustment allowances will be provided through the State employment security agencies and local employment offices.

However, in the judgment of the administration, existing programs alone do not provide the kind of coordinated adjustment assistance program which is necessary and appropriate to a liberalized foreign trade policy.

Neither unemployment compensation nor the Manpower Training Act cover all of those who might be displaced by imports. Unemployment insurance is generally not available for agricultural workers, while the manpower training allowances can only be paid in full to those who are heads of families or households and who are in a training program.

Unemployment insurance was designed as a wage-related income-maintenance program for limited periods of unemployment after which the workers would generally be reemployed in jobs which were the same as or reasonably comparable to their prior jobs.

Trade readjustment allowances, in contrast, recognize that when a change in Government policy removes the protection afforded by tariffs, the resulting unemployment can be of a more permanent nature.

The Manpower Development and Training Act provides allowances only for those unemployed workers who are heads of families and need retraining. They are not wage related because many of the eligible workers will have been unemployed for too long a period at the time they are selected for training.

Trade readjustment allowances, on the other hand, are provided as an alternative to tariff protection for workers with substantial recent employment, who may or may not need retraining.

As the President so aptly stated concerning this legislation:

"It is a constructive, businesslike program of loans and allowances tailored to help firms and workers get back into the competitive stream through increasing or changing productivity. Instead of the dole of tariff protection, we are substituting an investment in better production."

One of the arguments against the worker adjustment assistance program is that it threatens the State unemployment compensation system. This is not a new argument. We believe Congress will agree, when it has concluded its consideration of this legislation, that no such threat is posed. Any changes or improvements in the unemployment insurance system will be dealt with on their own merits quite independently of this trade bill.

Another argument against the adjustment program is that it discriminates unfairly against workers who are unemployed for reasons other than imports.

Labor itself is supporting this program. The workers themselves recognize the difference between unemployment caused by normal economic forces and that caused by a deliberate governmental policy enacted for the benefit of the Nation as a whole. They recognize that since expanded trade is required in the best interests of the Nation, the whole burden of increased imports should not be permitted to fall on workers and firms adversely affected by tariff reduction. They agree the costs should be borne by the Nation as a whole.

The obligation we owe the injured workers is akin to that we owe to the veteran. We have long considered it appropriate to provide special programs for that group which exceed those for the general population. We should do likewise in this case.

Furthermore, the tariffs themselves are a strong precedent for affording assistance to those workers injured by import competition which is not available to others in the labor force. Trade adjustment assistance is essentially the substitution of one form of "special assistance" for another.

Veterans programs and tariffs are not the only precedents for programs of assistance for particular groups of workers. We have had for over 20 years a special program of unemployment insurance for railroad workers which now provides benefits which are more liberal than generally provided under most State laws. Furthermore, the Federal Government has for more than 20 years had a program of assuring job protection to railroad workers in cases of mergers which has no counterpart outside the transportation industry.

These examples suggest what we all know—that every legislative act is directed at particular problems. The test should be whether a situation warrants a remedy and whether the means proposed are appropriate to deal with it. I submit that the trade adjustment program easily passes this test.

There are also those who say flatly that adjustment assistance in the amount of 65 percent of a worker's average weekly wage is "too much" assistance and will dull the worker's desire to secure new employment.

The facts are, however, that allowances in the amount of 65 percent are not unknown or considered unreasonable even in the unemployment insurance field. Nine States which have a total of 41 percent of the covered employment pay unemployment insurance to some claimants which amounts to 65 percent or more of such claimant's average weekly wage.

There is certainly no need for concern that the level of allowances proposed will foster idleness. The State requirements of availability for work and the disqualifications for refusing suitable work which will apply to those receiving adjustment assistance will not permit such a situation to develop. Furthermore, while the allowances proposed will in our judgment provide adequate adjustment

assistance they are not nor are they intended to be an adequate substitute for a job either in terms of individual income, personal satisfaction or accumulation of valuable work experience, seniority, or pension rights.

Far from encouraging idleness the adjustment program is set up in such a way as to encourage the individual worker to adjust as necessary to secure new employment. This is evidenced both by the disqualification for refusal to take training and by the fact that an individual worker's entitlement to trade adjustment allowances is not renewed by subsequent layoffs to the extent he has previously received such allowances. Accordingly, there is no more likelihood that a worker will sit back and draw trade adjustment allowances rather than seek new employment than there is that he will live off any savings he has accumulated.

A question has also been raised concerning the ability of the States to pay unemployment insurance to workers who are seeking trade readjustment assistance.

As I have stated, the trade adjustment program was developed to utilize existing programs as fully as possible. For that reason it was provided that individuals eligible for unemployment insurance would not receive a full trade readjustment allowance in addition to or in lieu of this unemployment insurance but, instead, would receive only a suplement to such unemployment insurance financed by Federal funds.

The problem claimed to exist arises from the provision in most State unemployment compensation laws which disqualifies an individual from receiving unemployment compensation in any week with respect to which he has received or is seeking unemployment benefits under an unemployment compensation law of another State or of the United States.

I have studied this matter very carefully, and it is my opinion that States with such a provision will not be forced to disqualify workers from receiving unemployment insurance merely because they are also seeking a trade readjustment allowance.

These State disqualification provisions were adopted primarily to prevent duplicate payments under the State laws and the then recently enacted Railroad Unemployment Insurance Act.

However, at the same time States adopted provisions authorizing their State agency to enter into arrangements with agencies of other States or of the Federal Government for combined payments based upon rights under the laws of two or more jurisdictions.

The Veterans' Readjustment Assistance Act of 1952, for example, provided unemployment compensation for veterans of $26 a week in the form of Federal supplement where the State benefit was less than that amount.

All States but one paid both the State benefits and the Federal supplement without prior legislation and the one State worked out a device under its law which enabled veterans to receive payments in the same weekly amounts as if the State benefit had been supplemented. Subsequently, some few State legislatures expressly confirmed what the State agencies had done. As the Supreme Court of New Hampshire stated in the case of *Royer* v. *Brown*, 93 A. 2d 667 (1953), the Veterans' Readjustment Assistance Act was not the kind of unemployment compensation law to which the disqualification was intended to apply.

This sort of combination, as distinguished from duplication at the will of the claimant, is exactly what the trade bill contemplates. It is therefore difficult to see any reason why adversely affected workers who claim the prescribed supplement under substantially similar provisions of the trade bill would be disqualified.

This is the view of the large majority of States that have expressed themselves. Only seven States have said that they believe that they could not enter an agreement without amending their laws. We are confident that if this bill is enacted all of the States, as under the unemployment compensation program for Korean veterans, will find a way to participate so that their workers will be afforded the assistance provided.

CONCLUSION

I have discussed the program for trade adjustment assistance for workers in some detail because that program is the particular responsibility of the Department of Labor. I wanted to emphasize the care that has been taken to insure that those workers who do suffer hardship from our trade expansion program—however few in number—will not be neglected. I have not done so because we consider that there will be substantial unemployment resulting from import com-

petition in the years ahead. On the contrary, as I stated earlier, we in the Department of Labor believe that our international trade will continue to generate more and better jobs for American workers and that the number who may be displaced will be comparatively small. What the rapidly expanding markets of the free world now offer is a chance to increase significantly our export trade and related employment.

It is for these reasons that I strongly support H.R. 11970. I am convinced that the trade expansion policies it embodies will substantially benefit America's workers, jobs, wages, and prospects for economic growth.

The CHAIRMAN. We will adjourn until tomorrow morning at 10 o'clock.

(Whereupon, at 3:10 p.m., the committee was recessed, to reconvene at 10 a.m., Wednesday, August 15, 1962.)

TRADE EXPANSION ACT OF 1962

WEDNESDAY, AUGUST 15, 1962

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

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

Present: Senators Byrd, Smathers, Hartke, Williams, Carlson, Bennett, 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 Chair has the great pleasure of recognizing the distinguished Senator from West Virginia, Senator Randolph.

STATEMENT OF HON. JENNINGS RANDOLPH, A U.S. SENATOR FROM THE STATE OF WEST VIRGINIA

Senator RANDOLPH. Mr. Chairman and members of the Committee on Finance, it is my understanding that there has been presented for the consideration of your committee in its deliberations on H.R. 11970 (the proposed Trade Expansion Act of 1962) an amendment to the national security provisions on page 15, by inserting between lines 13 and 14 a new subsection to section 232, to read substantially as follows:

"(e) Whenever an article is subjected to import limitations under this section, total imports of such article and all derivative products thereof for any annual period shall not exceed the amount which has the same relationship to domestic production for such annual period as existed during a representative base period of one year or more selected by the President from the 5-year period prior to initial certification that imports threaten to impair the national security, except that upon a finding by the President that a national security emergency exists and a temporary shortage of supply is threatened the President may adjust the limitation for the temporary period necessary to meet such requirements."

When informed that this proposed amendment apparently would be an item for consideration by your committee, I requested the opportunity to present this statement in support of the proposal. It would provide essentially the same formula for crude and residual oil import controls as the Honorable W. W. Barron, Governor of West Virginia, joined me in recommending to the Secretary of the

Interior on March 13, 1962. Our suggestion to the Secretary was made in connection with and in recognition of his responsibility for administration of the oil import control program under the national security provisions of the existing reciprocal trade law.

In West Virginia we are vitally interested in the management of the oil import control program because, first, we know of the serious impact of imports of residual fuel oil (a waste product of the refineries) in the domestic coal industry, on the coal-carrying railroads, and on related commerce and industry in our State and sister States. Secondly, we are an important oil- and gas-producing State, and we have potentialities for increasing this production; so we have a very real interest in the vitality of the domestic petroleum industry.

I have said on numerous occasions that there is much more involved in the question of crude and residual oil imports than a battle for markets between coal and residual oil on the one hand and in the competition between foreign and domestic independent crude oil producers and marketers on the other hand.

At stake is the future existence of the entire complex of the domestic fuels industries as strong, vital segments of the economy of the United States. The fundamental question involved is whether or not our domestic fuels industries will have the vigor and the capability to continue exploration and to expand production when needed to meet future domestic and emergency needs.

Mr. Chairman and members of the committee, it is virtually impossible to separate economic and national security implications and involvements in discussing the impact of imports of foreign crude and residual oils on domestic fuels industries.

Addressing especially the problem created by residual oil imports—and you would expect this to be my primary concern as a Senator from the largest coal-producing State—there are many informed individuals who share my view that continued excessive residual oil imports will undermine our domestic fuels economy and could cause—and probably would cause—vital areas of this country to rely entirely on foreign sources for utility, industrial, and institutional fuel needs.

Please consider the implications of a condition under which virtually the whole eastern seaboard would be in the position of relying entirely on foreign sources for institutional needs, for electricity generation, and for the requirements of major industries.

We must deliberate long and carefully before our country embarks upon a course that, in the final analysis, will mean total dependence by any region on foreign sources for a commodity as vital and essential as energy fuel.

Mine is the view, too, that with so much of the foreign product being delivered to our ports in tankers under flags of foreign countries for marketing in displacement of our domestic coal and petroleum, we have an obligation to obviate if not assure against a possible need for inordinate commitment of our Defense Establishment to sustain this flow into our ports in time of emergency.

I believe, too, that we should place some legal limitations on policies and practices which create growing dependence on foreign surces for a fuel which is really a waste product at the foreign refinery.

What obligations do we have to foreign countries to relieve them of their waste materials when, in the doing, we create critical prob-

lems for our own manpower and our own industries and transportation systems?

This dependence on a waste product from an external source and its defense implications is an item of concern in itself. When it is complicated by the economic problem it creates for domestic coal and oil industries, and when it reaches into the capability of these industries to meet potential requirements for the national welfare in times of national emergency, the national security considerations loom large and ominous.

For week on week and month on month we have been told that, to quote the Secretary of the Interior, "the national security 'clause' investigation of residual fuel oil currently [is] being conducted by the Office of Emergency Planning."

I am concerned that we do not receive any information indicating if and when the OEP will report and what it will report.

But, Mr. Chairman and members of the committee, I do not believe we need await a report from OEP because we know there is a national security aspect of the impact of crude and residual oil imports on domestic petroleum and coal industries. The question is not whether there is that aspect; rather, it is the degree in which it prevails and the extent of the problem created for domestic industries and the country as a whole to satisfy the eastern seaboard's demands for unlimited access to the waste product of foreign oil refineries.

I certainly share the view of our colleague, Senator Cannon of Nevada, who stated so forthrightly that—

> our national security absolutely requires an adequate supply of all domestic fuels * * * we cannot put our entire reliance on foreign sources which could be shut off in time of war.

And, as we contemplate the growing reliance of the eastern seaboard utility and industrial complex on foreign residual fuel oil—and as we hear misguided demands that oil import controls be eliminated entirely—I believe we should heed a comment by the senior Senator from Kentucky (Mr. Cooper), who appropriately and wisely said:

> Exclusive reliance upon a foreign source of oil, even a source as friendly as Venezuela, can lead to disastrous consequences in time of war * * * these offshore supplies could be jeopardized, and a serious fuel shortage could result until alternate domestic sources of fuels were developed.

I commend, too, an appropriate and valid comment by the senior Senator from South Carolina (Mr. Johnston):

> When our country is dependent on a large volume of imported energy fuels it can only mean that our domestic fuels industries must suffer a reduction in production, and a cutback in exploration and development, to the end that any emergency that would limit importations of foreign fuels would cripple the wheels of our own vital production.

As was pointed out in the April 30, 1962, issue of the Fairmont (W. Va.) Times:

> Electric generating plants supplying power to defense industries and military installations have, in many cases, converted their furnaces completely to residual oil. They would be at the mercy of a foe whose principal aim was to cut the supply of imports to this country.
>
> During World War II, German submarines took a heavy toll of tankers bringing oil to the United States from Latin America. The Soviet sub fleet is several times the size of the German. It would doubtless take an even heavier toll.

Depriving vital industries and defense installations of the east coast of the fuel they are equipped to use would cause critical delay in the mobilization of the Nation's defenses.

The delay would be lengthened by present competition of foreign fuel that weakens the ability of the domestic oil and coal industry to maintain sufficient standby production potential for use in an emergency.

Allowing foreign oil to eliminate coal in many east coast markets also deprives the railroads of traffic and reduces their financial ability to maintain facilities adequate to meet wartime demands.

These conditions should be of first concern to the Federal Government.

Mr. Chairman and members of the committee, it is time for the Congress to recognize and take positive action on a problem which is keeping our domestic fuels industries off balance and is creating difficult-to-predict conditions for many fuels using and fuels transporting industries.

The proposed amendment for which I urge your committee's favorable consideration would provide a formula for oil import control administration that should bring the situation for all interests into a more reasonable balance than seems to prevail under the program as it has existed since initiated in April 1959.

Foreign producers, importers, marketers, and users of imported crude and residual oil would know in a more specific way what to expect and how to plan. By the same token, there would be more elements of stability in the picture for domestic oil, coal, and transportation industries affected by the impact of foreign oil importation.

Without such an amendment as that proposed, there will persist the threat of removal of controls by Executive order, or there will continue the prospect that import quotas will be increased periodically as has been the past experience. With these conditions confronting the coal industry and the coal-carrying railroads, they cannot, with any reasonable assurance, make long-range investment, expansion, and development plans. Are not these baic U.S. industries entitled to exist in an atmosphere of reasonable stability in relationship between domestic fuels and imports of a foreign waste product if they are to plan for and meet their commitments to the future?

A formula such as is proposed in the suggested amendment to which I address these remarks takes into account factors which assure more stability. It would place the control program on a broader time base than now exists, and it ties to a more stable base period the amounts of oil allowable for importation.

I see nothing in the proposal that would appreciably impair foreign production of any product or reasonable access to our markets. Insofar as oil is concerned, it provides that imports can share in the future growth of the total national energy market in that, for example, residual oil imports may increase at the same rate as total energy consumption in the United States increases. And it has the effect of insuring imported residual oil—again using that product as an example—a share of any incremental growth of the total energy market. More important, such an amendment as is proposed would provide for a measurable level of imports and this certainly would create a condition of stability in greater degree for domestic industries concerned and affected.

In essence, the proposed amendment would provide that, in cases where the President has found that the national security is impaired by excessive imports of an article, importations of that article there-

after may increase at no faster pace than domestic production is increased. The proposal likewise embraces provisions under which the President would have authority for the exercise of flexibility of action when actually necessary to prevent shortages or to meet emergencies. During times of either shortage or emergency, he would be authorized to adjust quotas to whatever level the national interest requires.

It seems to me to be an amendment which provides a unique combination of fairness, certainty, and flexibility. I hope it will be agreed to by the committee as a necessary strengthening amendment to be recommended to the Senate when this important legislation is reported.

Be assured that I appreciate the opportunity afforded me to present these views to your committee.

The CHAIRMAN. We appreciate your testimony, Senator Randolph.

Senator CARLSON. Mr. Chairman, may I be permitted to place in the record a statement by the Millers' National Federation in regard to their views on the Trade Expansion Act of 1962?

The CHAIRMAN. Without objection the insertion will be made.

(The statement referred to follows:)

STATEMENT OF THE MILLERS' NATIONAL FEDERATION WITH REGARD TO H.R. 11970, THE TRADE EXPANSION ACT OF 1962, BY GORDON P. BOALS, DIRECTOR OF EXPORT PROGRAMS

The Millers' National Federation welcomes this opportunity to make some comments in regard to H.R. 11970, described as the Trade Expansion Act of 1962 presently before your committee.

The federation is the national trade association of the wheat flour milling industry of the United States. It is now in its 60th year as an active industry trade association. Its members account for approximately 90 percent of the flour produced in the United States and almost 100 percent of the flour exported from this country. There are flour mills in nearly 40 of the 50 States and the District of Columbia. In 1961–62 U.S. mills processed over 600 million bushels of wheat.

The federation has had a long and consistent record in support of the reciprocal trade agreements program, and fully supports the basic objectives of H.R. 11970. In particular, it believes that the "development of an open and nondiscriminatory trading system in the free world" for basic food commodities, such as wheat flour, can make an important contribution to the economic development and well-being of hundreds of millions of people as well as help the United States in its dollar export sales program. Flour milling is also an agricultural industry in which the United States not only has special economic advantages but world responsibilities as a traditional major supplier for meeting man's "daily bread" needs, especially in today's uncertain world.

Unfortunately, however, wheat flour like many other agricultural products is confronted with a wide range of import restrictions in numerous countries. Tariffs are only one form and often the least objectionable of the import controls and restrictions to trade. Such restrictions include quotas, import licenses, exchange controls, mixing regulations, monopoly levies and equalization fees, packaging and specification regulations, bilateral trade agreements, preferential treatment for other countries, etc.

We are particularly shocked at the agricultural policy announced by the EEC countries in which import control systems have been developed that will make it virtually impossible for basic agricultural commodities, such as wheat flour, to be imported into the Common Market. This policy appears to be quite inconsistent with and contrary to the concept of liberalized trade as indicated for industrial items in general for the Common Market and with the objectives of H.R. 11970, also the GATT (p. 5 of article 24). If this policy is permitted to operate as presently in force, it will cause great harm to American agriculture and to our national economy.

A specific commodity example is discussed in the following section. It reviews the way EEC and particularly the Netherlands is now applying the variable levy

system to wheat flour and its effect on our trade. It shows what the United States is facing—not in theory but in fact. No longer is it a matter of speculation or opinion: we now know the cold blunt truth and fortunately there is still time for the Congress to do something about it.

COMMON MARKET STOPS 140-YEAR-OLD TRADE

By act of Congress in January 1820, it was provided that there should be "accurate statements of its foreign commerce of the United States." This was the official beginning of the great service for collecting and publishing export and import figures for the United States. The first report was published in 1821 and it is of special interest to note that wheat flour was an important export item at that time. Over 1 million barrels of flour (about 2 million hundredweight equivalent to 5 million bushels of wheat) were recorded in that first report and the Netherlands, also the Dutch West Indies and England are specifically listed as markets for U.S. flour.

Almost every year since that first report in 1821 U.S. export figures show shipment of flour to the Netherlands. How much earlier shipments may have started is not known as official data are not available. Shipments were even made during the difficult Civil War years, but were briefly interrupted in World Wars I and II due to blockade conditions. This represents a period of a regular trade movement in flour from the United States to Holland of more than 140 years—there are few commodities or countries that have such a consistent and important pattern of trade.

During much of this period and especially the past half century, the Netherlands has been one of the major U.S. flour markets, often accounting for 10 percent or more of total U.S. flour exports. At the same time, the United States has usually accounted for 90 percent or more of the wheat flour imports into the Netherlands reflecting an unusual development of a close and satisfied supplier-consumer relationship.

As might be expected with such a record of trade, wheat flour was one of the important trade agreement items included in the United States-Dutch agreement of 1947 and also in the Benelux agreement of 1951. The first agreement provided for a duty-free flour quota of 50,000 tons which was increased to 65,000 metric tons (1.4 million hundredweight) in the Torquay agreement. A flour duty of only 3 percent was also specified. It was further agreed that any import levies that might be imposed in connection with local price support or other reasons in the Netherlands, would have a fixed ratio between wheat and wheat flour as well as a fixed maximum rate on flour of 5.02 guilders.

During the past 10 years, U.S. flour exports to the Netherlands have averaged around 75.000 tons which is equivalent to about 100,000 tons in terms of wheat as grain. By comparison, this amount of flour represents over a month's consumption of the metropolitan areas of New York and Chicago combined. All of the shipments are sales for dollars so that this trade has been a consistent and significant dollar exchange earner. At the same time it has even helped Holland to earn some foreign exchange because of the quality of many Dutch wheat product foods, such as rusk, biscuits, cookies, etc., which are produced from U.S. specification flours which have gained a world reputation. Many Dutch food officials have commented that this import of about 10 percent flour consumption needs from the United States has not only helped to control the price and quality of the 90 percent of locally milled flour but also it has helped to provide a much greater variety of special wheat food products in the country.

As of July this year, purchases of U.S. wheat flour stopped after 140 years of recorded trade. They even stopped a month or more in advance of the effective date of the new import regulations because of the uncertainties of arrival and clearance through customs before the deadline. This historic trade has been interrupted because of prohibitive import levies on wheat flour put into effect around the Common Market countries. Not only those countries in the EEC like Germany and France, which have had barriers to trade, continue them but free trade countries like Holland are now included. The United Kingdom will be similarly affected if she joins. There is probably no clearer example of the real threat of the new Common Market variable levy barrier against U.S. agricultural products than the case of wheat flour. This levy may be regarded as the symbol of excessive restriction today as the tax on tea represented tyranny and injustice in 1776.

What are the facts about the problem facing the United States and this committee today? Here they are. From a duty-free quota and a 3-percent ad

valorem tariff on wheat flour in the Netherlands, a barrier equivalent to $15 per 100 kilos ($6.84 per hundredweight) has been suddenly erected around all EEC countries. This so-called gate price for wheat flour, i.e., the price level or "wall" to which United States and other non-EEC flours must be raised before they are permitted to enter any Common Market country, is approximately 150 to 175 percent of the world range of prices of flours available c.i.f. Common Market ports. The adjustment which is subject to daily changes dependent upon world prices, quality factors, etc., is commonly called the variable levy. As may be seen by its excessive height and arbitrary nature, it almost makes the "Berlin wall" look like something built by children.

Another feature of the excessive and discriminatory nature of the variable levy system as applied to flour is the combination of built-in protective charges that completely disregard the principle of economic comparative advantage or productive efficiency so basic to a sound reciprocal trade program. There are at least five ways in which the flour levy includes special charges to make it practically an embargo or prohibitive import levy. They include (1) an unrealistic wheat gate price based on exaggerated high domestic and low imported prices; (2) an additional industrial protective levy of 75 marks per ton (6.75 guilders per 100 kilograms)—a reasonable and adequate protection is already included in a gate price for flour with wheat converted to flour at a 1.4 ratio; (3) unrealistic credit adjustments for millfeeds resulting from formula prices used that are below current market levels; (4) estimated milling costs significantly above actual milling costs of most mills, especially the principal modern mills accounting for the major part of flour production; and (5) a very complicated series of quality premiums and discounts designed to raise the levy on all quality wheats and flours imported.

These extra built-in charges are estimated to total at least one-third of the adjusted gate price for flour. In addition they are so involved, unreasonable, and difficult of administration that should some imports be needed or able to get over the "Common Market wall," business would be discouraged by the complicated regulations. There are few cases in tariff or trade barrier history that such extreme measures have been developed to control import trade.

To sum up the principal items involved with wheat flour under EEC regulations, the following tabulation gives comparisons in Dutch guilders along with some explanatory comments.

(*a*) Under United States-Benelux trade agreements negotiated at Torquay in 1951, 3-percent import duty with 65,000 tons duty-free quota. Import levy set at 1.1 guilders on 100 kilograms. (This levy was arbitrary increased to 5 guilders on January 1, 1961 in violation of the trade agreement as no proportionate increase was made in the wheat levy. Similarly the Dutch Government has maintained foreign exchange controls on flour imports above 75,000 metric tons long after the guilder became a convertible currency which has also violated the GATT.)

(*b*) Under EEC with prices as of August 10:	*Guilders*
Dutch price for home-milled flour	38.39
Gate price for imported flour	53.65
U.S. flour, c.i.f. Dutch ports	30.84
(This represents an adjusted price with discounts for higher quality, etc. Actual prices around 33 guilders.)	
Total import levy (difference between gate and imported prices)	22.81
Refund for consumer subsidy	7.28
(The refund represents thirteenth-fifteenths of the variable levy as applied to wheat as grain and its equivalent in flour.)	
Net import levy	15.53

(*c*) Changes under Common Market:	*Percentage increase*
From basic levy of 1.1 to new total levy of 22.81 guilders	2,073
From basic levy of 1.1 to net import levy of 15.53 guilders	1,412
From recent levy of 5.25 to new total levy of 22.81 guilders	434
From recent levy of 5.25 to net import levy of 15.53 guilders	296

Internal prices of flour within the EEC countries are still subject to local market control with the intracountry trade carefully regulated. As a result, there is no need for Holland or the EEC to suddenly impose prohibitive import levies on flour. The import pattern of trade could be continued to the benefit of the wheat food industries and consumers in Holland as well as the United States if there was a will for mutual trade. United States officials are reported to have made strong representations to the Dutch Government for many months in the interest of maintaining such trade but reason and good will to date have been inadequate to obtain results or make much of an impression. In plain language the Dutch, the EEC, and the world knows that the United States no longer has any effective trade authority by which it can counter or meet unfriendly or unilateral acts to restrict imports from the United States. So long as we permit it, they will "eat their cake" and at the same time hope to receive some more as well.

RECOMMENDATIONS FOR ADDITIONAL U.S. IMPORT CONTROL AUTHORITY

With such spectacular increases in the import restrictions on flour which have brought a sudden stop to more than 140 years of trade, it is obvious that the U.S. Government needs adequate authority to deal with such problems. It is also readily apparent that a trade bill whose principal negotiating provision is a 50-percent reduction in duties over a 5-year period cannot deal effectively with sudden increases of more than 2,000 percent against U.S. exports. This is particularly true when repeated pleadings for moderation during the past 2 years by responsible U.S. officials and other members of the GATT have had little or no effect upon the variable levy system. Likewise it seems doubtful that the authority provided in section 252, as helpful as it may be, is adequate for prompt and effective handling of country trade problems, especially those involving excessive acts of trade restriction as noted above.

Strangely enough, much authority has been requested to reduce tariffs but little authority to raise duties and impose restrictions against those countries or instrumentalities that defy the United States and impose prohibitive import barriers. In order to deal more effectively with trade barrier problems as indicated by the variable levy as applied to wheat flour in the Netherlands, it is recommended that additional authority be provided to impose such import restrictions on the products of such country or instrumentalities as are necessary to obtain the elimination of such trade restrictions, acts, or policies.

This authority should be available for use at any time and not necessarily associated with trade agreement negotiations. It should also include the power to raise duties either on a specific or ad valorem basis and by more than 50 percent if deemed necessary as well as to establish minimum "gate" or import prices and variable equalization fees on those products in which other countries may have their greatest competitive advantages and desire to export to the United States.

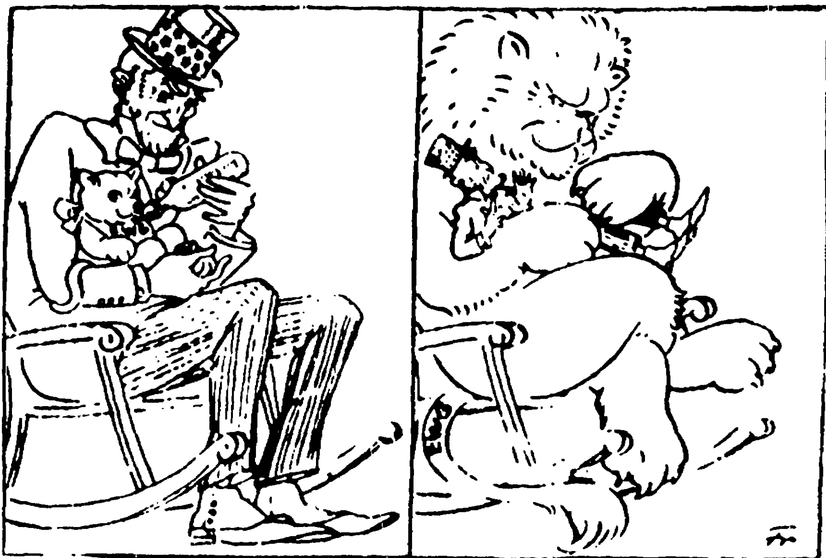
With such authority in hand, there would probably be few trade problems that could not be resolved and particularly nontariff barriers. For example, the United States could then meet fire with fire—with perhaps a levy system applied to imported dairy products that would raise import prices on Dutch cheese to such levels, with type and quality adjustments similar to those being applied to U.S. flour that would greatly discourage further imports. Similarly sharp advances in duties, especially on an ad valorem basis, might be placed on imports of tinned hams which have increased greatly from Holland during recent years but for which we have no significant negotiating ability due to a very low specific duty in effect since 1930.

This is not a policy of trade retaliation but rather trade defense. It is like the A- and H-bombs in our military defense. Without them we would be suffering repeated insults, ultimatums, and the free world would be disintegrating. Having them and the world knowing that they are ready for use is the greatest factor making for peace in the world today. Similarly, having the authority to really counter the EEC "A-bomb" against world trade, such as they have recently employed in the variable levy on wheat flour and other U.S. agricultural products, will show the world that the United States finally means business and can act or negotiate on even terms.

The attached copy of a little cartoon from a recent European paper reflects more clearly than words can describe the present position in which the United States finds itself in dealing with the Common Market. It shows the traditional

Uncle Sam feeding the small lion cub called the Common Market. The next picture is in reverse—a full grown lion has Uncle Sam tightly squeezed with no apparent consideration or recognition of any of the helpful assistance and attention given to it when it was young and in a less fortunate position. We are past the stage when we as a nation should say or do nothing for the sake of not hurting someone else's feelings, especially when the helping hand which has been given them for so long is now suddenly bitten.

When foreign countries finally realize that the United States is not going to be pushed around, slapped on one cheek and then the other, but is prepared and willing to relax barriers on a truly reciprocal basis, it will not be very long before the real barriers to trade will start coming down. In turn, the U.S. dollar exchange problem will be greatly helped, and perhaps solved, U.S. agricultural exports will benefit from the expanding Common Market, and the real objectives of the new Trade Expansion Act of 1962 which we support can be obtained.



1957 1962

(EWG = COMMON MARKET)

The CHAIRMAN. We are pleased to have the Secretary of Agriculture, Hon. Orville L. Freeman, before us today.

Mr. Secretary will you have a seat and proceed?

STATEMENT OF HON. ORVILLE L. FREEMAN, SECRETARY OF AGRICULTURE; ACCOMPANIED BY RAYMOND IOANES, ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE; AND A. R. DeFELICE, DEPUTY ASSISTANT ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE

Secretary FREEMAN. Thank you very much, Mr. Chairman.

Mr. Chairman and members of the committee, I am particularly pleased to be here today and have the very important forum because

it gives me an opportunity to report on the latest figures, showing that American agricultural exports have set a new record.

We recently put together figures on farm product exports for the 1962 fiscal year that ended June 30, and they add up to some impressive new records, both in total and for a number of individual commodities.

As a result of a lot of hard work by many people in Government, the trade, and agriculture, assisted by the export programs provided by this Congress, the United States is doing an unparalleled job of moving farm products to foreign consumers.

Passage of the Trade Expansion Act of 1962 is essential if we are to maintain and expand this tremendous export movement.

Let me be specific about these agricultural export records. They are impressive and worth citing in some detail. They indicate the huge stake that both American farmers and business people who supply and service agriculture have in our Nation's agricultural trade and therefore in passage of this bill.

On a value basis, our agricultural exports reached a new high peak of $5.1 billion this past fiscal year. This was 4 percent greater than the previous record of $4.9 billion in the 1961 fiscal year.

For the sake of precision, let me add that this figure represents 11 months of actual exports with an estimate for June. The final figures, I am confident, will be very close to the one at hand today.

Senator BENNETT. Mr. Chairman, may I ask the witness a question at this point?

Can you supply us with figures showing the percentage of total exports which agriculture represents or are they contained in your statement?

Secretary FREEMAN. They are in the statement, aren't they?

All right, we will supply that for the record, Senator.

Senator BENNETT. Thank you.

(The information referred to follows:)

Value of U.S. exports, total and agricultural, in fiscal year 1961–62

Total exports	$21,216,874
Agricultural exports	$5,138,837
Percentage of agricultural to total exports	24

Secretary FREEMAN. Some of the individual records established last fiscal year:

1. Wheat and wheat flour: An alltime high of 716 million bushels; previous record, 661 million bushels.
2. Feed grains: An alltime high of 14 million metric tons; previous record, 11 million metric tons.
3. Soybeans: An alltime high of 147 million bushels; previous record, 143 million bushels.
4. Soybean meal: An alltime high of over 1 million short tons; previous record, 649,000 tons.
5. Poultry meat: An alltime high of 300 million pounds; previous record, 204 million pounds.
6. Tallow: An alltime high of 1.8 billion pounds; previous record, 1.7 billion pounds.

These record shipments represent two approaches, both different, both successful. One is selling our farm products for dollars—our

historic approach to world marketing. The other is exporting U.S. commodities to friendly but dollar-poor countries under the food-for-peace program, which is largely based on Public Law 480.

The value of our agricultural exports to dollar markets last year reached an alltime high of $3.5 billion. That exceeded the earlier record of $3.4 billion sold abroad for dollars in fiscal year 1961.

Our five best dollar country customers during the past year again were Japan, the United Kingdom, Canada, West Germany, and the Netherlands. Both Japan and the United Kingdom took close to $500 million worth of our farm products.

The biggest area dollar outlet was the European Economic Community—the EEC or Common Market. In the fiscal year 1962 our agricultural exports to this new trading area had a value of about $1.2 billion.

As you can see, our dollar markets for farm products are big business. And because they are big business, American agriculture is interested in all measure—especially the Trade Expansion Act—that will help to keep those markets open to us. American agriculture has a lot riding on the legislation now before this committee.

In addition to dollar sales, we shipped $1.6 billion worth of commodities to the underdeveloped countries last year under the food-for-peace program.

Record food and fiber exports do not "just happen." In this day and age we cannot afford to wait and hope, passively, that foreign countries will request our supplies.

We must, instead, have a positive, coordinated export program—a program having the primary objective of moving the largest possible volume of U.S. farm products into foreign consumption.

We have such a program.

As the export figures indicate, that program is working well.

Here are some of the moves being made to step up our shipments to foreign countries:

First of all, the Department of Agriculture, in cooperation with industry groups, is carrying on vigorous foreign trade promotion activities.

At the same time, our export commodities are being priced competitively—in some cases through use of export payments. These efforts have been accompanied by constant pressure on other countries to give our American products greater access to foreign markets.

Furthermore, there has been continued emphasis on use of American food as a means of promoting peace and freedom. All these activities are market-expansive in nature.

We are carrying on market promotion programs in 57 different foreign countries, largely in cooperation with U.S. farm and trade groups. Among the many promotion techniques used are market research, advertising, distribution of samples, trade-sponsored visits of foreign buyers to the United States, and food exhibits. About 110 large food exhibits have been staged in recent years, mostly in connection with international trade fairs.

Approximately 46 million potential customers have seen, and in many instances sampled, the high quality and wide variety of U.S. foods.

Promotion is getting results. For example, shipments of U.S. poultry meat to Western Europe have soared from 1 million pounds in 1955 to 180 million pounds in 1961.

Spain, which used to be a large Public Law 480 customer for our soybean oil, has become exclusively a dollar buyer and a big one.

This year Spain's dollar purchases of U.S. soybean oil will amount to well over 400 million pounds—making the country the biggest dollar market and the largest single outlet for this product.

Similarly, cash sales have replaced Government programs in the movement of wheat to Italy. Dollar exports of U.S. wheat rose from 34,000 metric tons in fiscal 1956 to 853,000 in 1961.

Nor has the development of markets for new products been ignored. The fruit industry, for example, is pushing the sale of fresh and processed cranberry products in foreign markets.

Although sales are relatively small now, the cranberry industry feels that the potential is there and that further market promotion effort is justified.

The food-for-peace program, although primarily aimed at feeding hungry people, also has in it a strong element of future dollar market development. Hungry people, with no money in their pockets, are not customers. But when you help those people to find jobs, or to create new jobs where none existed before, you are not only performing a humanitarian service, but you also are helping to expand and strengthen the world's commercial market.

Of the $4.5 billion in U.S. economic aid extended to all foreign countries in fiscal year 1961, $1.5 billion—a third—represented aid under the food-for-peace program.

Foreign currencies generated under the program have been used in the underdeveloped countries for such projects as irrigation, railroads, highways, electric power facilities, hospitals, and schools.

Some U.S. food is being used as partial payment of wages on development projects. Food not only underwrites employment and development, but counters the price inflation that generally accompanies development projects.

Our food, in stepping up economic growth, is creating a climate that in time should mean increased commercial sales of U.S. agricultural items.

All these special efforts will continue to be of great importance in future market expansion. In themselves, however, they will not guarantee results.

The No. 1 key to sustained expansion of U.S. agricultural exports is access to markets. In other words, the countries that have the money to buy from us must give our good American farm products a fair chance to compete.

Our market promotion, competitive pricing, economic development, and other special efforts are wasted if potential customer countries say to us, in effect, "We don't want your goods; we are going to put trade walls around our country so that we can produce our own food and fiber to the greatest extent possible."

I mention this because the United States today is faced with increasing agricultural protectionism. This trend is partly the result of our own agricultural progress.

On the one hand, we can offer foreign consumers, at competitive prices, products which are in many respects superior in quality and variety to those produced in their own country.

On the other hand, many of the economically developed countries are now able to produce more of some commodities—although at relatively high cost—if our competing products are kept out. I am oversimplifying, of course, but I am sure that you see what I mean.

The United States has understood some of the problems of other countries. Right after the war, some countries may have been justified in diverting the normal flow of trade. Their big need was machinery and equipment.

To use their scarce dollars for such goods, they put restrictions on farm product imports. Today, however, these countries have got back on their feet—with considerable financial aid from the United States—and are now functioning on a sound and prosperous basis. Nontariff barriers against U.S. export trade can no longer be justified for balance-of-payments reasons. While considerable progress has been made in dismantling these restrictions on some types of nonagricultural goods, too many restrictions continue to be applied against U.S. agricultural items.

Let me say right here that the United States has set a good example for the world with our own import policies. The bulk of competing farm products can enter the U.S. market in competition with U.S. production by paying only a moderate duty.

There has been too much abroad here, and I found it in Europe and said so emphatically, that we have a protectionist agricultural policy. That is not the case. In comparison with most countries around the world we have a very liberal and progressive agricultural policy, and I think we ought to remind our friends around the world that this is the case.

Import controls which limit the quantity of foreign agricultural products in the U.S. market are applied today on only five commodities—cotton, wheat and wheat flour, peanuts, certain manufactured dairy products, and sugar, representing altogether 28 percent of U.S. agricultural production. On four of these items, of course, we likewise control the production in this country.

Our import posture obviously is good. If European agriculture would be willing to subject itself to competition with foreign suppliers to the same extent American agriculture has, I would surely be happy. All I ask is that foreign governments give American agriculture the opportunity to compete on no less favorable terms than we extend to them.

Department of Agriculture people have been working constantly with the Department of State to persuade foreign countries to remove unjustified quantitative restrictions and other barriers hampering market access of our farm products.

These efforts have been carried on formally and informally. They have been made bilaterally through normal diplomatic channels, and multilaterally through sessions under the General Agreement on Tarriffs and Trade.

We have made some progress. Some trade barriers have come down. Some duties have been reduced. But it has been an uphill job. We need, if we are to carry on meaningful, productive negotiations around

the world, the flexible bargaining authority of the Trade Expansion Act. This would be particularly useful authority in negotiating with the Common Market.

When the history of this period is finally written, the Common Market could well stand out as one of the most significant economic developments of this century. It may turn out to be one of the outstanding economic developments of all time.

In an overall sense, it is good for the United States. We all know that political and economic unity in Western Europe is a strong buffer against the Communist tactic of "divide and conquer."

To a considerable extent, the Common Market is good for American agricaulture. This is true of the commodities which the Common Market does not produce but which the United States has available for export—commodities such as cotton, soybeans, hides, and skins.

These are all duty free, and bound duty-free in the General Agreement on Tariffs and Trade. For them, the future in the Common Market is bright. On a number of other products, including some fruits and vegetables, the outlook is also good.

It appears that on the basis of trade value, about $700 million worth of U.S. farm products annually, or approximately 70 percent of U.S. exports to the area, can be sold in the Common Market without difficulty. As the Common Market economy grows, we can confidently expect marketings of these products to increase.

However, for the other 30 percent of our shipments, amounting to about $300 million worth on an annual basis—prospects are cloudy. In this category are grains, rice, poultry, and some other commodities.

We are seeing, with respect to these products, protectionists tendencies at work in the Common Market. There is strong pressure to push us out and keep us out as far as some of our major agricultural commodities are concerned. Farmers in the Common Market, and many of their political leaders, look to the Common Market as the solution to their agricultural problems. They have them, too.

To many this means, "Let's keep the market for ourselves." Therefore, for grains, rice, and poultry, all of which are important U.S. export products, the Common Market is developing an internal agricultural market which will be protected against imports from outside countries by variable import levies.

These levies will equalize the price of the imported products with the EEC's internal domestic prices.

Domestic prices, in turn, will be fixed by Government action. Most prices ready are very high.

You can see that under this system, Common Market domestic producers of commodities subject to variable levies could have absolute protection against imports, depending upon price-support levels.

In other words, EEC producers will be guaranteed a market for all they can produce at price levels fixed by the Government.

Obviously the pressures for high internal prices, and, therefore, for decreased imports, will be great. For grain and poultry, the system went into effect at the end of July 1962. A rice regulation is scheduled to become effective in October.

For fruits, vegetables, tobacco, and a number of other agricultural products, the EEC will not apply variable levies, but will rely on fixed import duties. Many of these duties will be high enough either

to prevent an expansion of our current trade or to reduce our access to this market over time.

We would encounter other problems if the United Kingdom should become a member of the EEC. Our agricultural exports to the United Kingdom in the fiscal year 1962 approached $500 million. If the Common Market's variable levy system which I just described were applied to the United Kingdom, it would bring under its sway another $130 million worth of our exports of grains and certain livestock products.

For most of the remaining trade, duties in the United Kingdom are substantially lower than in the Common Market. Any increase in the duty structure would, of course, hamper our trade with the enlarged Common Market.

How are we going to meet the trade challenges posed by the Common Market?

For the fixed-duty items, the pattern is clear. It is a pattern of traditional tariff bargaining—swapping reductions of U.S. duties for comparable reductions of EEC duties. The EEC has indicated a willingness to negotiate. That is encouraging. We are particularly happy that EEC will negotiate further on tobacco. EEC's present 28 percent ad valorem duty, with a 17.2-cent maximum, is disadvantageous to our growers, who produce high-quality, high-priced leaf.

For the variable import levy items, however, the pattern is far from clear. The Common Market variable levy system is complex—a system not adaptable to the usual tariff bargaining. It confronts us with new problems.

Because there are special problems, and because the area is so important, we are giving the Common Market top priority in our foreign market planning. Department of Agriculture people have had many discussions with Common Market officials, both in Europe and the United States, on the vital matter of access for U.S. farm products. I have personally visited the Common Market countries twice to present the case for American agriculture and I have urged Common Market representatives visiting this country to give our farmers fair treatment.

The Department has established a new agricultural attaché post in Brussels, Belgium—the Common Market "capital"—to help us keep more closely in touch with developments there.

I am appointing an Assistant Secretary for Foreign Agriculture, whose principal responsibility will be to give leadership in the trade-policy area.

In the case of wheat and feed grains, we are exploring use of commodity agreements as a possible new way to gain access to the Common Market and other foreign outlets.

But one vital ingredient is lacking. That ingredient is the bargaining power that would come to us with passage of the Trade Expansion Act of 1962.

We need, above all, more flexibility and strength at the bargaining table. We must be able to offer the Common Market and other trading partners deeper and broader tariff cuts on their goods in exchange for concessions on U.S. farm products.

Believe me, the Trade Expansion Act is essential to the maintenance of high-level U.S. agricultural exports. This legislation would give us an effective kit of bargaining tools to expand our export trade with the EEC. We could use the same tools, as appropriate, in negotiations with Canada, Japan, the United Kingdom, or any other trading partner.

Let me cite one example of the way the Trade Expansion Act could help American agriculture.

The Common Market has agreed to keep the door open for continuing negotiations on certain of the agricultural commodities affected by variable import levies. On the list are wheat, corn, sorghum grain, rice, and poultry. But the Common Market's willingness to negotiate further is based in part on the possibility that new trade legislation will enable the United States to make concessions to gain improved access for these U.S. farm products.

As you can see, a great deal depends on the Trade Expansion Act.

I have emphasized concessions on both sides, because concessions are at the heart of liberal trade—and liberal trade is the essence of this bill. However, the bill also authorizes the President to increase duties, should that become necessary, as a bargaining tool or trade-regulating device.

The Trade Expansion Act, furthermore, instructs the President to deny the benefits of U.S. trade agreements, to the extent consistent with the purposes of the act, to countries maintaining nontariff trade restrictions, including unlimited variable fees, which substantially burden U.S. commerce in a manner inconsistent with provisions of trade agreements.

Similar penalties would apply to other countries engaging in discriminatory or other acts or policy which unjustifiably restrict U.S. commerce.

This provision would apply to the many trade-agreements concessions the United States has negotiated since 1934, as well as to any that might be negotiated under this new act.

It is a clear warning that the United States espouses a truly reciprocal trade policy and will not stand idly by if its agricultural export markets are eroded by unwarranted foreign governmental actions. Our trading partners must be convinced that the United States cannot tolerate the existence of unjustified restrictions against our agricultural exports.

I want to make it clear, too, that the concessions we would give under this legislation would not subject American farmers to unwarranted import competition.

This bill would not affect the provisions of section 22 of the Agricultural Adjustment Act. That authority will continue to be available for use in preventing serious injury to our agricultural programs.

Further, the bill would not affect in any way the complex of regulations which protect our farmers against plant and animal diseases.

In general, the bill provides two additional kinds of protection against injury from imports. First, before the President is authorized to reduce any rate, he must—

Seek advice from the U.S. Tariff Commission respecting the probable economic effect of the contemplated tariff reductions;

Seek the advice of the several interested departments—including my own Department—on this matter;

And seek the advice of interested persons through the medium of a public hearing.

Second, if the President finds, after a thorough factfinding investigation by the U.S. Tariff Commission, that a tariff cut has seriously injured an agricultural industry, or threatens to seriously injure such an industry, he may take remedial action. This action may be in the form of assistance to firms or workers or in the form of an increased import duty or import quota protection or a combination of these.

The procedures by which the President may do these things are fully spelled out in the bill. I want only to say that I believe our farmers will have, under this bill, sounder and more realistic protection from unwise tariff reductions than they have had in the past.

In conclusion, I want to emphasize that a liberal trade policy helps American farmers to capitalize on their export market potential. Since enactment of the Reciprocal Trade Agreements Act of 1934, there has been remarkable growth in our farm-product sales to other countries for dollars as compared with imports that are directly competitive with our own production.

In fiscal year 1961, our agricultural exports for dollars amounted to $3.5 billion while competitive imports were $1.8 billion. These comparisons exclude exports made under special Government-assistance programs—and they also exclude imports of commodities not produced in continental United States, such as coffee, cocoa, tea, bananas, and the like.

Production from 1 out of every 5 acres we harvest is exported. Exports account for 15 percent of our farm marketings. In comparison, exports from nonagricultural sectors of the economy amount to about 8 percent of total production.

Rice producers export well over one-half of their crop.

Wheat farmers depend upon exports for half of their production.

Cotton and soybean producers look to export markets for about 40 percent of their sales.

Tobacco growers send about 30 percent of the tobacco crop abroad. There is no question but that the prosperity of the American farmer is tied directly to export markets.

Moreover, he will continue to be dependent upon these markets.

Although our domestic market will not expand greatly beyond a rate resulting from population growth, the demand rate is highly inelastic domestically, our foreign markets can expand more rapidly. Here demand is much more elastic.

For example, between 1950 and 1960, while domestic consumption was increasing 14 percent, our farm exports increased 80 percent—and we are doing even better now.

Our exports stand as a vivid symbol of the success of our agricultural system. What a contrast between our success and the inability of the Communist nations to feed their people adequately. The Soviet Union does not have enough to satisfy an expanding appetite.

Red China has an even greater problem—its daily ration is declining toward the starvation level. Cuba is having grave food supply troubles.

Our people, on the other hand, have the greatest variety of food, in the greatest quantities, and at the lowest cost in relation to income that the world has ever known. We share this abundance with millions of people in other countries.

The United States is able to do all this because of an effective agricultural system—a system of individually owned and operated family farms. There is no more effective testimonial to the worth of a farming system than agricultural abundance produced with great ease. We must keep our farm system strong and healthy.

A major factor in the strength and health of our agriculture is and will continue to be the availability of foreign markets. We need the Trade Expansion Act to assist us in holding, improving, and expanding our foreign agricultural trade, Mr. Chairman, and I thank you and the members of this committee for this opportunity to express strong support of the Department of Agriculture for this legislation.

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

I want to commend you for making a very frank statement.

You have not only pointed out the advantages of the Common Market but on the other hand, you have indicated some of the disadvantages.

I want to refer to page 8. You say—

> when the history of this period is finally written the Common Market could well stand out as one of the most significant economic developments of this century. It may turn out to be one of the outstanding economic developments of all time. In an overall sense it is good for the United States. We all know that political and economic unity in Western Europe is a strong buffer against the Communist tactic of "divide and conquer."

Do I understand from that statement that you think one of the main advantages of the Common Market is to combine the free nations of Europe against Russia or is it to promote trade whereby we in this country would be benefited?

Secretary FREEMAN. I would say, Senator, I think it is both. I testify here primarily to the economic aspect of the Common Market in relation to our benefit and theirs. It would be my judgment, and I speak personally now, that there are strong political factors here as well and that a strong and vigorous Western Europe is important in terms of adding to the strength of the free world.

The CHAIRMAN. Your very strong language in praise of the Common Market is due in part, at least, to the union of the free countries in Europe against Russia?

Secretary FREEMAN. Let me just say this: I think this is an important fac . But if we set that aside, Senator, I would feel from the economic point of view as well, setting aside the political, that I would support the Common Market just as strongly.

The CHAIRMAN. But you think that is a factor. What I am getting at is are we abandoning by this bill and the Common Market, the reciprocal theory upon which the Hull reciprocal trade program was adopted by Congress in 1934?

Secretary FREEMAN. No, sir; I believe this is an extension of that program and of that policy.

The CHAIRMAN. But you put into that another issue; namely, to build up a strong Europe against communism.

Secretary FREEMAN. I think that issue is existent, but my support is not dependent on it.

The CHAIRMAN. That did not exist as a part of the reciprocal trade program that Secretary Hull advocated?

Secretary FREEMAN. No, sir.

The CHAIRMAN. It so happened that I made my maiden speech on that program in 1934. Of course, at that time the danger of communism was no very significant.

Now, you say that we are seeing with respect to these products, such as grains, rice, and poultry, protectionist tendencies at work in the Common Market.

You mean by that that there will be increased tariffs in the Common Market in order to protect the production of those countries that are within the Common Market?

Secretary FREEMAN. That is what it comes down to.

We have not been pleased with the utilization of the variable fee system. We have not liked it, we have tried to convince the Common Market countries not to proceed down this path. When they have insisted on doing so we negotiated for an "assured access" kind of provision so it wouldn't bite so deep or be such a potential threat. We have not succeeded in our efforts in this regard, although we have kept this matter, where these commodities are concerned, in a position of continuous negotiation so that we will be in a position to influence where these fees end up.

The problem here, Senator, is that it isn't a tariff or a fixed fee that we can see what it is going to be. The problem is that in effect unilaterally they can set a fee, an import levy—we could call it a duty—and do it unilaterally at any level they wish to set it, and they would set it based upon their internal prices and costs, and then have—can set a fee high enough to literally close us out of the market altogether and we don't like any part of this and we haven't hestiated to say so.

The CHAIRMAN. Why do you eulogize the Common Market so highly?

Secretary FREEMAN. Because on balance——

The CHAIRMAN. Then you say there is strong pressure to push us out and keep us out as far as some of our major agricultural commodities are concerned.

Does that indicate that the Common Market is going to be beneficial to the United States or not?

Secretary FREEMAN. What we do and have done, Senator, is to analyze this in terms of the total result, which we think is positive, and in the areas where we are concerned to fight hard to try to improve it.

The CHAIRMAN. What part of that total result is strengthening Europe against communism?

Secretary FREEMAN. Well, I am speaking here to the economic factors where I feel that it is very clear that it will benefit American agriculture enormously to have the Trade Act which will permit us to negotiate effectively with the Common Market.

I wouldn't say that the political factors are ancillary, but in my particular responsibilities in this Government they are directed toward the trade.

Personally, I believe that the political is important as well but I speak here primarily on trade.

The CHAIRMAN. You will permit me to suggest that as Secretary of Agriculture so far as the chairman of this committee is concerned, he would like to have your opinion more on the economic question than on the question of world policy. I think we have done our share. We have spent $90 to $100 billion building up the free countries of the world against Russia in foreign aid, and we have today 400,000 or 500,000 troops abroad.

In order to carry those enormous costs, we have to preserve our market. I am a little disturbed that you say there is strong pressure to push us out, and to keep us out as far as some of the major agricultural commodities are concerned.

You add the words "keep us out." The farmer in the Common Market and many of the political leaders, you say, look to the Common Market as a solution of their agricultural problems, not ours but theirs.

Secretary FREEMAN. I heartily share that concern, Senator.

The CHAIRMAN. Then you say this: "To many this means let's keep the market to ourselves."

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. That is right discouraging to those of us, and I am one, who has to market our surplus agricultural products.

Secretary FREEMAN. I quite agree, and we have fought hard and are continuing to fight in the trade bill which this committee is considering, which will enormously strengthen the hands of the Departments of Agriculture and State and our Government.

I would only add that the Common Market is not something we can turn on and off like a water spigot. It is there and it is going to continue to be there. They applied the variable fees whether we liked it or not, and so we have to deal and live with the reality, and there it is.

And this trade bill will help us to live with that reality, and on balance, I believe, we will benefit from it economically.

The CHAIRMAN. France is quite an agricultural country, is it not?

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. There is a tariff between France and those other members of the Common Market?

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. France has a surplus. Is it not probable and certain to occur that if all the tariffs are abolished then the surplus of France will go to Belgium and adjacent countries?

Secretary FREEMAN. That is correct.

The CHAIRMAN. Is is possible for the Common Market to become self-supporting without the need of exports from this country, which has been exporting the deficit need of those particular countries?

I am not arguing against the Common Market.

Secretary FREEMAN. Surely, I understand.

The CHAIRMAN. I just want to get a clear picture in my mind because as I see your commendation of it, the benefits will come to the nations of the Common Market rather than to his country?

Secretary FREEMAN. One of the reasons why we feel so strongly in agriculture that this trade bill must pass and it is essential to try to prevent what the Senator has just outlined, are the circumstances which you hypothecate are possible, and we want to prevent them.

The CHAIRMAN. What power do we have to prevent it?

Secretary FREEMAN. We have the power of lowering our own tariffs and bargaining with them seeking to get them not to put on unreasonable variable fees and to permit us to compete in their market.

The CHAIRMAN. In other words, you would lower the tariff here on manufactured goods in order to get entrance into the Common Market countries with agriculture goods?

Secretary FREEMAN. It comes down to that in some instances; yes, sir.

The CHAIRMAN. Some—that's what we have been doing, I thought, in the past. We had negotiations along those lines, haven't we?

Secretary FREEMAN. We had some negotiations along those lines and we would like to have more flexibility because for those commodities where the variable fee will be applied there is a new threat to American agriculture sales in those markets.

The CHAIRMAN. Why will your negotiations under this bill be more effective than they have been under existing law?

Secretary FREEMAN. Because there will be a greater flexibility in bargaining.

The CHAIRMAN. In other words, the administration will have greater power to reduce the tariffs on shipments coming into this country.

Secretary FREEMAN. That is correct.

The CHAIRMAN. In order to gain access to the other countries?

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. Well, somebody is going to get hurt on that down the line, aren't they?

Secretary FREEMAN. I think not. It may very well involve some adjustments that are provided for in this bill.

My colleague in the Cabinet testified yesterday in relation to the effect on employment, and this committee has sat for long hours hearing, I am sure, differences of opinion from different segments of our economy.

It would be my personal judgment that by being able to follow progressive trading principles and having more flexibility that we will, as a nation, and our total economy benefit substantially.

The CHAIRMAN. There may be some complaint on the part of industrial producers if they are traded off to help the agricultural producers.

Secretary FREEMAN. They are not hesitant to be heard. The adjustments are not mandatory and that is a part of the determinations made at the bargaining table as the chairman well knows, for the overall benefit of this economy and may I say that politically the voice of agriculture is weak as compared to the voice of industry.

The CHAIRMAN. As I gather from your statement, the only way to protect ourselves in the Common Market is to reduce the tariffs here on the industrial products.

Secretary FREEMAN. No. We also, of course, will be able to make some concessions as well in terms of our own agricultural imports, but they are relatively limited. We export, let us say, $1,100 million to the Common Market countries and we import maybe $200 million. So we do not have too much room to move around.

The CHAIRMAN. Is it not true that with the exception of a few products such as beef and perhaps wheat we are not subject to injury by agricultural importations, in this country?

Secretary FREEMAN. Yes; we have very limited restrictions.

The CHAIRMAN. Wheat and wool, aren't those the two?

Secretary FREEMAN. There are two things here, Senator. One, quantitative restrictions which said you can't ship in, and the other a duty and the level of duty, as you are well aware.

There is no quantitative restriction on wool. There is a duty; we think a reasonable one.

Secretary FREEMAN. Well, Australia, though, would like to ship a lot more wool here than she is doing now, New Zealand would.

Secretary FREEMAN. They would like to have the tariff down.

The CHAIRMAN. Argentina would like to ship a lot of beef.

Secretary FREEMAN. That is correct.

The CHAIRMAN. What I am trying to get clear in my mind is that the danger of importations into the country is much greater with respect to the manufactured products than it is with respect to the agricultural products.

Secretary FREEMAN. Well, it goes both ways.

In connection with the Common Market giving industrial concessions in return for agricultural concessions, and in some of the countries you have just mentioned we may follow the other trail and give agricultural concessions in return for industrial concessions.

In other words, we might conceivably do something——

The CHAIRMAN. I want to get clear in my mind, and I am not opposing the idea because personally I am on the agricultural end, as you know.

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. But I just have a feeling that the industrial manufacturers are going to have a little concern about lowering their tariffs in return for which we are permitted to ship more agricultural products abroad.

Secretary FREEMAN. Well, as the chairman knows——

The CHAIRMAN. As you know, we are overproducing, you know, better than I do, in every line of agricultural production; isn't that right?

Secretary FREEMAN. Well, in virtually, not every——

The CHAIRMAN. With the overproduction in this country it is not likely there will be an importation in a big way of agricultural products from abroad. Isn't there a quota established on wool?

Secretary FREEMAN. Not quota, just a tariff.

The CHAIRMAN. Sufficient to discourage them from coming in, isn't it, too much?

Secretary FREEMAN. No; we import very substantial quantities of wool.

The CHAIRMAN. You do, but not as much as they would like to sell us on that.

Secretary FREEMAN. They certainly would claim—I expect they could probably sell more if there were no tariff.

The CHAIRMAN. What about beef?

Secretary FREEMAN. For beef there is also a relatively low tariff, no quotas, and we import substantial quantities of beef particularly when our prices are good.

Senator BENNETT. Mr. Chairman, on beef you have the health restrictions which effectively act as barriers against a country where they have the hoof-and-mouth disease.

Secretary FREEMAN. That is correct.

Senator BENNETT. So, in effect, they act as barriers much more effectively than tariffs.

Secretary FREEMAN. That is correct.

This applies to the Argentine but as long as you brought that up, Senator Bennett, I would like to make the record clear that there is hoof-and-mouth disease in the Argentine, and that the restrictions in this instance have nothing to do with the economics. They are to protect our own industry from a devastating animal disease.

Senator BENNETT. They act even more effectively than economic restrictions.

Secretary FREEMAN. Well, they are the same thing as a quota. If you set a quota and you have a quota of zero you have the same thing. We just won't let anything in, period.

Senator BENNETT. But emotionally you are on a different ground.

Secretary FREEMAN. Yes. But they can cure it, of course, can it; as long as it is clear of infection, we let it in.

The CHAIRMAN. Your very strong eulogy, and I am not criticizing it, of the Common Market in which you say "the most significant economic development of this century and may turn out to be the outstanding economic development of all time" is more relating to the members of the Commn Market than it is to the United States.

Secretary FREEMAN. No, Senator, if you will pardon me. I would restate again that the Common Market has contributed enormously, I believe, to the economic advancement in Western Europe.

That, in turn, has provided enormous actual and potential markets for our exports, agricultural and industrial.

The CHAIRMAN. But the Common Market hasn't gotten in full operation yet, has it?

Secretary FREEMAN. Well, it has been in operation for quite some time; since 1958.

The CHAIRMAN. We have understood on this committee there is still a tariff between those countries; approximating 15 percent while the tariff in this country is only 10 percent.

Secretary FREEMAN. Well, they have been coming down on all their internal tariffs and agriculture which is the toughest problem has been coming into focus the slowest. But by 1970 there will be a common internal price for the agricultural commodities covered by the variable levy system and one of our great concerns is what will it be.

The CHAIRMAN. But the Common Market as such, whereby there is free trade between these nations and the Common Market has not been put into operation yet.

Secretary FREEMAN. They are moving toward this by lowering the tariffs between the respective countries. I don't know offhand if——

The CHAIRMAN. Just said it would be 8 years.

Secretary FREEMAN. I spoke about agriculture. That it would be 8 years on the variable fee items to which we have focused attention here.

The CHAIRMAN. If the Common Market is going to do all you think it will do, do you think the United States should make application to join the Common Market?

Secretary FREEMAN. No, sir.

The CHAIRMAN. Why?

Secretary FREEMAN. At this time, we have intricate and involved trading relationships with countries all over the world, and as such our being a part of this particular trading complex would have, I think, an overall detrimental effect.

The CHAIRMAN. If it is so advantageous in Europe, and we are in harmony and they are our allies, we are all fighting communism together, you don't think then that it would be advisable for this country to go into the Common Market at any time in the foreseeable future?

Secretary FREEMAN. Well, I would hesitate to try to be a prophet, Mr. Chairman. I would just say at this time, I would certainly not consider it advisable, and where we will be——

The CHAIRMAN. What concerns me, the chairman, to some extent is, is this tremendous eulogy you give the Common Market, but you don't think that the United States should join it and I would like a specific statement as to why. If it is advantageous to those nations, why wouldn't it be advantageous to us to join?

Secretary FREEMAN. Simply because in my judgment it is advantageous to them and to us that this has been done if we are prepared to meet the new challenges it poses to us, and this bill will help us to do that. I do not think it would be advantageous to us in the overall in terms of our trading relationships worldwide to be a part of this particular unit at this time.

Also, the two top nations in terms of our agricultural trade are the United Kingdom, which has been negotiating, and will determine its entrance in the relatively near future, and Japan, and Japan has not contemplated it. We are trading and working with all the countries in this hemisphere, and in terms of our total economy, this, in my judgment, would not be a sound time.

The CHAIRMAN. Have you any assurance that Japan in the future will not make application to join the Common Market?

Secretary FREEMAN. I have no assurance. There has been no indication that I know of that they are interested in doing so, have considered it or such a proposal has ever been made to them.

The CHAIRMAN. That would open up a good many difficulties to this country I should think.

Secretary FREEMAN. It would be an entirely new dimension in relation of where do we go from here.

The CHAIRMAN. It is possible, isn't it?

Secretary FREEMAN. Anything is possible, yes, sir.

The CHAIRMAN. That is right.

When you negotiate to get these advantages that you think you are going to get, who will do the negotiating?

Secretary FREEMAN. Our negotiations with other countries are headed by the State Department. They are the chief negotiators.

The CHAIRMAN. Do you favor the State Department continuing to be the negotiating agency?

Secretary FREEMAN. Under the bill there is a chief negotiator appointed, and we expect in agriculture to continue to have an active and to have an even more active part in these negotiations where agriculture is concerned.

The CHAIRMAN. Do you think the State Department has been sufficiently firm and strong in protecting the interests of this country in these various negotiations?

Secretary FREEMAN. I think the State Department has negotiated very vigorously and very actively. We haven't gotten everything that we wanted, but I would bring to the Senator's attention that on $700 million worth of our trade, that we came out of the negotiations at Geneva with substantial progress.

On the additional trade, some 30 percent, where fees are involved we are troubled, but we were successful in keeping the door open on these. We will be working wtih it again, have kept very close contact with these countries and with the Commissioners, and are hopeful that the variable fee will not be set so high as to adversely affect our trade.

So we have done quite well, I believe, on balance.

The CHAIRMAN. You think our negotiations under the existing law have been satisfactory?

Secretary FREEMAN. Well, when I settled a lawsuit when I practiced law, I always wondered whether I should have taken it to the jury or not, but at least I had that much—I had to make that decision.

The CHAIRMAN. If it is so satisfactory, why do we want to pass a law which completely changes our methods and systems of negotiation?

Secretary FREEMAN. First of all, on 30 percent of this trade where variable fee systems are going to be applied, we deal with entirely new dimensions that make this Trade Act of particular importance. The common prices that they establish for these products in the community are the key. If they set their price-support levels arbitrarily high and encourage inefficient production and put a fee on top of that, we are in trouble.

We hope they will set their price supports at a reasonable level and then with a fair fee on that we will be in a better position to live with that. To influence how this is done is of cardinal importance, and this bill will help us to exercise that influence. Price supports in Western Europe are substantially higher than ours.

Wheat price supports in Germany now are in excess of $2. In France they are, let's say, $2.40. We hope that they will land somewhere near the French level, but it could go up.

If it goes up, why this will encourage more production and compounds our problem. This is what we are concerned with.

The CHAIRMAN. Do you think these negotiations should be based primarily on economic considerations?

Secretary FREEMAN. We concern ourselves in the Department of Agriculture with the economic considerations.

The CHAIRMAN. I mean all of the negotiations. Should it be economic or should it be for the purpose of foreign relationships with other countries?

Secretary FREEMAN. Well, I would expect that it would be impossible for our country to completely disassociate itself from the total question of the free world and its problems. But these negotiations go forward directed to specific targets and goals in relation to particular commodities and seeking to improve our markets and our economic position.

The CHAIRMAN. Do you regard the State Department as a representative of the economic affairs and progress of this country?

Secretary FREEMAN. I think the State Department and its negotiating teams are increasingly informing themselves and sharpening their negotiating techniques and capacities and are doing an increasingly better job in fighting for our economic interests around the world.

The CHAIRMAN. Don't you think that the Department of Commerce would be more appropriate on these negotiations in view of the fact that the primary purpose is the economic welfare? I can't convince myself that we ought to go into the tariffs for the purposes of establishing friendly relations, and so forth, and so on.

Wouldn't the Commerce Department be more appropriate to make these negotiations than the State Department?

Secretary FREEMAN. I think that the State Department is the proper place to negotiate.

The CHAIRMAN. Why?

Secretary FREEMAN. Because the State Department necessarily has the machinery and the ultimate responsibility for the total policies of this country and as such those of us in other departments ought to coordinate with them in terms of the total picture.

The CHAIRMAN. You think they have made a success of the negotiations up to this date?

Secretary FREEMAN. Let me say we would have been very pleased if the variable fee system had not been launched in the Common Market, but I don't think anything anyone could have done could have prevented it. We would have liked to have had certain commitments in terms of protecting our access to those markets. We hope that we can make some progress in this regard in the future. We didn't get the whole loaf, but on balance we did right well.

The CHAIRMAN. Is it correct that the bill provides that the President may reduce to any amount or remove entirely any duty on any agricultural commodity if he determines that to do so would maintain or expand exports on that same product?

Secretary FREEMAN. Yes.

The CHAIRMAN. He could do it arbitrarily without any——

Secretary FREEMAN. He can't do it arbitrarily. He would have to do it through, of course, the negotiating of an agreement with the Common Market. Before such negotiations would open, he would be required to ask the Tariff Commission to hold hearings, submit a report and recommendations, and since this involves agriculture, to ask the Secretary of Agriculture for his advice.

The CHAIRMAN. What is the status of the escape clause and peril point under this bill?

Secretary FREEMAN. Well, I think it would work more effectively than it does under the present legislation. It cuts down the time period in which the Tariff Commission would act, and the President has the authority to act then more quickly and, of course, this would sharpen up and make the escape clause mechanism more effective.

The CHAIRMAN. To what extent does this bill give the President more power than he now has?

Secretary FREEMAN. He could make greater reductions under negotiations of new trade agreements which would go and could go both ways.

The CHAIRMAN. I think that is all I have to say at this time, Mr. Secretary.

I thank you very much, sir, for your frank answers.

Senator Smathers?

Senator SMATHERS. Mr. Secretary, I just want to ask one question: On the point of actual negotiation with the Common Market country or any other country with respect to the importation or exportation of an agricultural product, what do you envision as actually being the sort of team to negotiate?

Would it be the Secretary of State, he alone, or would there be people there representing, let's say it is on wheat, would there be wheat farmers or representatives of the wheat farmers there? Would they be permitted to have a voice in this negotiation or not?

Secretary FREEMAN. Yes.

That is the way it has been done, Senator. The chief negotiator is from the State Department, but representatives from other departments concerned with the particular commodities are active at the negotiating table.

Senator SMATHERS. I am frank to say and I think it is the opinion of some other Senators that the State Department has not been as diligent in the past with respect to protecting the economic interests of this country as we felt they should have been, and I think that everybody would feel more comforted if they thought in the actual negotiation that the State Department would be the chief negotiator, that nonetheless there would be people from the various industries which are concerned. They would be there to have some voice in the actual negotiations, is that your understanding?

Secretary FREEMAN. That is what will be done, and what has been done in part in the past and which I think can be done more effectively.

I might say in this particularly difficult period in the closing negotiations in Geneva and in the current efforts to try to maintain a strong bargaining position in the Common Market countries on the variable fee items, that the State Department has been very diligent, militant, and very effective, and we are developing improved working relationships, technically and economically, and it has been very, very helpful. I would like to add for the record, too, in light of some of the questions, that even in negotiating the economic agreements the political factors may very well be extremely important especially when you start talking about where the price levels are going to be set for the variable fee items. This is not the kind of bargaining you have when you are talking in terms of tariffs.

For example, there are some very critical negotiations going on right now, one of which is on poultry, a very, very important part of our exports. The State Department and the President are being extremely helpful in these negotiations which deal with the question of where the fee will end up on poultry.

Senator SMATHERS. I don't have any other questions.

The CHAIRMAN. Senator Williams.

Senator WILLIAMS. Mr. Secretary, in line with the answer you just gave that the State Deptrament has been extremely helpful, what have they done?

Secretary FREEMAN. I would be happy to prepare, Senator Williams, for the record a long and detailed list of activities such as the preparation of materials, presentation of arguments in formal meetings, innumerable informal meetings with the heads of each of the countries in Western Europe and the Common Market, some of which I participated in, innumerable meetings with the Commissioners of the Six, some here, some over there, constant concern that we should see to it that our economic interests are protected, and direct contact with their counterparts in the political realm urging that adverse actions not be taken and fees set arbitrarily high and of recent date very strong representations made by the Under Secretary of State himself personally to, for example, the Chancellor of the West German Republic, so almost everything that you could conceive of doing has been and is being done.

Senator WILLIAMS. I appreciate that but I go back to my question, what have they accomplished? Have they had any reduction or is there anything to show for it? I don't question the representations, but they don't produce much results from the standpoint of the poultrymen who want to export. Has there been any success in any of these representations? Have they made any progress toward getting a reduction?

Secretary FREEMAN. Let me say this: First of all, the reason we were able to build up such big markets so fast in Western Germany was because quantitative restrictions were taken off. This was some years back, and the state took a leading part in that negotiation. I gather, Senator Williams, your remark is directed to where is the fee going to land as of now—in this year. My answer to you would be that I confidently predict there will be some concessions made as a result of the joint actions taken by the Department of Agriculture, the State Department, and the President.

Senator WILLIAMS. In the event that is not achieved, would you recommend that we take some retaliatory steps to raise the imports on some of their exports coming to this country?

Secretary FREEMAN. Well, I would prefer to wait and see what they do and to review the impact of this before we start talking about retaliation.

This is a two-way street, and if we start this retaliation business, we are certainly subject to being damaged by it as well as they.

After all, we don't buy very much by way of agriculture from them and we sell a great deal to these countries, so I think we ought not to react too quickly.

Senator WILLIAMS. We do buy a lot of other products other than agricultural products and that gets up to the point that a few months ago, the so-called Dillion round of tariff reductions and agreements were announced.

How did agriculture come out in that, in those particular negotiations?

Secretary FREEMAN. On balance, I think quite well, Senator.

We obtained substantial concessions which affected some $700 million of the $1,100 million that we export to those countries. I would be happy to present for the record the details which would show these concessions.

Senator WILLIAMS. I wish you would.

(The information referred to follows:)

TABLE 1.—*Tariff concessions obtained by the United States from the European Economic Community*

Brussels code No.	Summary description of product	Situation in major markets before negotiation			Common external tariff		Total U.S. exports to EEC, 1960
		Country	U.S. exports (1960)	Tariff rate	As originally proposed	As finally negotiated	
			Thousands	*Percent*	*Percent*	*Percent*	*Thousands*
0201	Cattle and swine offals	Benelux	$8,617	10-12	20	[1] 20	$14,241
0203	Goose and duck livers	Not separately classified	(2)	(2)	12	5	(2)
0203	Other poultry livers	do	(2)	(2)	16	14	(2)
0406	Honey	Germany	556	40	30	30	811
0502	Hog bristles	Not separately classified	(2)	(2)	0	0	(2)
0503	Horsehair	Italy	118	0-5	0-3	0-2	210
0504	Animal guts and bladders	Germany	1,191	0	0	0	2,202
0507	Birdskins and down [3]	do	751	0	0-3	0-2	979
0704	Dried vegetables	do	408	25	16	16	515
0705	Dried peas and beans	Benelux	1,536	0	10	9	3,415
0705	Dried lentils	Not separately classified	(2)	(2)	7	6	(2)
0802	Fresh oranges	Benelux	3,185	15	15	15	3,811
0802	Fresh grapefruit	do	805	12	12	12	1,597
0804	Raisins	do	1,137	12	9	8	2,084
0805	Almonds	Germany	3,699	5	7	[4] 7	4,498
0805	Walnuts	do	0	8	8	8	0
0805	Pecans	Benelux	4	10	4	4	9
0806	Fresh apples (January-March)	do	531	12	10	10	1,250
0806	Fresh pears	do	40	6-12	10-13	10-13	82
0812	Dried apricots	do	326	10	9	8	375
0812	Dried peaches	Germany	34	8	9	8	61
0812	Dried prunes	France	2,465	22	18	16	6,776
0812	Dried apples and pears [5]	Germany	54	10	10	8	69
0812	Dried fruit salad	Not separately classified	(2)	(2)	12	12	(2)
1005	Hybrid seed corn	Germany	228	0	4	4	501
1201	Soybeans	Benelux	67,735	0	0	0	123,065
1201	Linseed (flax)	do	10,790	0	0	0	11,357
1201	Cottonseed	Italy	37	0	0	0	37
1202	Soya flour	Not separately classified	(2)	(2)	10	8	(2)
1203	Clover seed	France	705	0	10	5	1,492
1203	Alfalfa seed	Italy	176	0	10	5	427
1203	Various grass seeds for sowing	do	---	---	10	8	---
1206	Hops	Germany	912	15	12	12	1,141

See footnotes at end of table, p. 2157.

TABLE 1.—*Tariff concessions obtained by the United States from the European Economic Community*—Continued

Brussels code No.	Summary description of product	Situation in major markets before negotiation			Common external tariff		Total U.S. exports to EEC, 1960
		Country	U.S. exports (1960)	Tariff rate	As originally proposed	As finally negotiated	
			Thousands	*Percent*	*Percent*	*Percent*	*Thousands*
1207	Roots and bark, etc	Not separately classified	(2)	(2)	0	0	(2)
1303	Licorice	do	(2)	(2)	10	8	(2)
1303	Medical vegetable extracts	do	(2)	(2)	6	5	(2)
1303	Mixed vegetable extracts	do	(2)	(2)	10	8	(2)
1501	Lard, industrial [6]	Germany	1,978	0	4	3	2,075
1502	Tallow, industrial	Italy	16,637	0	2	2	37,644
1502	Tallow, for food	Benelux	1	0	10	10	1
1503	Tallow oil	Not separately classified	(2)	(2)	12	4	(2)
1506	Neat's-foot oil	do	(2)	(2)	4	3	(2)
1507	Crude soya and cottonseed oil	Germany	27,140	6	10	10	33,222
1507	Refined soya and cottonseed oil	Benelux	4,075	5-10	15	15	4,993
1508	Linseed oil, crude	Germany	2	0-8-12	15	5	3
1509	Degras	Not separately classified	(2)	(2)	9	7	(2)
1510	Fatty alcohols	do	(2)	(2)	13	10	(2)
1510	Fatty acids	do	(2)	(2)	8	6	(2)
1511	Crude glycerol	do	(2)	(2)	3	2	(2)
1511	Glycerine	do	(2)	(2)	10	8	(2)
1517	Fatty residues	do	(2)	(2)	2	2	(2)
1517	Oilfoots and dregs (soapstocks)	Benelux	411	0	7	5	992
1602	Canned poultry	Germany	1,085	20	21	21	1,142
1704	Chewing gum	Benelux	604	18	25	23	1,090
2002	Canned tomatoes, paste and puree	do	158	20	18	18	166
2002	Canned asparagus	Germany	4,408	35	22	22	5,225
2003	Frozen fruit	Not separately classified	(2)	(2)	26	26	(2)
2006	Canned fruits	Germany	8,799	20-35	25-27	23-25	17,385
2007	Grapejuice	Not separately classified	(2)	(2)	28	28	(2)
2007	Citrus juice	Germany	2,898	10	21	19	4,094
2007	Orange juice	do			21	20	5,853
2007	Pineapple juice	Benelux	165	18	22	20	320
2007	Tomato juice	Germany	243	10-20	21	21	358
2007	Other fruit or vegetable juices	Not separately classified	(2)	(2)	24	22	(2)

2007	Juice mixtures	do	(2)	(2)	24	22	(2)
2102	Coffee extract	do	(2)	(2)	30	24	(2)
2209	Gin and whisky [7]	Benelux	220	(8)	(9)	(10)	406
2301	Meat flours	Not separately classified	(2)	(2)	4	3	(2)
2304	Oilcake and residues	Benelux	10,476	0	0	0	18,604
2401	Unmanufactured tobacco (except wrapper)	Germany	46,994	(11)	(12)	(13)	85,290
3301	Essential oils, crude and refined	France	1,861	1	5, 10, 12	4, 8, 12	3,992
3805	Tall oil crude	Benelux	106	0	4	0	182
3807	Turpentine	Germany	607	0	5	4	978
3807	Terpenic hydrate and pine oil	do	1,118	0	7	5	1,531
3808	Rosin	do	8,388	0	6	5	16,928
4101	Raw cattle and swine hides and skins [14]	Benelux	13,351	0	0	0	23,799
4301	Raw furskins	Germany	4,880	0	0	0	10,773
4403	Various woods in the rough	Italy	4,532	8, 10, 20, 22	0	0	8,215
5302	Fine animal hair, other than of sheep	Benelux	2,875	0	0	0	4,235
5501, 5502, 5503	Raw cotton, linters, and waste	France	95,833	0	0	0	324,435
		Italy	78,918	6	0	0	
	Total U.S. exports to major EEC markets and total U.S. exports to EEC.		444,803				789,073

[1] Cattle and swine offal for medical purposes are bound in the common external tariff at 0.
[2] Not separately classified.
[3] Data for feathers.
[4] Bitter almonds are bound free.
[5] Data for mixed fruits.
[6] Data for edible lard.
[7] Data only for whisky.

[a] CMU = common monetary unit. 1 CMU is equivalent to 1 U.S. dollar.

[8] B. F. 786 per Hl.
[9] 1.20 CMU per 0 per Hl. (See footnote a.)
[10] 1.00 CMU per 0 per Hl. (See footnote a.)
[11] 19.4 cents per pound.
[12] 30 percent with a 42-cent per kilo maximum and 29 cents per kilo minimum.
[13] 28 percent with 17.2 cents per pound maximum and 13.2 cents per pound minimum.
[14] Data only for cattle hides and skins.

Senator WILLIAMS. The Secretary sent, I noticed, I have a report here under the date of March 7 outlining these but I am somewhat confused when I reached over to the Agriculture Department I find it printed in French. [Laughter.]

I wonder if the State Department felt that the concessions in agriculture would be of more interest to the French farmers than they would be to the American farmers.

Secretary FREEMAN. Senator, we are going to have to learn French over there and I come from the Midwest, maybe we are carrying things a little too far, but we will try to rectify that.

Senator WILLIAMS. We won't have to wait for an adjustment on these variable fees until our farmers learn to speak French. [Laughter.]

Have you been satisfied, Mr. Secretary, in the past, with the manner in which the State Department in these negotiations has protected the interests of the American farmers?

Secretary FREEMAN. The State Department has been and is increasingly—has always been most cooperative, and I think particularly in the last 6 months, they have sharpened up their own bargaining techniques and information in connection with agricultural matters, and have shown a very strong concern and interest with it. We feel very real progress has been made in strengthening our negotiating team and in developing greatly improved and strengthened relationships.

Senator WILLIAMS. I am not quite sure I understand your answer.

Do you mean to say by that that they had not been doing it but they are beginning to recognize the problems of agriculture just a little bit?

Secretary FREEMAN. No, I did not say that. I did say that the State Department in the last year and a half has come to show very special concern in the field of agriculture, not that they were indifferent before, but they are much more concerned and interested and better prepared now than they were, for example, when I became Secretary of Agriculture.

Senator WILLIAMS. Well, I still get back, could you answer in the affirmative that you have been satisfied with the recognition which they have given to the problems of agriculture?

Secretary FREEMAN. Yes.

Senator WILLIAMS. You are satisfied with the recognition?

Secretary FREEMAN. Yes.

Senator WILLIAMS. Do you think that under the law as it has been administered, the laws we have had on the books for the past few years, that they have had adequate authority to protect American agriculture and industry?

Secretary FREEMAN. This trade bill that we are discussing this morning——

Senator WILLIAMS. I'm speaking of the existing law.

Secretary FREEMAN. No. If it had been adequate and it was adequate, why I am sure this committee would not be holding hearings on a trade bill.

Senator WILLIAMS. What was the deficiency in the previous law under which they did not have the authority to protect the American agriculture?

What was lacking in the law?

Secretary FREEMAN. The limits were sharply defined, and the area in which concessions could be made in return for concessions received was not as broad as it needed to be in terms of new conditions.

Senator WILLIAMS. Since the establishment of the Common Market, has it been easier for American agriculture to export into that Common Market or harder?

Secretary FREEMAN. Well, it has been easier so far.

Senator WILLIAMS. As a whole?

Secretary FREEMAN. It has been easier so far because the increased economic well-being in Western Europe has resulted in a greater demand for foodstuffs and particularly some of our processed foods.

We want to keep it that way, and this is why I express concern about the variable fee items.

Senator WILLIAMS. When were these variable fees first brought into existence, when did they start using them?

Secretary FREEMAN. They went into effect on July 30.

Senator WILLIAMS. But that is the new idea that was developed since the establishment of the Common Market, was it not?

Secretary FREEMAN. It results from the agreement on which the Common Market was founded. They have had their toughest time in agriculture, as the Senator knows, and the use of a variable fee system was a determination they made sometime back.

Senator WILLIAMS. I agree with you to a certain extent with the importance of these markets to American agriculture, and we do export a lot of products in there and we want to protect it. But the 30 percent to which they increased their barriers are also a concern to many of us, and I am wondering if you don't feel that in order to get some concessions on these recently enacted barriers, that we may have to raise some of our tariffs on some of their products and negotiate from that point.

Secretary FREEMAN. This may very well result—I don't think for a moment that we as a nation should not most vigorously exercise our rights and insist that we not be discriminated against. It may very well be as these negotiations go forward that we are going to have to take some pretty sharp and firm positions on a number of commodities.

On the other hand, in all fairness to them, I think sometimes we get a little confused about the position we are in. I find this around the country, I don't suggest that this committee has any confusion. People kind of overlap in their thinking of the Trade Expansion Act and the Common Market.

Now, the Common Market is there, it is going to be there to stay. There isn't anything we can do about it and we are going to have to live with it whether we like it or we don't.

I happen to think it is good for us economically and for the free world.

The question then is, How do we adjust to it? How do we protect ourselves? How do we benefit from the increased economic growth? The question we are discussing here this morning is, How will this Trade Agreement Act help us to do that?

Now, for 70 percent of our agricultural trade, which includes many items they don't produce internally, we are going to do well and Ameri-

can agriculture will benefit from it because we can get in there and compete.

That is just fine.

On the tough ones in the remaining 30 percent, however, where they set up the variable fee systems, we are concerned, and we are bargaining just as hard as we know how.

They did say to us at Geneva when we discussed the variable fee items, "Well, all right, you have some bindings on these items with us, but we will withdraw those bindings and make some substitutions on other things to settle the account, and then you won't have anything to say about these variable fee items, anything to say about what we do at all about wheat, about feed grains, about poultry. We will have closed our accounts."

They were going to do this, but we wanted to keep these accounts open—which we did. We will start our negotiations on these commodities, with the retention of the position that we were in before we went to Geneva on the last tariff negotiations, the 24–6 and Dillon round. We have thus kept ourselves in the act as it were.

For these commodities the key question is where will they set their prices internally. If they set their prices at a level that will not increase their domestic production uneconomically, then our exports will increase because their economic growth will be such that it will call for more of our products.

But if they set internal prices so high as to call forth more and uneconomic production and then protect that with a fee on imports then we will lose some of the markets we have already. This will be a new kind of negotiation which has all kinds of implications as you can clearly see.

Senator WILLIAMS. I don't question for one moment but what you have been negotiating to the best of your ability and trying to get the best deal for American agriculture, but what concerns me is not only with agriculture but far too often we are confronted with the situation where these countries will raise their tariffs or raise their fees to some high level, and then they will sit down and they say, "Well, we will negotiate dropping these if you in turn will give us a tariff reduction somewhere else," and I am wondering if we aren't going to have to raise something, too, and then sit down and we will all negotiate from a higher level.

If we negotiate from the low level on tariffs and concessions which have already been granted and let them add on their increased fees, we are going to end up at the short end of the bargaining agreement each time.

Secretary FREEMAN. I would certainly not permit it to happen that way. If they follow this kind of course and fail to live up to agreements that have been reached and arbitrarily increase tariffs in violation of bindings that have been negotiated, we will have to act and retaliate, if necessary.

But for my part, in dealing with them and in dealing with most people, I prefer not to threaten but rather to act when called upon, and in this instance, I believe that is the sound course to follow.

Senator WILLIAMS. Perhaps I would agree with you that the word "retaliation" may not be a good word, but we will just put it reciprocity in reverse.

But if they really want a reciprocal trade program and they want concessions on our side they must give concessions, and I think as you have pointed out on this 30 percent of the agricultural products they have raised their barriers and we will be negotiating from a higher level than we would a year ago.

Secretary FREEMAN. No; that is not true, Senator, they have not up to this point. The bindings that we have had previously, under the agreements with them, have been continued, that is, up until the 30th of July. Now on some commodities they are going to move into this new system.

By the same token, in all fairness the record ought to show they at the same time are removing quantitative restrictions that we have wrestled with before, mixing regulations, and other kinds of limitations.

Senator WILLIAMS. Of course, the end of July has now passed and how much more will it cost American farmers to put a pound of poultry in Germany today than it would a year ago?

Secretary FREEMAN. As of—it would have gone now from about 5½ to about 9½ cents. But as I said earlier, Senator, I think that there is going to be some improvement in connection with that in the very near future, and I can assure you we haven't been sitting on our hands.

Senator WILLIAMS. I know you haven't and I didn't mean to infer that you had, but it is a problem. It is a problem to the industry because it almost means complete elimination of that portion of the products which have been exported, as you well know, and these are increases and we will be negotiating on the basis of the increase, not on the basis of the old tariffs.

I think it is well for these countries to know, we won't use the word "retaliation" but if they keep insisting on raising these imports, or raising these fees on the export of some of our commodities, we may, in turn, have to give them some reciprocity in the opposite direction on something that is coming into this country, maybe not agricultural commodities, but it can be some of the concessions which have been granted on some of their other products which have been coming in.

I think we need a program here, and I have always supported the reciprocal trade program and have every intention of doing it in the future, but I think reciprocal trade programs must be true reciprocities in which both sides give some concessions and it is not just a one-way street.

I think you will agree with that point not only for agriculture but for industry.

The CHAIRMAN. Senator Hartke?

Senator HARTKE. Mr. Secretary, you make the statement that the estimated value of the agricultural products shipped to the Common Market areas are 1.2 billions in 1962.

I wonder if you have the figures for the prior years, say, 5 years prior to that?

Secretary FREEMAN. I don't have them at the tip of my tongue, Senator.

Senator HARTKE. Are they substantially the same, larger or what?

Secretary FREEMAN. No; this represents a very substantial increase and a new record. I have here——

Senator HARTKE. Yes.

Secretary FREEMAN. A report that just came out from the Department.

You can't quite see this but it is a graph that shows item after item of increases over 1960.

Senator HARTKE. Are those charts you have in your hands. I would like to include them, Mr. Chairman, by reference and not made a part of the record. Could I have this incorporated by reference without including it in the record?

The CHAIRMAN. Without objection.

(The charts referred to will be found in the files of the committee.)

Senator HARTKE. Is this chart to which you have referred there, deal with the shipment of goods to the Common Market countries?

Secretary FREEMAN. This would be our total exports.

Senator HARTKE. Total exports. Yes.

Secretary FREEMAN. Yes.

Senator HARTKE. That is increase in totals.

Secretary FREEMAN. Yes.

Could I respond to your earlier question if I may?

In 1954 to 1955 total agricultural exports were $3.1 billion.

Senator HARTKE. Yes.

Secretary FREEMAN. In 1960–61 they were $4.9 billion, and in 1961–62, they were $5.1 billion. So they have climbed from $3.1 billion to $5.1 billion since 1954–55.

Senator HARTKE. An increase of about $2 billion.

Secretary FREEMAN. Yes, sir.

Senator HARTKE. This is a very significant factor, of course, in our balance-of-payments problem.

Secretary FREEMAN. Very much so.

Senator HARTKE. Yes.

Now, back to that, do you have or can you supply for us the proportion of that increase of $2 billion that was shipped to the Common Market area.

Secretary FREEMAN. Yes. We shipped about $1.1 to $2 billion of that to the Common Market area.

Senator HARTKE. I meant during the prior years?

Secretary FREEMAN. In the last year.

Senator HARTKE. What I am trying to do is get a comparison back to the prior years.

Secretary FREEMAN. I see what you mean.

Senator HARTKE. To the Common Market. You have given us now the increase in the overall exports of commodities, agricultural commodities.

What I am trying to arrive at is the increase to the Common Market area.

Secretary FREEMAN. May I submit that in exact figures for the record but during the period the increase in our shipments into the Common Market countries went up about 30 percent?

Senator HARTKE. Yes.

All right, if you could submit that I would appreciate it.

(The information referred to follows:)

TABLE 1A.—*U.S. domestic exports to the European Economic Community countries, 1957–61*

[In thousands]

Country of destination	Year ended Dec. 31				
	1957	1958	1959	1960	1961
Agricultural:					
Belgium and Luxembourg	$144,844	$102,530	$123,087	$136,857	$119,642
France	85,118	86,652	62,470	128,157	112,375
West Germany	411,412	285,464	305,222	354,905	371,200
Italy	213,916	141,553	116,723	159,140	235,865
Netherlands	238,375	205,384	318,559	319,665	317,969
Total, European Economic Community	1,093,664	821,583	926,011	1,098,724	1,157,051
Other countries	3,413,714	3,032,450	3,023,307	3,725,463	3,872,681
Total, agricultural	4,507,379	3,854,033	3,949,318	4,824,187	5,029,732
Nonagricultural:					
Belgium and Luxembourg	263,748	220,961	214,596	286,437	408,293
France	500,126	337,931	272,443	444,736	556,713
West Germany	532,737	437,367	430,963	697,486	1,067,787
Italy	445,052	343,416	288,043	485,904	787,597
Netherlands	309,550	232,061	223,438	386,607	691,006
Total, European Economic Community	2,051,213	1,571,736	1,429,482	2,301,170	3,501,396
Other countries	12,092,265	10,200,104	10,219,127	11,511,796	10,337,747
Total, nonagricultural	14,143,478	11,771,840	11,648,609	13,812,966	13,839,143
Total, all countries	18,650,857	15,625,873	15,597,927	18,637,153	18,868,875
Special category [1]	1,979,597	2,067,599	1,785,033	1,662,564	1,759,658
Total domestic exports	20,630,454	17,693,472	17,382,960	20,299,717	20,628,553

[1] Not available by countries.

Senator HARTKE. Also, in regard to that, has there been a significant change since the Common Market came into existence?

Secretary FREEMAN. On the items where we have access they have—from 1958 to 1961 they climbed from $821,583,000 to 1961 figure of $1,157,051,000, or they went up about a little more than $300 million.

Senator HARTKE. Which is roughly in comparison to the total overall increase in exports for the same area; is that right? For the same period?

Secretary FREEMAN. I would have to check that now just to be sure.

Senator HARTKE. In regard to those statements can you give us for the record the principal items of dollar value which constituted the $1.2 billion?

Secretary FREEMAN. Soybeans, poultry, wheat.

Senator HARTKE. Do you have the approximate valuation of those?

Secretary FREEMAN. I have a table here, Senator, which details a dozen or so commodities.

The items which we ship in the greatest volume are cotton, $237 million; soybeans, $121 million; feed grains $186 million.

Senator HARTKE. Feed grains, which items are those, you don't have those broken down.

Secretary FREEMAN. Mostly corn.

Senator HARTKE. How much was that?

Secretary FREEMAN. $186 million; wheat and flour, $179 million, and poultry and eggs that we have discussed here, $47 million; fruit and vegetables, Mr. Chairman, $70 million.

Senator HARTKE. Any apples?

Secretary FREEMAN. Well, we will have to get a further breakdown. I am sure there is some there. [Laughter.]

Senator HARTKE. I might say for the record those of the quality of the chairman's would certainly be a desirable item in any area.

Secretary FREEMAN. I could add tobacco, too, which is $96 million and a very significant item.

Senator HARTKE. Now, in those items which items of those do they propose, or do they propose to apply it to all these items?

They don't grow cotton, do they?

Secretary FREEMAN. No. The items we are concerned with now, to which the variable fee would be applied are wheat and wheat flour, feed grains, poultry. These are—and rice, which has been increasingly imported into these countries.

Senator HARTKE. You didn't give me the figure on rice, the amount on rice.

Secretary FREEMAN. It is not in this table. We will get that for you later.

Mr. Ioanes tells me it runs about $15 million.

Senator HARTKE. $15 million.

These items then, which are going to be affected by the variable fee run in excess of $500 million, is that right, of the $1.2 billion?

Secretary FREEMAN. Between $300 and $400 million.

Senator HARTKE. You had feed grains, $186 million; wheat, $179 million; poultry, $47 million, and rice, $15 million. Unless my multiplication is wrong.

Secretary FREEMAN. That is roughly right.

Senator HARTKE. Over $400 million.

What I was trying to find out in this, in regard to these items themselves, do you have any indication at all as to the impact they are going to apply to the variable fee?

Is it going to be more stringent on any one of these items than the others?

Secretary FREEMAN. We have been, of course, negotiating with them in trying to, as I said earlier, stay vigorously in the act in connection with all of them because the basic economic philosophy they apply to this in relation to their domestic supports is fundamental.

Then, in addition we have negotiated and discussed very thoroughly item by item by item. Poultry has been a matter of particular concern in recent days, and we expect that there will be some substantial improvements in terms of the fee that was initially announced.

We have some commitments from them in connection with wheat and hard wheat, in particular, that we will be giving very real consideration if our imports drop.

We have been very concerned and have been working very closely with the Dutch in connection with flour and have some hopes that are more than just dreams that if this runs strongly adversely that we will be sympathetically treated, so we have been doing both arguing in

relation to this new system, and then being just as toughminded and vigorous as we can commodity by commodity, by commodity.

Senator HARTKE. Now, the variable fee, the institution of the variable fee on these products, though, is an institution as a result of Common Market development, is that right?

Secretary FREEMAN. That is right.

Senator HARTKE. And the problem which it presents is a current one and, therefore, you are attempting to meet it under the present law.

Secretary FREEMAN. That is correct.

Senator HARTKE. In what regard and to what extent would the proposed act, which is under consideration by the committee, change your position so that you could more effectively deal with this problem, which is presented? I think this is basically what is needed to know, it would point up the need of the law, in other words, it gets away from the system you have now, how would it change it?

Secretary FREEMAN. I could give you a very direct example that would apply to a commodity which we are concerned about, this is not a variable fee item, I am talking about tobacco now, that we might very well be able to negotiate.

Senator HARTKE. Let's come back to tobacco for a minute. I want to talk now about the variable fee items which you say are presenting the principal problems.

Secretary FREEMAN. If we are able to offer to them a reduction in our imports in the area that will be of interest and economically important to them more so than we can do today, obviously our position in negotiating with them on the variable fee items will be substantially strengthened.

Senator HARTKE. Let's take this on wheat now, how would that work?

Secretary FREEMAN. It would work, let's just say that on wheat we would hope that it——

Senator HARTKE. Let's take the present situation.

Secretary FREEMAN. The present situation that two countries that concern us would be France and Germany. The support price in Germany is $3 plus. The support price in France is $2.30.

If the support price ends up at $2.30 when they have merged their own internal fees or their own internal relationships, why the fee on top of that will not bring on as much production as it would if it ends up at $3.

If we are able to offer them concessions on items that France and Germany can ship to us, concessions that we could not grant under the present law, this will be very important in trying to prevent them from setting an artificially high support price and putting a fee high enough to protect it.

Senator HARTKE. What you are saying, though, is that the reciprocity would work not in regard to wheat but in regard to wheat and another related item that is shipped in, is that true?

Secretary FREEMAN. That is correct.

Senator HARTKE. Now, under the the present law you are contending you say you don't have the authority which is broad enough that the President can make the concessions in other areas in order to compensate for getting the benefits which you feel are necessary in the field of wheat.

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In respect to that, how specifically would this work at the present time and under the new law which would give you this additional authority?

Where would you make the trade?

Secretary FREEMAN. Well, I am not prepared to say here at this table precisely what concession we might make to them in return for their not setting the price supports on wheat at an artificially high level.

Senator HARTKE. All right, let's back up again.

How, are you attempting to negotiate this at the present time, what weapons do you have? What instruments and what facilities?

Secretary FREEMAN. Well, one of them is——

Senator HARTKE. In order to effectuate any type of arrangement with them.

Secretary FREEMAN. One of them is the very fact that this Trade Expansion Act has been recommended by the President and will hopefully be acted upon by the Congress so we can say to them there will be a whole complex of things, "that you are interested in that we can do business in." We can't do business today, very well, and that is our problem, that is why we are here.

Senator HARTKE. What you are saying here is you are dealing in anticipation of the enactment of a proposed law, is that right?

Secretary FREEMAN. That is right.

Senator HARTKE. Is this your sole weapon at the present time?

Secretary FREEMAN. No. We have certain bargaining rights that we have carried over from previous agreements with individual countries of the six which we still retain even though negotiations were closed at Geneva.

We have the various, well, the overall position of the United States and its position in relationship with these nations and the strong posture that has been taken by the State Department and the President, that excluding us from these markets is going to be viewed with considerably less than enthusiasm as it is.

Senator HARTKE. In other words, on those things you are speaking now that there are political implications on the United States side?

Secretary FREEMAN. That is correct.

Senator HARTKE. In addition to the economic considerations which can be applied in order to obtain the desirable end you feel in the field of agriculture, is that right?

Secretary FREEMAN. That is exactly right. They can be and they are.

Senator HARTKE. Now, in this field of shipments to the Common Market areas, what relations does the exportation of agricultural products have to the total exports, I don't know if you have, maybe you have given this figure, the total exports to the Common Market area?

Secretary FREEMAN. About 25 to 30 percent of our exports go to the Common Market areas.

Senator HARTKE. In other words, the agricultural phase of the Common Market is a very real and substantial one, isn't that right?

Secretary FREEMAN. It certainly is.

Senator HARTKE. And the problem is presented primarily in those areas which you mentioned before of the feed grains, wheat, poultry, and rice?

Secretary FREEMAN. That is correct.

Senator HARTKE. It is in that section of the agricultural economy that the greatest concern should be evidenced by the Americans?

Secretary FREEMAN. That is correct.

Senator HARTKE. All right.

In relation to this area there is an aid section for the injury, aid to the injured industry, right?

Secretary FREEMAN. Right.

Senator HARTKE. Could you explain to me how, in what manner this section would apply in relation, say, to these four principal products which stand great chance of being injured?

Secretary FREEMAN. These four commodities would not be affected by this, Senator, because what we are talking about now are concessions being made on other products for which we would then need to apply the adjustment. In order to get the complete——

Senator HARTKE. Let me back up.

We have agreed there is a substantial portion of the export to the Common Market area?

Secretary FREEMAN. That is correct.

Senator HARTKE. Is it generally conceded and agreed that the first industry which is going to feel the effect of the Common Market, the first industry in the United States which is going to feel the effect of the Common Market is the agriculture industry?

Secretary FREEMAN. It is going to feel it very strongly.

Senator HARTKE. This is generally a conceded fact that of all the competitive industries in the United States agriculture is going to feel it first?

Secretary FREEMAN. That is correct.

Senator HARTKE. If this is true and assuming that injury occurs in certain areas which I assume is also conceded, is that correct——

Secretary FREEMAN. That is correct.

Senator HARTKE (continuing). There is a chance of some injury occurring. Will you explain how the aid section would apply in the field of agriculture?

Secretary FREEMAN. Well, it wouldn't apply.

It would apply to the extent that if we were able to negotiate, let us say, in connection with poultry to cut off the variable fee, and in return, why, we gave a tariff concession on items X, Y, and Z, then let us say that the people who worked in the industries that produced items X, Y, and Z, they then could qualify if they were damaged under this act for adjustment assistance.

Senator HARTKE. All right. That is what I am talking about; in this aid section, now assuming that there is some injury and that they can apply for adjustment, can you explain to me how this would work in the field of the agricultural products?

Secretary FREEMAN. What you are saying is if we gave an agricultural adjustment?

Senator HARTKE. That is right.

Secretary FREEMAN. Well, it would work conceivably the same way it would work in the industrial area, but probably it would not

apply as clearly and we have a number of tools in agriculture now that would be used in this regard.

Senator HARTKE. For example?

Secretary FREEMAN. First of all, section 22 of the Agricultural Adjustment Act.

Then we have the FHA program and a number of other programs in agriculture, that seek to assist farmers who are having problems. It is conceivable that the adjustment mechanism might apply to a certain kind of producers. If you found that a given commodity was, in effect, priced out of the market altogether, why, you might use this adjustment assistance to prov- -e retraining for the people who had been working in this particular commodity.

Senator HARTKE. Yes.

This is what presents the complexity to me.

How do you provide, make a determination as to which farmer, for example, needs retraining as the result of the competitive forces which have been exerted from the Common Market, and those which have occurred, for example, in this field and the competitive forces of a normal situation within the United States in a business which already has seen itself in a place where it is very difficult to determine what is a fair and going price and a going rate for the people working on the farms?

Secretary FREEMAN. This does present some imponderables clearly but we don't envisage it will constitute much of a problem to agriculture because, in the first place, we don't expect to make agricultural concessions that are going to affect U.S. agriculture in this way.

Now, to the extent such concessions are made they will be in a relatively small segment and where I think that the impact would be clearly discernible, then the adjustment mechanisms would more obviously apply.

Senator HARTKE. But isn't it for all practical effect that the instruments you have in law at the present time would have to be utilized rather than any special effect that could be given through this act and the aid section?

Secretary FREEMAN. We don't think the aid section in this bill is going to affect agriculture very much.

Senator HARTKE. That is what I was really of the opinion myself.

Secretary FREEMAN. But we want to be under it, and we are under it and leave us under it because if we are affected why we want it.

Senator HARTKE. In other words, just in case?

Senator FREEMAN. That is right.

Senator HARTKE. Has any attempt been made to come to—has any study been made or any attempt been made to make a determination as to the comparative production costs relative to agricultural items in the Common Market items and those in the United States?

Secretary FREEMAN. We have a number of such studies, and our costs are substantially less per unit of production on most agricultural items.

Senator HARTKE. Has any comparison been made as to the comparative delivered price of agriculture items in these Common Market countries, including the transportation and processing and production costs in relation to the Common Market countries?

Secretary FREEMAN. In relation to the Common Market countries, with the exception of dairy, perhaps, if we took off all kinds of duties and restrictions of all kinds and said, "Go to it," why, we would have a field day. There would be——

Senator HARTKE. In other words, as far as we are concerned in this problem in a comparison of the relative expense of labor and production the United States is far ahead of the European Common Market countries?

Secretary FREEMAN. That is correct.

Senator HARTKE. So this hue and cry we hear about the unfair competitive position would not exist in the field of agriculture, is that right?

Secretary FREEMAN. As far as—I gather now this is directed toward the whole question of export subsidies?

Senator HARTKE. That is right.

Secretary FREEMAN. Well, we use export subsidies to compete in these countries with other suppliers, not with the countries themselves.

Now, in relation to Common Market countries we are talking of access to that market and not export subsidy because we need no export subsidy to compete with production prices in the Common Market.

Senator HARTKE. So the question is not whether we join but whether we would have a chance to compete in the competitive arena?

Secretary FREEMAN. That is exactly right.

Senator HARTKE. In these conflicts if they do occur between the Agriculture and State Departments and I hope they do not, I assume they do?

Secretary FREEMAN. I want to express my highest regard for the State Department, Under Secretary Ball and his associates. They are competent and dedicated, able and we have enjoyed working with them.

Senator HARTKE. That is for the record. [Laughter.]

Secretary FREEMAN. Senator, I can't understand all these inferences. [Laughter.]

Senator HARTKE. The inferences have been purely yours, and not mine.

In the final analysis in these negotiations when there does come this real difference of opinion as to economic, political considerations which should be considered, who makes the final determination?

Secretary FREEMAN. The President.

Senator HARTKE. Well now, I agree that is a matter of theory.

Secretary FREEMAN. That is not a matter of theory at all. When there is a strong difference of opinion on one of these issues, it is carried to the President, not only is, but has been, and I am sure it will be in the future.

Senator HARTKE. All right; I will accept that.

You seem rather emphatic.

I think that is all the questions I have, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Senator Carlson?

Senator CARLSON. Mr. Secretary, first I want to commend you and your Department and other Federal agencies together with many private organizations and agencies in this country that have been able

to build up this very outstanding foreign agricultural trade. I think it is—the figures that you gave us this morning are—certainly outstanding, and our Nation does have a great agricultural export market and, of course, we are greatly concerned about protecting it and increasing it, if possible.

But I did want to commend you for it. I think you have done a very fine job on that.

Secretary FREEMAN. Thank you, sir.

Senator CARLSON. I do have some problems and I am concerned as I think you have gathered, probably not this morning, but every representative that we have had from the administration beginning with Secretary of Commerce, Mr. Hodges, and others, have been presented with this problem of our concern for the continued export of agricultural products and I noticed this morning that you made a statement that would be in the record that the voice of agriculture is weak at the bargaining table, and I agree with you.

I think we have been weak, and my question is going to be, What assurance can you give us that we will be stronger in the future?

Secretary FREEMAN. The assurance, Senator, that the Department which has sought to be as effective as possible and as militant as we could be by strengthening our resources, by adequate preparation, and by a closer and more effective working relationship with the State Department, who have given in the last 19 months a great deal more time and attention to agriculture in these negotiations, I believe, that we are going to be in a stronger position to bargain effectively and that we will continue to increase our effectiveness by sharpening our weapons, and hopefully by adding new arrows to the arsenal when this bill is passed.

Senator CARLSON. Mr. Secretary, as you well know, this year in April we concluded with several nations, including the EEC countries, some negotiations at Geneva.

Secretary FREEMAN. Yes, sir.

Senator CARLSON. And on July 17 Canada announced that as a result of these recent rounds of tariff agreements and negotiations in GATT at Geneva they were given assurance by the EEC countries that their exports of wheat would be protected. If you are familiar with that, can you state for the record what assurances our Nation has been given that their rights would be protected on the exportation of wheat?

Secretary FREEMAN. We have the same assurances, Senator.

Senator CARLSON. You have the same assurances?

Secretary FREEMAN. Yes, sir. That if our exports of hard wheat drop off and our market is affected remedial adjustments will be made.

This was the only commodity under a variable levy system that we could get this firm a commitment on.

Senator CARLSON. Of course, we are not going to get into a discussion again because you have mentioned our problems in dealing with the European Economic Community with regard to wheat and their high support prices.

Secretary FREEMAN. Yes, sir.

Senator CARLSON. And having visited those countries myself and studied them some I am in thorough accord with your view, and our

hope is that their price support level will come down in order that we can compete and secure some markets there.

Secretary FREEMAN. If they hold it down and with the expansion of their economic well-being and their population, our markets in that area can and, I believe, will grow. If they increase it and bring in additional uneconomic production we will be in trouble.

Senator CARLSON. Well now, the general policy, I have noticed, of this administration and of this Nation, is to support the entry of the United Kingdom, another one of these large wheat-grain markets, into the European Economic Community.

Will this bill provide the necessary authority to maintain our trade or to expand it?

Secretary FREEMAN. Well, we are obviously going to have to continue our negotiations, and the stakes become even higher when the U.K. becomes a part of the Common Market complex.

Hopefully, their entrance should be a strengthening of the forces within the community who believe in a progressive policy, and who resist protectionist high support policies internally.

Our interests are very similar to many of the Commonwealth countries who also are deeply concerned about continued access to the EEC market. When the dust finally settles we hope the situation will be improved.

Senator CARLSON. Isn't it reasonable to assume that Great Britain will not enter this Common Market unless she is given assurances that the Commonwealth countries, Canada, Australia, and New Zealand be given preferential treatment?

Secretary FREEMAN. If the Senator doesn't mind I will defer to my colleague in the State Department to speculate on what the U.K. is going to do with the Commonwealth countries.

Senator CARLSON. Of course, those three countries are great competitors of ours when it comes to agricultural commodities.

Secretary FREEMAN. That is correct.

Senator CARLSON. And Great Britain depends very largely on imports from those countries for its food supplies, and to me it seems it should be and will be and must be of great concern to our Nation should Great Britain enter the Common Market and we don't have an understanding in this regard.

Secretary FREEMAN. I share that concern and I would agree with the Senator's statement.

Senator CARLSON. Now, assume that Great Britain, in fact even without Great Britain entering the Common Market, do you think the negotiating authority in this bill is adequate and will be adequately used to obtain commitments from the EEC to assure our continued access to these markets?

Secretary FREEMAN. Let me just say this, Senator, this will represent a very long step forward and will give us a great deal more by way of bargaining tools than we have now, and I believe that with it we will be able to be in a much stronger position in seeking to protect our markets.

Senator CARLSON. I appreciate we will get additional bargaining tools and I have heard the colloquy between the Senator from Delaware and yourself regarding other provisions that might be necessary, and we don't like to use the word "retaliation" but would it be

possible to add something to this bill that would assure that in case there are variable import fees, restrictions against some of our commodities that the President would be given even more authority than he is given in this bill?

Secretary FREEMAN. I rather doubt it because we have on most items now, in effect a treaty, an agreement, a binding, through the medium of agreements reached at GATT to which we have committed ourselves not to raise duties on certain products. If they fail to live up to their agreements, why we can retaliate, if we want to use that word, and the occasion might come where we will need to do so.

But the number of our commodities that are not affected by duty concessions are minimal, and this being the case, I believe we can and if necessary will act accordingly.

I don't have in mind, at least, any amendment to this bill that I think would serve the purpose that the Senator very properly has in mind.

Senator CARLSON. You realize, of course, that the European Economic Community, or the Common Market countries, do not hesitate to write restrictive measures, negotiate with variable fees; in fact, completely eliminate certain countries from their market.

For instance, Japan is not permitted to trade with the European Economic Community countries.

Secretary FREEMAN. You see, after we have negotiated with them on this, Senator, they have said, in effect, "All right, and this is within the province of the GATT procedures. We are going to withdraw these items that go under variable fees and we will compensate for that in something else." We didn't want that to happen, and as I have said "kept the door open." They have not violated the agreements, strictly speaking, and I don't think that we, as a nation, have ever followed a policy of violating ours. So it is now a matter, in terms of strict legality, where we are not in a position to do much about it unless we want to violate our agreements.

Senator CARLSON. Of course, again we get to the place where some of these countries have violated their agreements with GATT, that we have had with them with GATT. It was brought out in the testimony by the Senator from Illinois yesterday that Germany had violated it on coal and I think that has been adjusted. I think it can be safely said that the Netherlands has violated it on the import of flour.

Secretary FREEMAN. That is correct.

Senator CARLSON. And I brought these matters up when Secretary Hodges appeared before the committee and I am somewhat familiar with this importation of wheat flour and how the Netherlands increased their import levey from 1.1 guilders, I believe, to as high as 6.5 guilders, on a certain quantity of wheat, unit of wheat.

Secretary FREEMAN. Flour.

Senator CARLSON. Wheat flour, and it did have an effect.

Now, the Secretary has been very kind and informed me while they did this they have protested vigorously, and I think are getting some concessions, but it is one of the problems we have in dealing with these countries, and I think when it gets down to the final analysis it is going to be, in my opinion, the toughness of the negotiator plus sufficient language in our statutes to permit him to negotiate on a tough basis; would you agree with that?

Secretary FREEMAN. I concur with that completely, and I think this must be done.

Senator CARLSON. Mr. Chairman, I believe that is all.

I am going to ask unanimous consent to place in the record a letter that I received from Mr. Jones, Deputy Assistant Secretary for Trade Policy from the Department of Commerce on the assurances that they received from the Canadian agriculture—regarding the Canadian agricultural exports and the Netherlands systems of variable levies on wheat flour.

The CHAIRMAN. Without objection the insertion will be made.

(The letter referred to follows:)

THE ASSISTANT SECRETARY OF COMMERCE,
Washington, D.C., August 10, 1962.

Hon. FRANK CARLSON,
U.S. Senate, Washington, D.C.

DEAR SENATOR CARLSON: In the course of Secretary Hodges testimony on Monday, July 23, 1962, with respect to the proposed Trade Expansion Act, you inquired concerning the assurances Canada has received from the European Economic Community with respect to the maintenance of access to the Common Market for wheat and whether U.S. wheat will receive similar treatment (unrevised stenographic minutes, pp. 125, 126). You also inquired about the Netherland's system of variable levies on wheat flour (unrevised stenographic minutes, p. 128).

I am pleased to enclose memorandums on these subjects.

Please let me know if you require any additional information.

Sincerely yours,

PETER T. JONES,
Deputy Assistant Secretary for Trade Policy.

EEC ASSURANCES REGARDING CANADIAN AGRICULTURAL EXPORTS

Canada announced on July 17, 1962, that, as the result of the recent round of tariff negotiations under the GATT in Geneva, it had obtained assurances under two special agreements regarding access for its wheat into the European Common Market, pending the working out of the common agricultural policy of the EEC.

These are interim agreements providing for a standstill in the existing terms of access for Canadian wheat into the Common Market. Under these agreements, the EEC and the six member countries undertake to negotiate with Canada not later than June 30, 1963, the terms of access which by virtue of the common agricultural policy will displace the existing national regimes. Furthermore, until the putting into force of this policy, the six member countries undertake not to intensify or otherwise adversely alter the existing terms of access for Canadian wheat. In the event that imports of Canadian wheat should, as a result of this agricultural policy, fall appreciably below the datum level specified in the agreements, the member states will take steps to rectify the situation.

The United States has been given the same assurances by the EEC for its wheat and will likewise negotiate with the Common Market on the terms of access for this export.

THE NETHERLANDS SYSTEM OF VARIABLE LEVIES ON WHEAT FLOUR

Historically, the Netherlands has regulated the importation of wheat flour and of a number of other agricultural products mainly by the imposition of variable import fees, the so-called monopoly fees. These fees are in addition to regular import duties, which are generally low or zero.

In GATT negotiations, the United States had obtained from the Netherlands a commitment to admit a specified quantity (65,000 metric tons) of wheat flour annually free of duty. In addition, the Netherlands had bound the range of the import monopoly fee of wheat flour by agreeing to apply a complicated

formula which, broadly speaking, calculates the levy by multiplying the rate of the monopoly fee on wheat with the reciprocal of the current extraction rate for wheat.

During the first 9 months of 1960, the rate of the monopoly levy on wheat flour was 1.1 guilders per 100 kilograms. On September 30, 1960, this levy was increased to 5 guilders. The U.S. Government immediately made representations to the Netherlands Government expressing its concern over this action.

In response the Netherlands, while acknowledging that this action might constitute a technical violation of a GATT obligation, stated that the increase in the levy was not intended to diminish U.S. wheat flour exports and that the Dutch Government would be willing to reconsider the increase if any dropoff of U.S. wheat flour exports occurred. The Netherlands said it did not have any objections to the case being discussed under the pertinent rules of the GATT, but that this might not be necessary if the level of U.S. exports were to be maintained. Netherlands imports of U.S. wheat flour were, in fact, very well maintained under the 5-guilder levy. The following table shows Netherlands imports of wheat flour from the United States for the years 1958 through 1961 and for the first 4 months of 1962. (It should be noted that 1961 purchases had reached 55,000 metric tons by the time that the increase to 6.50 guilders was enacted.)

Netherlands imports of U.S. wheat flour

Year:	Metric tons
1958	73,800
1959	68,198
1960	82,704
1961	69,135
1962 (January-April)	22,630

In June 1961, however, the levy was again increased, from 5 to 6.5 guilders. The U.S. Government immediately made strong representations to the Netherlands Government requesting assurances that U.S. exports would not suffer, and seeking a cancellation of the increase. The Netherlands Government assured the United States in writing that imports of wheat flour from the United States would continue at an annual rate of at least 75,000 metric tons until the institution of the EEC's common agricultural policy.

Consequently, when Dutch imports of U.S. flour dropped to a low level, following the June 1961 increase, proceedings were started within the Netherlands Government to modify the levy. Action was finally taken, effective January 1, 1962, when the import fee on flour was reduced to its previous level of 5 guilders.

Senator BENNETT. Mr. Secretary, you say:

> I only want to say I believe our farmers will have under this bill sounder and more realistic protection from unwise tariff reductions than they have had in the past.

Do you know of any previous unwise tariff reductions that have been made that have injured agriculture? Can you spell those out for us so that we can make sure that the bill doesn't permit them?

Secretary FREEMAN. What I was really thinking about in connection with this, Senator, was in terms of making sure that there would not be unwise reductions in the future. I was looking prospectively and not retrospectively.

Senator BENNETT. Then you would like to correct the record and you would like to make it clear you do not think there have been unwise tariff reductions in the past.

Secretary FREEMAN. I don't have—let me qualify it a little, will you, and I will say I don't have any at the tip of my tongue at this moment.

Senator BENNETT. I assume that you were going to qualify it and say that if there have been unwise tariff reductions they probably have not injured agriculture. [Laughter.]

Secretary FREEMAN. Senator, if you don't mind, may I let the previous statement stand?

Senator BENNETT. All right. This is kind of a sweeping statement, the effect of which has been to indicate that under the previous law there have been unwise tariff reductions which changes in this law would prevent, and let's put it this way: Can you point out any specific difference between this proposed law and the present one which would provide that protection against what you have called unwise tariff reductions?

Secretary FREEMAN. I think the procedure set down in the new act, particularly in connection with the time element by way of the escape clause, makes it possible to act more rapidly and forthrightly and prevent these matters from being dillydallied and delayed, and it is very hard to get them into a sharp focus.

Senator BENNETT. Then you think it is a question of time affecting agricultural commodities that permitted unwise tariff reductions or might prevent unwise tariff reductions in the future. If you can act quickly, a tariff reduction will be wise, but if you have to wait a few months it becomes unwise.

Secretary FREEMAN. Did I say that?

Senator BENNETT. No; I am just trying to interpret what you did say because you have said the only change in the law is the time element.

Secretary FREEMAN. The escape clause previsions that provide a remedy in the event a reduction should be made that has a strongly adverse effect on domestic producers are equally strong as they are in the previous law and have the additional advantage, I believe, that the Tariff Commission would be mandated to act more promptly.

Senator BENNETT. Well, when you talk about "unwise tariff reductions" you are talking about our reductions, aren't you?

Secretary FREEMAN. Yes, sir.

Senator BENNETT. And you think that by acting quickly, more quickly, a tariff reduction that might otherwise be unwise would suddenly become wise, because we are only talking about our tariff reductions.

Secretary FREEMAN. I don't think I said that either. I merely said that the determination would have to be made if we gave a tariff concession involving an agricultural commodity as to whether it had an adverse effect so strong that in relation to all the factors it should be corrected.

As is usually the case, time limits are used up. If it is unwise and it is doing damage, the more quickly remedial action is taken the better. The basic question is the same: is it unwise in relation to that particular commodity interpreted and evaluated in terms of the effect on our total economy.

Senator BENNETT. It would be interesting to pursue that. There are one or two other things and I will move along.

The Senator from Florida asked you some questions about industry representation and your answers were not clear to me. Does this law permit any more definite assurance to members of particular indus-

tries, including agricultural commodities, that private citizens will have representation in the negotiations than was the case in the previous law?

Secretary FREEMAN. There is a matter, I think, of how the negotiating structure is established, and as such it would be a matter of policy as to who the responsible negotiator wished to have to call on for advice and help.

I believe that industry representatives have not been as active in this as in the future it is planned they should be.

Senator BENNETT. In the past industries have been very critical of the law as it existed then because they were rather substantially left either completely out or on the sidelines.

They had little or no part in the negotiations which affected their industry. There is nothing in this law that changes that situation, is there?

Secretary FREEMAN. No, sir.

Senator BENNETT. You are saying to us that perhaps the State Department as a matter of policy may take them in, but there is nothing in the proposed law that changes this situation.

Secretary FREEMAN. No. But I was saying to you, and I defer obviously to the State Department, that it is the intention to have a broadened base, when carrying on negotiations, to make some of these arrangements for consultation with industry representatives.

Senator BENNETT. Do you think the law should be provided to make it mandatory that industry representatives should be included?

Secretary FREEMAN. I think not. It seems to me this is a matter of judgment at a given time and place, and I am sure regardless of the administration, whether it is Republican or Democrat, what we can do to strengthen the position of our country and its industries will be followed.

Senator BENNETT. Unfortunately, the record under the Republican administration, as I have indicated, was that industry was largely left out and it will be interesting to see whether the Secretary can give us assurance that this has changed.

I would like to move over the colloquy you had with the Senator from Delaware about the poultry situation. I am very much interested, and perhaps he could follow this questioning better than I.

But as I interpreted the discussion, the Common Market countries have increased the burden on American poultry from approximately 5½ cents to something like 9½ cents.

Secretary FREEMAN. That is correct.

Senator BENNETT. And you expressed the hope that through negotiation this would be brought down. Do you have any hope that it will be brought back to 5½ cents?

Secretary FREEMAN. No. It won't be brought down quite to that level, I don't believe. This is what we are shooting for, and we would hope to do that.

Senator BENNETT. Well, in order to bring it down to any point below the 9½ cents are you being required to make some concessions either in that or some other fields?

Secretary FREEMAN. No.

Senator BENNETT. You hope to do this simply by what I think President Truman used to call jockeying?

Secretary FREEMAN. We are hoping to do this by urging upon them that some of the bindings we had in some of the previous agreements we had before the variable fee system went into effect will be such that in all fairness and propriety they ought not to apply that high a fee, and we believe that this request is being met with some favor.

Might I add, Senator, that this present effort that has been made so strongly is in the nature of an interim arrangement as we seek to accomplish the goal of the total question of where these variable fees are going to land.

Senator BENNETT. If you don't get it all the way down to 5½ cents and it becomes important that it come there, you would be prepared to offer some other concessions if necessary to bring it down?

Secretary FREEMAN. That is exactly right. In other words, this is stopgap now that a high, and what we believe, unreasonable fee, would be adjusted downward until such time as we could go forward with negotiations in relation to this whole complex and bring it down to a level that we could live with.

Senator BENNETT. In other words, this may turn out to be a case in which they have jacked up their fees or their charges, their duties, and in order to get them back down again we have to sacrifice more of our basic trading stock because we don't jack ours up in order to balance them off. We are spending our capital in order to get back to a position that we had before the fee went up.

Secretary FREEMAN. No.

Senator BENNETT. How else can you interpret it?

Secretary FREEMAN. Pardon me?

Senator BENNETT. You answered my question a minute ago and said if you couldn't get it down to 5½ cents you might be prepared to make some concessions otherwise to bring it down if that were particularly important.

Secretary FREEMAN. We are talking about two different things, I think. First, we are negotiating and will continue to negotiate and more effectively with the passage of this bill, with the whole situation about all of these commodities, and in that process a whole variety of adjustments might be made.

We have retained our rights which we had prior to the last negotiations at Geneva.

In the meantime, until these negotiations can go forward, we are seeking to prevail on them, without giving them anything, if you want to put it in those terms, not to put on at this time a high fee on poultry. In the meantime, these negotiations on the total picture are not subject to a date, time or place, or a sharp, clear definition.

In the first place, they are having a very difficult time themselves determining what they are going to end up with for their internal price and until they make up their mind on that, why we are not going to have the kind of clear-cut negotiations that you have when you are dealing with a tariff.

In the meantime we are trying to influence where they are going to set their support price, which is basically, of course, a matter of their own internal domestic policy.

But in this instance, with a variable fee system, it takes on a very important economic impact which has a very important effect on our agricultural trade. So we are dealing here in a little different kind

of dimension. But while this moves forward, in this particular instance where we have seen this fee, which we feel to be high and arbitrary, imposed, we are seeking to get it down without in effect paying anything for it, and we think we will.

Senator BENNETT. We have talked about poultry, which is one isolated example. Could you furnish to the committee a list of all the agricultural items to which variable fees have been added so we can look at the scope of this problem?

Secretary FREEMAN. Yes. The main four ones you have mentioned, the four main ones I have mentioned.

Senator BENNETT. They are what?

Secretary FREEMAN. Poultry, wheat, feed grains, rice.

Senator BENNETT. And this affects us—let me see if I can test my memory again—about 25 percent.

Secretary FREEMAN. That is roughly right.

Senator BENNETT. How much have these variable fees raised the level of this 25 percent in terms of price?

Secretary FREEMAN. They haven't affected it all in the same way yet, because until they move toward a common price and start operating accordingly they have individually held to the price levels they had on a commodity-by-commodity basis.

Now, as they move toward a common price they are going to revise country by country their outside relationships through the variable fee and move toward a common price internally. So this is in a kind of a constant state of adjustments. It hasn't affected our trade yet but it will shortly.

Senator BENNETT. Well, it has affected us on poultry in at least one country.

Secretary FREEMAN. Well, it will. As a practical matter it hasn't actually economically, I don't think, because seeing it coming they loaded up on orders and we had enormous poultry exports.

Senator BENNETT. This is one of the reasons our agricultural exports have gone up. We got out there quick to get under the wire.

Secretary FREEMAN. We are very alert and being active. This is a good industry.

Senator BENNETT. This doesn't represent a normal and dependable increase in agriculture exports. This represents the kind of activity that a businessman indulges in when he sees the price going up; isn't that right?

Secretary FREEMAN. There was a strong building up of inventories. It is an incidental amount in terms of total agricultural exports but the particular sales in the last few months, just before July 30, were influenced in part by the building up of inventories, surely.

Senator BENNETT. You think that is incidental in terms of the actual increased sales in the Common Market?

There are a couple of other things that you said that have interested me. You said, in answer, I think, to Senator Carlson, that agriculture is the first industry to be injured by the Common Market. It is of no particular consequence, but isn't that a rather broad generalization considering the amount of barbed wire and nails that have come into this country and the effect on our steel production of the prices of countries certainly within the Common Market?

The Coal and Steel Community was the real, the first step, toward the developments of the Common Market, and our American steel industry, now operating at about 55 percent of capacity, has really felt the competition of that program.

Secretary FREEMAN. If I might say so, Senator, I think you are comparing apples and oranges. On the one hand you are talking about the imports that come into this country under the present law. What I have been talking about are the exports of agriculture that goes into the Common Market countries.

Senator BENNETT. Then you assume——

Secretary FREEMAN. They are two different things.

Senator BENNETT. You assume that injury comes only to exports, that injury cannot be done to an American domestic economy because of increased imports from the Common Market?

Secretary FREEMAN. Senator, I am sure you won't feel that I am being unreasonable when I continue to protest your putting words in my mouth. I don't think that is what I said.

Senator BENNETT. All right. I didn't say you said it. I said it seems to me you assume it.

Secretary FREEMAN. No, that isn't what I assume at all. You wouldn't read that into it at all. The Common Market and their alleged improved efficiency of operation has come about through forces which have nothing to do with the subject that we are discussing here today. We didn't create it.

Senator BENNETT. No.

Secretary FREEMAN. It is there, and as it moves forward this country will make a value judgment in connection with its total impact because we have increased our exports very soundly into that country as well, and this could go on for a long time. I am not particularly prepared to discuss the steel industry with you, but I would say that it will help agriculture with the exception of these variable fee items to which we direct particular attention here this morning.

Senator BENNETT. I think it is safe to say that there have been injuries to domestic segments of the economy since the Common Market was first organized.

This is, I agree with you, unconscionable.

I have one final area to question you about, and I want to be sure that I understood what seemed to me you were saying to the committee. That was that the relative weight of agricultural imports into this country is so small in relation to our agricultural exports that in the process of trying to balance these situations out, that injuries to agriculture will probably generally, if not always, be traded off in negotiation in terms of concessions at the expense of other industries.

There isn't much of an area left on which you can make concessions to agricultural imports but if we need concessions to protect our agricultural exports they will be made at the expense of manufactured commodities. Is that the impression you wanted me to get?

Secretary FREEMAN. Well, dealing specifically with the Common Market countries, it is obvious that with our imports of their agricultural products being rather limited, there isn't much trading stock.

However, the same U.S. industries that might be affected in connection with this would be strengthened in connection with agricul-

tural concessions that might conceivably be given to other countries in return for industrial concessions and who would also then have some dollars to buy some of the industrial products, from whatever industry you might have in mind.

I don't think that you can take and isolate cases one by one, an A and B. I mean this is a total complex, and agriculture would carry its share of making concessions in this process. But with the Common Market countries, we don't import a large quantity of agricultural products from them, and obviously don't have much at the bargaining table in terms of agricultural commodities as a result of that.

Senator HARTKE. Will the Senator yield at that point?

Senator BENNETT. Yes.

Senator HARTKE. But isn't it true that in relation to some of the products produced in some of the Common Market countries they are interested in maintaining their shipment of these products into the American market?

Secretary FREEMAN. Yes, that is true.

Senator HARTKE. In the overall total dollar volume it might not be as important as the American shipment to the European countries, but it is important to them to their domestic economy?

Secretary FREEMAN. That is correct.

Senator HARTKE. And this is true of products, some products which we do not produce, isn't that true?

Secretary FREEMAN. That is correct.

Senator HARTKE. And you do have then available, if the act is put into effect, the opportunity to use reciprocity in reverse by not giving concessions to these products and those products could be imported from some other country than the Common Market countries?

Secretary FREEMAN. That is correct.

Senator HARTKE. And therefore, by enactment of the law, you do have available here, where you want to call it retaliation, reciprocity, or a weapon, or means of convincing them of the value of coming to some type of reasonable approach based upon reasonable men sitting around the conference table?

Secretary FREEMAN. That is correct.

Senator HARTKE. In substance, as I understood again the question about the Coal and Steel Community, what you were referring to, was basically our shipments overseas and dollar values, this will represent a real detriment to the United States if we are not in a position to take advantage of competing there, and if we are locked out, in other words?

Secretary FREEMAN. That is right.

Senator HARTKE. And the effect of locking the European countries out of the American market is not nearly as significant dollarwise as is the amount which is involved as far as we are shipping into the Common Market area; is that a fair analysis?

Secretary FREEMAN. Yes.

Senator HARTKE. I thank the Secretary.

Senator BENNETT. I realize that the Secretary of Agriculture is by law an advocate for agriculture and not for industrial commodities but I got the clear impression that he felt that in this process of continuing negotiations with further concessions, that in order to protect

our oversea agricultural markets against variable prices and other things, he would expect the negotiators to make concessions in other areas, industrial products, rather than agriculture, on the theory that there wasn't much left in agriculture to give away, and also that the amount of our imports was, in agriculture, relatively so small that you would not have very much trading stock.

Secretary FREEMAN. That is correct, and in making this analysis, of course we are talking now about Western Europe, not about the total world picture.

Senator HARTKE. Wait a minute, will the Senator yield?

Senator BENNETT. Let me pursue this. You had your questioning.

Senator HARTKE. All right. You answered that as correct.

Secretary FREEMAN. Europe.

Senator BENNETT. But this testimony is with respect to the bill which applies to the whole world, isn't it?

Secretary FREEMAN. Let's see if we can get this straight.

Senator HARTKE. Will the Senator yield for a moment? I want to see whether the Secretary agrees with the statement that he is willing to trade off agriculture against industry. That was the first part of that. It was a two-barrel question, I agree with you, maybe you agree with the latter half of it. But I hope the Secretary would consider the first part of that statement, as to whether or not he would agree with that.

Secretary FREEMAN. In connection with Western Europe there are some agricultural concessions, as you pointed out a moment ago, that we, in all likelihood, might make.

There also would in all likelihood be some industrial concessions made in return for agricultural concessions because on a comparative basis our volume of sales is significantly greater than our volume of purchases. But this does not apply necessarily on a worldwide basis. And when we talk on a worldwide basis, what might seem to be an inequity, as I followed the line of Senator Bennett's questions, would be rectified and balanced off in terms of our conceivably making concessions to other countries that would then subsequently provide markets for industries which would compensate for larger concessions made to those industries, through those industries in Western Europe.

Senator BENNETT. The Senator from Utah has not been able to be present at many of these hearings, and this question really belongs to Mr. Ball, but isn't the most-favored-nations clause going to be applied in these negotiations? Are we now going to negotiate one deal with the Common Market countries and another separate deal for the same commodity with Japan?

Secretary FREEMAN. No, I think not. I am sure that we will follow our traditional policy. I would defer to Secretary Ball, that whatever we negotiate on these with the Common Market, why, we will make the same opportunities available to other nations as we have traditionally done.

Senator BENNETT. So the opportunity to adjust our program by making one deal one place and a different one in another place doesn't exist. When we deal with the Common Market countries we are dealing for Japan, in effect?

Secretary FREEMAN. We are dealing really for the whole world in the sense of whatever concessions we place.

Senator BENNETT. That is right. So we are not talking about deals only with Common Market countries. We are talking about deals which will affect every country in the world.

Secretary FREEMAN. There is nothing new about that at all.

Senator BENNETT. But I got the idea that in talking with the Senator from Indiana we were talking about something in addition to Common Market countries. Actually, when we negotiate with any country, that becomes a pattern for every other country in the world. We set up a single tariff on each commodity and any country in the world that can furnish that commodity will pay that tariff.

That is all, Mr. Chairman.

Secretary FREEMAN. That is right.

Senator CURTIS. Mr. Chairman?

The CHAIRMAN. Senator Curtis.

Senator CURTIS. Mr. Secretary, in your statement you say that rice producers export well over one-half of their crop. What is the domestic price for the rice to the producers?

Secretary FREEMAN. $4.71 a hundredweight.

Senator CURTIS. Where is this half or more of their crop exported, where is it sold?

Secretary FREEMAN. We have been developing various rather substantial markets in Western Europe recently, in France, in Germany, and the low countries, The Hague. A good deal of rice also goes under Public Law 480.

Senator CURTIS. Of the exports, how much of it moves under Public Law 480?

Secretary FREEMAN. As I recall, pretty close to 50 percent.

Senator CURTIS. Now, when it goes under Public Law 480, what do the purchasers pay for it?

Secretary FREEMAN. They pay for it in their own currency.

Senator CURTIS. At what price?

Secretary FREEMAN. About a third of the price is export subsidy, in effect, as the mechanics of the program work out.

Senator CURTIS. What did you say the domestic price was?

Secretary FREEMAN. $4.71 a hundredweight on the farm.

Senator CURTIS. $4.71. When it is shipped under Public Law 480 there is about a third subsidy?

Secretary FREEMAN. That is correct.

Senator CURTIS. How is that subsidy paid?

Secretary FREEMAN. It is paid to the exporter, just a normal commercial relationship. We negotiate an agreement with X country. They, in turn, have a mechanism. It could be, if they had all government purchasing, but it usually would be, an importer who then will make arrangements with one of our exporters who will then go into the market and buy the rice at the going price, and will sell it to the importer in the other country, and he will, in turn, be paid by the production of the proper documents, by the Department pursuant to Public Law 480.

Senator CURTIS. So if the price here is $4.71, the export subsidy, a third of that would be $1.57, so we sell it then to the foreign country for $3.14. Who pays the shipping costs?

Secretary FREEMAN. If it goes out in U.S. ships, we pay it. If it goes out in foreign ships, the buyer pays it.

Senator CURTIS. If it goes out in U.S. ships, who is "we"?

Secretary FREEMAN. The Commodity Credit Corporation.

Senator CURTIS. The Government.

Secretary FREEMAN. Yes, sir.

Senator CURTIS. We first pay $1.50 under export subsidy, plus the shipping costs. Then the purchaser, if it is under Public Law 480, pays for it in the currency of his country.

Secretary FREEMAN. That is correct.

Senator CURTIS. And that is sometimes what they refer to as soft currency?

Secretary FREEMAN. That is correct.

Senator CURTIS. And by soft currency we mean currency that does not have a fixed position——

Secretary FREEMAN. They do not have any foreign exchange.

Senator CURTIS. It does not have any fixed position in foreign exchange.

Secretary FREEMAN. It is not convertible.

Senator CURTIS. Do we agree not to take it out of the country?

Secretary FREEMAN. The agreements vary country by country. In some cases we do.

The general philosophy and approach is that we hope that the day will come when these countries will be strengthened economically so that they will be able to do so.

Senator CURTIS. But so far as any past performance whereby this would contribute to these export statistics, they do not take currency out of the country; isn't that right?

Secretary FREEMAN. No, there would be none of that in these statistics; no, sir.

Senator CURTIS. And we leave the currency there until it can be spent for some specified purpose?

Secretary FREEMAN. Yes, sir.

Senator CURTIS. If we eliminated the export subsidy on rice, eliminated the practice of the U.S. Government paying the shipping costs, demanded a price in currency accepted in world trade, does this bill give the President sufficient authority to maintain our present exports of rice?

Secretary FREEMAN. I do not quite follow the question. Are you saying that there is something in this bill that would mean that we could start getting paid in dollars for the wheat we ship or the rice we ship?

Senator CURTIS. No. I will tell you exactly what I mean.

Secretary FREEMAN. I wish you would.

Senator CURTIS. I mean that these exports are subsidized in several ways, and then in the end the purchase price is something that cannot even be brought back into this country, and whatever the exports amount to have no relation to our trade agreement program. Isn't that right?

Secretary FREEMAN. The figures we recounted here I thought would be of interest to this committee and, particularly, to you, Senator, from a great wheat State. The biggest exporting commodity under Public Law 480 is wheat, as you know.

Senator CURTIS. I understand that. But what I am getting at is, What is it that is supporting these exports? Is it this trade bill, the reciprocal trade law we have now, and what they are asking for?

Secretary FREEMAN. Well, to the extent——

Senator CURTIS. Or do we have these exports because of the other laws, these largely agricultural laws?

Secretary FREEMAN. I still do not quite follow you, Senator Curtis.

Senator CURTIS. I think it is quite simple, Mr. Secretary.

Secretary FREEMAN. Let me finish, will you, please?

Senator CURTIS. All right.

Secretary FREEMAN. You are directing a line of questioning here in connection with the trade figures by way of Public Law 480. We do not need this Trade Extension Act to work under Public Law 480, and I have made no such contention.

Senator CURTIS. I understand that.

Secretary FREEMAN. I do not get the line of your questioning then.

Senator CURTIS. All right. I am not advocating the repeal of these laws. But suppose we repealed 480?

Secretary FREEMAN. Yes, sir.

Senator CURTIS. We repealed the authority for this Government to subsidize the shipping, and we repealed the export subsidy and gave you this act in lieu thereof. Could you hold our exports in rice?

Secretary FREEMAN. Of course not. You cut out Public Law 480 and you could not hold them in rice, in wheat, and you could not hold them in a lot of things.

Senator CURTIS. Now, if we did not extend the Trade Agreement Act, it would not interfere with the export of rice under the 480 law, would it?

Secretary FREEMAN. No.

Senator CURTIS. It would not prevent us from paying an export subsidy on rice, would it?

Secretary FREEMAN. No.

Senator CURTIS. It would not prevent us from paying the shipping, would it?

Secretary FREEMAN. No.

Senator CURTIS. Nor, of course, if we used 480, why, it would not prevent us from taking in the local currency.

Now, you also say that the wheat farmers depend on exports for half of their production. What is the domestic price of wheat?

Secretary FREEMAN. Presently in the neighborhood of $2.

Senator CURTIS. All right.

Secretary FREEMAN. The support price.

Senator CURTIS. When we export wheat, what is the export subsidy?

Secretary FREEMAN. In the neighborhood of 50 cents.

Senator CURTIS. It has been higher, has it not?

Secretary FREEMAN. Yes.

Senator CURTIS. It has been up as high as 75?

Secretary FREEMAN. I think it has reached 75 cents.

Senator CURTIS. That is paid through the exporter, the firm that handles it, in the ordinary course of international trade, is it not?

Secretary FREEMAN. Yes and no.

Senator CURTIS. Now in exporting wheat, in addition to paying the export subsidy, who pays the freight, the shipping costs?

Secretary FREEMAN. The same as in rice.

Senator CURTIS. The Government of the United States. Then some of this wheat is sold under 480 where it is sold for soft currencies that are left in the country; is that right?

Secretary FREEMAN. That is correct.

Senator CURTIS. In reference to both wheat and rice now, does the exporter get the dollars if he sells his merchandise for soft currency which has to stay there?

Secretary FREEMAN. He get the dollars from the Commodity Credit Corporation when he presents the documents that show that he has followed through with the agreement with the country in question and its specified imports.

Senator CURTIS. Now, the Commodity Credit Corporation parts with the dollars. Do they ever get any dollars back from the soft currency that we hold abroad?

Secretary FREEMAN. I am in a colloquy here because I could not answer the question.

Why don't you answer it, Ray. I did not know the answer to that.

Mr. IOANES. Well, at the present time the rate of sales of foreign currency for U.S. dollars runs around 20 percent of the annual program.

Senator CURTIS. Explain that a little bit.

Mr. IOANES. Yes. These currencies that you mention, Senator, are put into a U.S. account abroad, and a certain part of them are held for sale through U.S. agencies.

In the ordinary course of events, the ambassador, the whole embassy staff, would draw their local currency needs from that account, and in the process would pay dollars for them.

If the Defense Department were engaged in a construction project in the country and needed local currency, they would go to that account and buy the local currency with dollars.

So, in this process, roughly 20 percent of the annual program accumulation is sold in this manner.

Senator CURTIS. In other words, you realize dollars from other Government agencies to the extent of about 20 percent of our holding of soft currencies?

Mr. IOANES. Not necessarily with respect to our holdings, but with respect to the current sales.

Senator CURTIS. The current sales.

What happens to the other 80 percent?

Mr. IOANES. Two things happen. A large proportion of the currencies are lent back to the countries for economic development, and in some cases grants of currencies are made for economic development and military assistance to the countries.

Senator CURTIS. Then they are not transferred in dollars——

Mr. IOANES. Not directly. In certain countries as the loans are repaid, for example, Japan and Italy, Spain, as those loans are repaid they go back into the U.S. account where they are available for sale in the same manner as the 20 percent I have just mentioned.

Senator CURTIS. They go back into the U.S. account in local currency or dollars?

Mr. IOANES. Well, in most cases they go back in local currency.

I do recall that Japan, for example, chose to make her repayments in dollars rather than in her own currency, so they come directly back to the Treasury.

Senator CURTIS. The point I was trying to make with the Secretary is not disputing the fact that we have exported a lot of wheat and rice and so on, but that the export of that is not because of the trade agreements. Its continued export is not dependent upon the passage of this act or the continuation of the existing law. It is dependent upon 480, our export subsidy, our relending the money back there.

It is an interwoven subsidized foreign aid program that is maintaining these exports, is it not?

Secretary FREEMAN. Well, to the extent that the exports, which run about 30 percent, Senator, are under Public Law 480, why, what you say is true.

Senator CURTIS. All right. Let us talk about wheat and rice that is not exported under 480.

At what price is it exported?

Secretary FREEMAN. That is not exported?

Senator CURTIS. Yes.

Secretary FREEMAN. It is exported and sold at the same price.

Senator CURTIS. Same price as what?

Secretary FREEMAN. As under 480.

Senator CURTIS. Yes. It is sold at the same price as under 480?

Secretary FREEMAN. That is right.

Senator CURTIS. What is the difference then from the standpoint of the trade of the United States exporting under 480 and not under 480?

Secretary FREEMAN. Well, the difference between them, we get 20 percent of usable dollars under Public Law 480. We get the difference between the export subsidy and the price at which it is sold in hard dollars on our commercial sales.

Senator CURTIS. All right.

So our exports of wheat and rice even if they do not move under 480, we do pay an export subsidy?

Secretary FREEMAN. That is correct; yes, sir.

Senator CURTIS. The same as if it were exported under 480?

Secretary FREEMAN. Yes.

Senator CURTIS. And under certain circumstances we do pay the shipping costs?

Secretary FREEMAN. That is correct.

Senator CURTIS. But the difference is the settlement by the purchaser, he cannot pay in the local soft currencies and have them retained there and reloaned, and so forth.

Secretary FREEMAN. That is correct. The other is sale for dollars. We are in world competition, and we then, in effect, reimburse the exporter who has bought here at a given support level and had to sell in a world market at a lower price.

Senator CURTIS. In the overall agricultural picture with respect to the problems we face, while there are things that I would like to see done, and so on, I am not critical of these export subsidies. They may have been necessary. But I am very critical of the Government agencies that send word out to a farming area in a buildup for this bill before us and relating the exports to what has nothing to do with it.

The people are taking our wheat because we pay them to take it, and the subsidy has been as high as 75 cents a bushel sometimes. We have paid the shipping costs.

There have been instances where we did not get 20 percent of the soft currency, so the net return on some of our exports of wheat has been less than zero. The actual money, out of the pocket of the Government, has exceeded the value of the wheat.

Secretary FREEMAN. Senator, may I ask in connection with this, I know of no instance, and I can assure you if there was one it was unintentional, in the Department where we have ever sought to represent that the Trade Extension Act was essential to the Public Law 480 sales to the developing countries.

What we do say, and I would want to repeat it for the record, is that the Trade Extension Act is very important that we maintain our wheat markets in Western Europe, and if there has been any confusion on this, we would seek to set the record straight.

The absence of the Trade Extension Act will adversely affect the sale of wheat in Western Europe. That is all we have meant to say. That is where the dollars are paid.

Senator CURTIS. I think a reading of this to a citizen who is plenty intelligent but is busy all day with other things, carries an implication I do not believe you intended.

I know when you have been specifically asked about this you have been specifically forthright, and I appreciate that. But in accounting for exports, I am afraid in the overall this, combined with the public relations staff in the White House and all that have been brought in to sell the American people in this thing, has not given them a true picture.

Now, I want to ask you about your statement which says that cotton and soybean producers look to export markets for about 40 percent of their sales.

To what extent are cotton exports subsidized?

Secretary FREEMAN. About 8½ cents a pound.

Senator CURTIS. What is the domestic price of cotton?

Secretary FREEMAN. About 32 cents a pound, between 32 and 33.

Senator CURTIS. And it is subsidized to the extent of about 8 cents a pound?

Secretary FREEMAN. Yes, sir.

Senator CURTIS. How is that sold?

Secretary FREEMAN. It operates mechanically pretty much the same. It is a payment in kind program where the exporter takes additional cotton.

Senator CURTIS. Is some sold under 480?

Secretary FREEMAN. Yes.

Senator CURTIS. In connection with all of it, do we have the export subsidy whether it is under 480 or other laws?

Secretary FREEMAN. Yes, sir.

Senator CURTIS. And also do we pay considerable of the shipping costs?

Secretary FREEMAN. Yes, sir.

Senator CURTIS. Do we sell it to countries that manufacture it into cotton goods and send it back here?

Secretary FREEMAN. Yes, sir.

Senator CURTIS. And we sell it, a portion of it, for soft currencies, the greater portion of which never gets back?

Secretary FREEMAN. Twenty-four percent I am told here, Senator, goes under Public Law 480 and sold for soft currencies.

Senator CURTIS. Yes; most of it is sold to industrial countries?

Secretary FREEMAN. That is correct.

Senator CURTIS. Now, talk about our exports of soybeans. What is the domestic price of soybeans?

Secretary FREEMAN. The support price is about $2.30. It has been in that area.

Senator CURTIS. About $2.30. What is our export subsidy on that?

Secretary FREEMAN. There is none.

Senator CURTIS. None. Europe is short of vegetable oil?

Secretary FREEMAN. It has been; yes, sir.

Senator CURTIS. And the Common Market now has raised its tariff upon soybean oil but not on the meal, isn't that right?

Secretary FREEMAN. That is correct.

Senator CURTIS. In order to move the processing plants from here over there, just as they are proposing to move the broiler industry from this country to Europe. Isn't that the purpose of it from that standpoint?

Secretary FREEMAN. From their standpoint I expect they will not discourage the building of poultry processing institutions or soybean processing institutions.

Senator CURTIS. They saw a great American Republic rise to strength under a protectionist theory, and they are imitating it now.

Secretary FREEMAN. They did not have to imitate it. They were ahead of us.

Senator CURTIS. They are doing exactly what we did when our Constitution was formed, we abolished tariffs between the States, and the first Congress put up a tariff around the United States.

Secretary FREEMAN. That is correct.

Senator CURTIS. And made it restricted, and the Common Market countries are doing that now. I am for them. I think it is a wonderful thing. I believe it will bring a unity in Europe and will be a bulwark against communism.

I think they lose respect for us when we do not think like Americans in dealing with them, but I think from their standpoint it is an excellent thing.

You say there is no export subsidy on soybeans. Do soybeans in any way receive any export benefits, shipping costs?

Secretary FREEMAN. Not in shipping costs, no; only to the extent that we have an active promotion program with the Soybean Association to further build markets in cooperation with them.

Senator CURTIS. You lump together cotton and soybean producers look to the export market for about 40 percent. Is it about 40 percent on each?

Secretary FREEMAN. That is right.

Senator CURTIS. But soybeans are in an advantageous position because Europe is short of vegetable oil.

Secretary FREEMAN. That is correct.

Senator CURTIS. Tobacco growers send about 30 percent of their tobacco crop abroad. How is that sold?

Secretary FREEMAN. There is no export subsidy on tobacco.

Senator CURTIS. What has been our traditional export of tobacco?

Secretary FREEMAN. You mean in terms of——

Senator CURTIS. Percentagewise? Is this 30 percent something new?

Secretary FREEMAN. Well, tobacco exports have been gaining—have benefited from a vigorous trade promotion policy. I could get the records.

Their exports have increased, and here we deal in the Common Market, of course, not with a variable fee.

Senator CURTIS. Have we ever had an export embargo on tobacco seed?

Secretary FREEMAN. Yes.

Senator CURTIS. Do we still have?

Secretary FREEMAN. Is it still in effect.

Senator CURTIS. When was that put into effect?

The CHAIRMAN. I introduced it.

Secretary FREEMAN. Way back when, 1903 or something.

The CHAIRMAN. I introduced it a great many years ago.

Senator CURTIS. I think it has been a wonderful thing. I am for these people that protect their own because, after all, the American people do not have much standing with their Government. They do fight the Government's wars, and they pay their taxes, and I congratulate my chairman for being interested in their welfare.

How much has been spent subsidizing agricultural exports in recent years? I would like the best possible figure that takes it all in, the export subsidy, the operation of 480, and the shipping costs, the costs of trade missions, and the whole business?

Secretary FREEMAN. I obviously do not have that figure at the tip of my tongue, Senator. We will try to get it for you.

Senator CURTIS. Give me for present purposes the best estimate you have, and then I would like to have you submit for the record a composite figure there where it is broken down and explained.

(The information referred to follows:)

Cost of financing agricultural exports under Food for Peace (Public Law 480) and export subsidy programs July 1, 1961, through May 31, 1962.

	Million
Public Law 480:	
Gross cost to CCC of financing sales of agricultural commodities for foreign currency under title I[1]	$1,212.7
Ocean transportation costs financed by CCC	88.3
CCC cost of commodities granted under title II	165.8
CCC cost of commodities donated under title III	191.7
Excess of CCC investment over exchange value of materials received under title III barter program	3.9
CCC cost of title IV sales in excess of anticipated dollar repayments	16.9
Total, Public Law 480	1,682.3
Cost to CCC of payment in kind and cash subsidies (excludes $249,800,000 PIK and cash subsidies included under gross cost of title I sales, above)	322.1
Total cost of Public Law 480 and export subsidy programs	2,004.4

[1] In payment for commodities sold under this program, foreign governments are required to deposit the equivalent of $907,000,000 in their local currency to the account of the U.S. Government. These currencies are used for various purposes authorized under sec. 104 of Public Law 480, such as payment of U.S. obligations abroad, agricultural market development, loans and grants for economic development, loans to U.S. and foreign private business, and other mutually agreed purposes.

USDA expenditures for trade fairs and other market development projects abroad amounted to $7,500,000 during fiscal year 1962.

Secretary FREEMAN. There is some duplication and overlapping on these figures, but let me just make a rough estimate.

The requirement of law of the using of U.S. bottoms runs about $100 million a year. The Public Law 480 program of Food for Peace runs about $1.4 billion a year.

Then we have export subsidies, and part of that is in the Public Law 480 figure, so let us discount that somewhat, and say that the export subsidiaries would be an additional $400 million. So this would end up with about $1.9 billion a year that we either have export subsidies or under Public Law 480 or in effect subsidizing the merchant marine.

Senator CURTIS. Now, this is the figure for that which moves into private hands; is that right?

Secretary FREEMAN. Everything is the same. It all moves through private hands.

Senator CURTIS. Does it include an outright gift that might be part of our foreign aid program?

Secretary FREEMAN. Well, under Public Law 480 we would have the sections in our disaster relief, we would have the sections that represent grants to our voluntary agencies like CARE and Church World Relief, and Catholic World Relief, that distribute food to people in various places. We would have school lunch programs as well as title I.

Senator CURTIS. Yes.

When you put in your complete figures, why, you put such breakdown in to make it reflect what it is.

Secretary FREEMAN. Surely.

Senator CURTIS. That will be all right, because I find it very hard to follow these figures on exports and imports, too.

I find that we carry as export items American merchandise sent to an American military post abroad but sold in their, what is it, PX, and that is listed as exports.

Secretary FREEMAN. I do not think agriculture is involved in that one, Senator.

Senator CURTIS. I know one place where it is. You know there is nothing that goes into candy but agricultural products. They use a lot of sugar, they use milk, dried milk, a lot of butter, and I am happy that they pay the support price on butter and support price on sugar and so on. But I——

Secretary FREEMAN. You don't have any support price on sugar.

Senator CURTIS. What is that?

Secretary FREEMAN. There is no support price on sugar.

Senator CURTIS. I should not say support. It is an American price. I think it is the finest part of the agricultural program. It is operated the best, the sugar part of it.

Secretary FREEMAN. I hope, Senator, you won't mind my commenting at this point that it also is a program that has the greatest controls of any agricultural program.

Senator CURTIS. It controls the foreigners in sugar, and that is what we abandon in this trade bill.

Secretary FREEMAN. It controls wages; the Secretary of Agriculture has 10 times as much power and control and alleged regimentation and

centralization in this than, for example, he has in the administration's farm program.

Senator CURTIS. Now, on wages that is not limited to the sugar bill. That is everyone who uses bracero labor; is it not?

Secretary FREEMAN. I am not talking about braceros. The Secretary of Agriculture sets the wages.

Senator CURTIS. I know he has, and that is the reason we have mechanized.

Secretary FREEMAN. They are very old. The reason they mechanized it is they ran far away from him.

Senator CURTIS. In the control of that we control the foreign imports, and without it it would not work.

Secretary FREEMAN. We control in detail and minutely the domestic production.

Senator CURTIS. Now, I mentioned sugar or candy; you might be interested to know that the American tariff on candy is 14 cents a pound. The Common Market tariff is 30 cents.

In Denmark it drops down to about 12 cents, but there is a little footnote that says that an import license is necessary and few are granted.

So I would like to ask you on what agricultural products has the Common Market already raised the tariff?

The CHAIRMAN. You will add to that poultry, I assume.

Senator CURTIS. I would add all agriculture.

Secretary FREEMAN. I would say poultry is only one of the products subject to a variable levy system. The other products subject to a variable fee system will also be involved. We also entered into some agreements, of course, when the negotiations were closed up in Geneva, some up and some down.

Senator CURTIS. What ones were up?

Secretary FREEMAN. I would have to—on balance I would have to— go right down the list—here is a whole list of them, of the results of the negotiations on agricultural items that took place at Geneva.

Senator CURTIS. Has that been made part of our record yet?

The CHAIRMAN. Yes.

Senator CURTIS. Now, that includes all agricultural products that were dealt with, that have been dealt with, in recent negotiations with Common Market countries?

Secretary FREEMAN. Yes.

Senator CURTIS. First, let me ask, is there already published a list of all agricultural products that are produced in commercial quantities in the United States?

Secretary FREEMAN. Yes.

Senator CURTIS. That is quite a voluminous list, it is not?

Secretary FREEMAN. It would be quite an extensive one.

Senator CURTIS. Can anybody give me an idea, because I do not want to make a request for publication here which is too expensive.

Secretary FREEMAN. How many commodities?

Senator CURTIS. Yes; how many commodities.

Secretary FREEMAN. Here is a book which runs into many hundreds of pages.

Senator CURTIS. Has anyone ever gone through that book and determined that if this bill is passed like it was passed by the House, on what agricultural products they would wipe out all tariffs, ascertained upon what agricultural products they could reduce the tariff below 50 percent, if not eliminate it, and upon what list they could reduce it by 50 percent? Has such a determination been made?

Secretary FREEMAN. I do not think such a determination could be made, Senator, because this will be a matter to determine item by item as negotiations are carried forward.

Senator CURTIS. No. I did not say what they would negotiate, but I am talking about the power in the bill.

First of all, items can be reduced 50 percent?

Secretary FREEMAN. That is correct.

Senator CURTIS. Then there are other items that you can go beyond 50 percent.

Then there is a further section that says you can wipe out a tariff that is less than 5 percent ad valorem. Has the Department of Agriculture ever listed those categories as they relate to agricultural products?

Secretary FREEMAN. We have categories of those that are less than 5 percent. In connection with those where there would be more than 50 percent, this is subject to the qualification that it would enhance our own trade in those items, and that they are items listed in the Agricultural Handbook and specified as agricultural items.

This, then, would be a matter of judgment which I do not believe anybody would be prepared to make at this point, on which ones we would strengthen our trade position, because there would be general factors to consider that you could not bring into focus at one time.

But the qualification is that you could not go beyond 50 percent unless the net result would be to strengthen our own markets.

Senator CURTIS. For what?

Secretary FREEMAN. Well, an example would be, let us say tobacco, which is a good example. If we believed that we might be able to bargain on tobacco to decrease the tariff in the Common Market countries, and by reducing our own tariff here. and that on balance we would strongly benefit in terms of the resulting markets.

Senator CURTIS. Now suppose a country——

Secretary FREEMAN. Soybean oil would be another one.

Senator CURTIS. Suppose a country makes a concession to us on a manufactured product. Could that be used for the purpose of justifying going beyond 50 percent. beyond a 50-percent concession, to the foreign country on an agricultural commodity?

Secretary FREEMAN. No. This is specifically restricted to the agricultural commodities listed in the Agricultural Handbook, and to the requirement that it expand our markets; and it would have to be on the same commodity, yes.

Senator CURTIS. Do you favor the provisions in the pending bill to eliminate the peril point procedures?

Secretary FREEMAN. I do not think they have been eliminated for all practical purposes. I think they are still there.

Senator CURTIS. Well, I doubt that your administration would accept, would favor, an extension of the existing law so far as peril point is concerned.

Secretary FREEMAN. I say—what I mean to say is that the mechanism set down in the present act will accomplish more effectively the purpose which was sought to be accomplished through the peril point in the present legislation.

Senator CURTIS. I think the peril point is eliminated pretty much.

Secretary FREEMAN. Well, in terms of the semantics; yes.

Senator CURTIS. And you favor it?

Secretary FREEMAN. Yes. I think so far as agriculture is concerned we will be in a strong position to protect, if the occasion arises, under the present act than we are under the act pending—than we are under the present law.

Senator CURTIS. Now, in your statement you said that agricultural exports reached a new high peak of $5.1 billion.

Secretary FREEMAN. Yes, sir.

Senator CURTIS. This $1.9 billion subsidy is a part of the $5.1 billion, is it not?

Secretary FREEMAN. That is correct. But we are comparing these figures with preceding figures that also included it, you see.

Senator CURTIS. Yes.

Secretary FREEMAN. This is not a new way of reporting, I am sure the Senator understands that.

Senator CURTIS. I understand that. I am not quarreling with the Department of Agriculture. I am quarreling with the idea that our agricultural exports are tied to accomplishments in the field of trade. They are tied to accomplishments in paying subsidies.

Secretary FREEMAN. Senator, I do not want to prolong this, but I think my statement also points out—let us take Public Law 480 programs that tie right into market developments and result in expanded trade.

Senator CURTIS. They are related to it.

Secretary FREEMAN. Spain in soybeans, Italy in wheat, these are two excellent examples; and I would make the prediction here that down the road in the developing countries we are going to create real markets, and this is our best hope in terms of expanding agricultural markets in the future.

Senator CURTIS. Well, now, what has been the trend in our imports of agricultural items up or down?

Secretary FREEMAN. They have grown, as our country has grown.

Senator CURTIS. Well, how have they grown in comparison to the population growth?

Secretary FREEMAN. I think about—I am just recalling now, but I think about—proportionate to population growth.

Senator CURTIS. Would you say that as to manufactured meats?

Secretary FREEMAN. This fluctuates a good deal depending upon our domestic market price.

Senator CURTIS. That there has been a tremendous increase in live animals and meat and meat products, has there not?

Secretary FREEMAN. There has been, yes.

Senator CURTIS. As a matter of fact, aren't most of our imports in manufactured food items rather than in the raw agricultural commodities?

Secretary FREEMAN. I do not think so. If you include certainly the so-called exotic, the coffee and cocoa, bananas, this is a very substantial part of it.

Senator CURTIS. Yes. I expect that is right. But definitely in the field of livestock and all kinds of meats it is the manufactured product that is and has been the big item of imports as compared to live cattle, for instance.

Secretary FREEMAN. Live cattle have had a very substantial increased importation; that is kind of like importing a raw material and then processing it, obviously.

Senator CURTIS. Has the Department of Agriculture made any study to ascertain the impact of agricultural imports upon our agricultural economy?

Secretary FREEMAN. Yes, pretty much on a community-by-commodity basis.

Senator CURTIS. Well, are imports of livestock and meats related—how much is that related to the number of livestock that would have to be produced in this country to replace that?

Secretary FREEMAN. I have before me a compilation that shows the percentage of U.S. production; that beef and veal, et cetera, as of 1962 were 7.5 percent of domestic production, and in 1961 it was 4.8 percent, which was, back in 1952 it was, 4 percent, and then it dropped a number of years and then it has climbed; it has been kind of a fluctuating thing.

Senator CURTIS. But the last 3 or 4 years it has been climbing, has it not?

Secretary FREEMAN. No. It dropped between 1959 and 1960 from 7.2 down to 4.8, and from 1960 to 1961 it climbed back up to 6.3, so it has been kind of a fluctuating thing, depending on domestic conditions.

Senator CURTIS. That is percentage of our production?

Secretary FREEMAN. Yes.

Senator CURTIS. In the overall, what is our percentage of surplus in this country?

Secretary FREEMAN. The total?

Senator CURTIS. Yes.

Secretary FREEMAN. We are producing in the negihborhood of 4 to 6 percent more than we have been up until 1961. In 1961 that was the first year since 1952 that we did not add to our surplus.

Senator CURTIS. Well now, we talked about the problem of surpluses. Isn't a surplus affected by something being imported to the same extent that that same item in the same quantity is produced in this country?

Secretary FREEMAN. No. The question, I think, Senator, if you will pardon me, is a little bit misleading. The things that we have in surplus are not items that we import.

Senator CURTIS. Well now, we imported some feed grains along the border, did we not?

Secretary FREEMAN. Very incidental amounts.

Senator CURTIS. But my point is that the importation of 100 bushels of feed grain has the same effect on our surpluses as the production of 100 bushels; isn't that right?

Secretary FREEMAN. I suppose if you consider it in a very short perspective; but if you review it in connection with the amount we might export at the same time to that same source, on balance we are ahead of the game in each of the commodities that is in surplus.

Senator CURTIS. And the importation of live cattle and hogs—I'm not sure about hogs, but live animals and all kinds of meat products—displaces that much production here.

Secretary FREEMAN. No, I do not think so.

Senator CURTIS. Why does it not?

Secretary FREEMAN. As long as the price has been fairly strong, which it has been in these commodities, why, production here domestically has been strong, and we have been able to absorb some of these items coming in from other countries. There is a small tariff which is applicable, and the reason that the amounts have fluctuated is because when our prices are good why, it comes in. When our prices are bad it does not.

Senator CURTIS. Well now, do you mean to say that a lady who goes into a market and buys foreign-produced sausages or cured meat, that she also buys the same amount of domestic produced, and that one does not replace the other?

Secretary FREEMAN. Not necessarily.

Senator CURTIS. In most instances they would, wouldn't they?

Secretary FREEMAN. I doubt it.

Senator CURTIS. Why is it that there are quite a few small and specialty packing plants that are facing a very serious situation because of the importation of manufactured and specialty meat products?

Secretary FREEMAN. I just don't think that condition exists, Senator; that is all.

Senator CURTIS. Well now——

Secretary FREEMAN. I do not think——

Senator CURTIS. Do you think when we import meats—and I use it in the broadest terms—that that is assimilated in the increased per capita consumption, and it does not result in a cutdown of domestic production?

Secretary FREEMAN. I think that is, by and large, correct.

Senator CURTIS. You do?

Secretary FREEMAN. Yes, sir.

Senator CURTIS. Do you think it is true in reference to cotton and textiles that when someone buys an article made of Japanese textiles that that reflects an increased per capita consumption for the purchase of textiles and it does not replace the American product?

Secretary FREEMAN. I think in some instances in textiles, why it has, and does.

Senator CURTIS. I would doubt it very much if to any great degree in the field of food it does not replace domestic production.

Secretary FREEMAN. I just would not agree with you. Not in foods in these meats which are specialty items, on the one hand, or very low grade items that we do not produce in sufficient quantity, on the other hand, and at least if you direct your attention to beef and veal, I do not think that the results you feel flow from our imports actually result.

Senator CURTIS. Well, I will not take further time on that point. There is one other thing, if I can put my hand on it in just a moment.

In your statement, you say:

> In conclusion, I want to emphasize that a liberal trade policy helps American farmers to capitalize on their export market potential.

What do you mean by "a liberal trade policy"?

Secretary FREEMAN. Well, to be very specific, what I have in mind is the kind of a trade policy in Western Europe, particularly in the Common Market countries that will not apply, first, a very artificially high support level like $3 wheat and then on top of that a variable fee which will cut out and make it impossible for us to sell any wheat in Western Europe.

Senator CURTIS. That is what they are doing now, is it not?

Secretary FREEMAN. That is what is potential, it is not what they have done, but what might happen.

Senator CURTIS. Yes.

As I understand your questioning with the distinguished Senator from Indiana it was that you were asking that we give the President authority to make concessions in order to get them to promise not to increase their tariffs or impose nontariff barriers.

Secretary FREEMAN. Obviously, any kind of negotiating involves a give and take to reach a mutually beneficial result.

Senator CURTIS. I think that the designers of this program over the years have been most unrealistic. We have started in and reduced and reduced and given the President more authority, and now he wants a lot more. It used to be contended that they would get the other country to lower their tariffs.

Secretary FREEMAN. They have.

Senator CURTIS. Now you come in here and ask for authority to allow us to further lower ours to keep the other nations from raising it.

Secretary FREEMAN. That was not an accurate statement, Senator.

Senator CURTIS. That is what you told the Senator from Indiana.

Secretary FREEMAN. You must not have been listening very closely.

Senator CURTIS. No, I listened very closely.

Secretary FREEMAN. That misconstrues the whole thrust of the statement I made. That is not what I said at all.

Senator CURTIS. Just in the last minute or two you said that the Common Market posed a potential threat of their doing these things, and we hoped to make concessions to prevent this from happening.

Here is what you say about the Common Market, and I think it is a good description. You say that you can see that under this system Common Market domestic producers of commodities subject to variable levies could have absolute protection against imports, depending upon price support levels. In other words, EEC producers will be guaranteed a market for all they can produce at price levels fixed by the Government. Obviously the pressures for internal prices and, therefore, decreased imports will be greater.

I think you have described it very aptly.

Secretary FREEMAN. Thank you.

Senator CURTIS. I think that the Common Market is, in effect, raising a barrier, additional barriers, of various kinds, tariffs and nontariffs against our agricultural exports to their countries.

Does this Government know yet that England is going to go into the Common Market?

Secretary FREEMAN. No, sir.

Senator CURTIS. Will it make a difference to us agriculturalwise the conditions upon which they go in, if they go in?

Secretary FREEMAN. Yes, it will.

Senator CURTIS. Is there any advantage to be gained by the Congress, where this authority originally rests, waiting to see whether or not England goes in and under what conditions she goes in as it affects the great agricultural potential of the Commonwealth countries?

Secretary FREEMAN. I think it would be a very serious mistake, and I would emphasize this as strongly as I could in the interests of all American agriculture, certainly the commodities that are subject to the variable fee, certainly to the wheat farmer in your State and in mine, if this Congress waits.

It would put us really in difficulty and far, far behind in the ball game. I think the time is of burning essence for American agriculture——

Senator CURTIS. Now, explain that. What agreements are going to be entered into this fall?

Secretary FREEMAN. The negotiating, Senator, that is going on now in connection with the terms under which the United Kingdom will go into the Common Market are of tremendous concern to American agriculture. We are sitting on the sidelines and this Congress, in effect, says, "we are not interested," if Congress says that, why, we will, I think, lose——

Senator CURTIS. It is because we are interested we want to know what the facts are as they develop, that is what I am suggesting.

My question is, What agreements will be entered into by the United States in the remainder of this year?

Secretary FREEMAN. Well, the point is if we do not have additional bargaining authority that we can utilize we will not be in a position to even give indications to these countries as to what we might be willing to do or likely would be willing to do or won't be willing to do, and with this act we will be able to influence agreements under which the United Kingdom goes into the Six, and I really feel that it is of tremendous importance that we should do this because if we sit on the outside and wait until the arrangement is all made, why then, we really will be outside looking in.

Senator CURTIS. My question is, What agreements do you expect, does the United States expect, to enter into in this calendar year?

Secretary FREEMAN. One example would be that either this fall or early next year we have an agreement to open negotiations on wheat.

Senator CURTIS. With whom?

Secretary FREEMAN. With the Common Market. If we do not, if we have not passed this bill our hand at the bargaining table will be greatly weakened in those negotiations.

Senator CURTIS. Do you expect an agricultural trade agreement to enter into the Common Market this fall?

Secretary FREEMAN. Pardon me, do I expect what?

Senator CURTIS. Do you expect a trade agreement to be executed with the Common Market this fall?

Secretary FREEMAN. We expect to open negotiations with the Common Market this fall; yes.

Senator CURTIS. I imagine you are in continuous negotiations.

Secretary FREEMAN. Well, in a very informal sense, but formal bargaining negotiations will be undertaken in looking toward some

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kind of an agreement, and we want to have all the tools at hand so we can do something for our wheat producers.

Senator CURTIS. Well, now, what countries are in the Common Market that are self-sufficient in wheat?

Secretary FREEMAN. Probably only one really, France.

Senator CURTIS. Does it have a surplus?

Secretary FREEMAN. France has, yes.

Senator CURTIS. The rest of the Common Market countries will have first call on that, won't they?

Secretary FREEMAN. As it now stands; yes.

Senator CURTIS. Well, they will have, won't they?

Secretary FREEMAN. In France, on France's price level, yes.

Senator CURTIS. What is the support price over there on wheat?

Secretary FREEMAN. In France about $2.30; in Germany about $3.

Senator CURTIS. West Germany?

Secretary FREEMAN. $3.

Senator CURTIS. At what price do we expect to export there?

Secretary FREEMAN. I expect in the neighborhood of $2 a bushel where our hard wheats are concerned.

Senator CURTIS. Is it our purpose to undermine the price of wheat in Germany?

Secretary FREEMAN. It is our hope that the price of wheat in Germany will come down to the price of wheat in France.

Senator CURTIS. What is the price of wheat in France?

Secretary FREEMAN. $2.30.

Senator CURTIS. And we would export to them at below either price?

Secretary FREEMAN. If you cannot compete on a price level, why, you do not have any trade.

Senator CURTIS. To continue this export of wheat, do you expect to use the export subsidy?

Secretary FREEMAN. Yes.

As a matter of fact, the present farm bill pending before the Senate will provide for the export of some wheat at the world price without subsidy, and it hopes to move in that direction.

Senator CURTIS. How is the amount of the subsidy determined?

Secretary FREEMAN. It is determined based upon what it will take to be competitive in relation to other exporting countries?

Senator CURTIS. Really the important thing in whether or not we export wheat is the continuation of the subsidy, isn't that correct?

Secretary FREEMAN. We would not sell much wheat today if we did not have an export subsidy, that is correct.

Senator CURTIS. That is what I mean.

I think this program here is greatly oversold. I think it is a subsidy we have to have to get rid of it.

That is all, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Secretary. You have been very frank and very well informed.

Secretary FREEMAN. Thank you, Mr. Chairman.

The CHAIRMAN. We will recess now until 10 o'clock in the morning.

(Whereupon, at 1:35 p.m., the committee adjourned, to reconvene at 10 a.m., Thursday, August 16, 1962.)

TRADE EXPANSION ACT OF 1962

THURSDAY, AUGUST 16, 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, Long, Douglas, McCarthy, Fulbright, Hartke, Williams, Carlson, Bennett, and Morton.

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 the Honorable George W. Ball, Under Secretary of State.

You may proceed, sir.

STATEMENT OF HON. GEORGE W. BALL, UNDER SECRETARY OF STATE; ACCOMPANIED BY LEONARD WEISS, DIRECTOR, OFFICE OF INTERNATIONAL TRADE AND FINANCE, DEPARTMENT OF STATE; AND ABRAM CHAYES, THE LEGAL ADVISER, DEPARTMENT OF STATE

Mr. BALL. If it is agreeable to the chairman, I have a statement I would like to read.

Mr. Chairman, I appear at the end of a long and comprehensive hearing in which the committee has had the benefit of the views of a large number of witnesses representing various aspects of the complex U.S. economy. I shall try not to repeat the arguments you have already heard, either from private witnesses or from my colleagues in the executive branch. I shall try instead to supplement their testimony, addressing myself to the significance of H.R. 11970 as an instrument to serve American policy over the next 5 years and commenting also on certain specific problems that have arisen in the course of these hearings.

The Trade Expansion Act of 1962 is in the great tradition of the reciprocal trade agreements program first conceived by Cordell Hull almost 30 years ago, but it has been drafted to take account of the requirements of our national policy in a world that has undergone, and is still undergoing, swift and pervasive change.

Since the end of the Second World War, the political and economic shape of the world has been altered more profoundly than in any two centuries in the past.

An Iron Curtain has been erected to form a cage around one-third of the human population.

Relationships among the other two-thirds have been radically revised. The great colonial systems that controlled the destiny of more than half of the people in what we have come to call the free world have either disappeared or are on their way toward ultimate disappearance—to be replaced by a whole geography book of new independent nations (46 since 1943) that are shaping a new set of relations with the old colonial powers based on the principle of mutual self-respect.

These former colonial powers—our allies, the great industrial nations of Western Europe—far from being weakened or destroyed by the passing of this outmoded form of power relationship have instead turned their energies with remarkable success toward the monumental task of building a strong and united Europe.

By the mutual consent of peoples expressed in the Treaty of Rome—which is the organic document of the European Economic Community—six nations of Europe have achieved a greater unity today than could ever be imposed by military might in the past, and this new "Europe" may soon be expanded.

As you know, negotiations are now in progress between the United Kingdom and the member states of the European Community. The negotiators have already achieved a wide measure of agreement. They have recessed their deliberations until next month. I had the opportunity just 4 days ago to confer in Paris with our representatives stationed in the capitals of the negotiating states.

On the basis of the reports I received—and taking account of the spirit of good will and the determination to succeed manifested by all parties in the negotiation—I am persuaded that solutions can be found to the problems that remain.

If, as appears likely, the current negotiations lead to the accession by the United Kingdom to the Treaty of Rome, the Common Market will embrace a population of about one-quarter of a billion people, with a gross national product exceeding $340 billion. It will be an expanding market. The creation of internal free trade within the area of the community is giving a new energy both to industry and agriculture.

Since the end of the Second World War, consistently through three administrations, the United States has encouraged and supported those forces in Europe pressing toward unity. Our interest in a united Europe, our interest in the European Economic Community, is primarily political.

We recognize, as President Kennedy so eloquently said on the Fourth of July in Philadelphia, that the United States and the great nations that are forming the new Europe are interdependent, and that a united Europe can be and I quote him, a—

partner with whom we can deal on a basis of full equality in all the great and burdensome tasks of building and defending a community of free nations.

II

In current discussions of the European Economic Community there is sometimes a tendency to think only of the most conspicuous of its

achievements; to regard it merely as a customs union, a commercial arrangement for the advancement of the trading interests of the member nations. Yet the main driving force that has brought the community into being has stemmed from larger aspirations—a relentless drive toward the ancient goal of a United States of Europe.

Signatory nations to the Treaty of Rome have taken far-reaching commitments. They have agreed not only to create a Common Market but also to undertake a wide spectrum of common action covering all aspects of economic integration—including the concerting of monetary and fiscal policy, the harmonization of social security systems, the development of a common antitrust law, common provisions for the regulation of transport, the free movement not only of goods but of labor, capital, and services, and so on.

Equally as important, they have created a set of institutions, comprising an executive in the form of a commission and a council of ministers, a parliamentary body in the form of an assembly, and a court—the court of justice of the community—that by its decisions has already begun to build up a formidable body of European jurisprudence.

If we think of the European Community not as a static concept, but as a living process, we can begin to comprehend its larger political implications. If the negotiations for British accession to the community succeed, we shall have on either side of the Atlantic two enormous entities; on our side, a federation of states tied together by developed institutions and a century and a half of common experience to form a nation that is the world's leading power; on the other, a community of states, trading as a single market, and seeking among themselves to perfect the common policies and institutional arrangements that can lead toward increasing economic and political integration.

Between them these two entities will account for 90 percent of the free world's trade in industrial goods and almost as much of the free world's production of such goods. Between them they will represent the world's key currencies; they will provide the world's principal markets for raw materials; and they will constitute the world's principal source of capital to assist the less-developed countries to move toward decent living standards.

The degree of interdependence between the great economies flanking the Atlantic—the interdependence to which President Kennedy so eloquently adverted—has been demonstrated repeatedly in recent years. Imbalances within the trade or payments arrangements among the major economically advanced nations can create serious problems. Our own troubling and persistent balance of payments deficit is, in a very real sense, the mirror image of surpluses in the accounts of certain of our European friends.

We have been working to achieve a high degree of coordination of domestic economic policies through the OECD in order to minimize these imbalances just as we have been working with our European friends through NATO to achieve an effective defense of the free world and through the Development Assistance Committee of the OECD to coordinate national programs for aid to less-developed countries.

III

If the growing partnership between the United States and the new Europe is to result in the strengthening of the free world, our pursuit of common policies on the two sides of the Atlantic must be extended to the construction of a new and more liberal set of commercial relationships.

We in the United States have much to gain by this. For many reasons the development of the European Common Market will provide an unparalleled opportunity for the sale of our products. Our trade with the nations of an expanded community is today very much in our favor. Our exports of all products to the member nations are about 50 percent higher than our imports. Most Europeans are only just beginning to enjoy many of the consumer goods Americans have known for years—automobiles, electric refrigerators, air conditioning, and so forth. Using automobile ownership as an index, one may say that the European market is about at the level of consumer demand which existed in the United States in the late 1920's—and think of the expansion which has taken place in our market since that day.

We alone in the free world have fully developed the techniques of mass production, for we alone have had a great mass market open to us. If American industry invests the will and energy, and if access to the Common Market can be assured to it by the tools provided by the Trade Expansion Act, we should find in Europe new trading opportunities of a kind not dreamed of a few years ago.

I do not mean to suggest that the development of the European market for American products will be easy. It will require a considerable effort of merchandising of a kind few American firms have ever attempted in Europe because in the past the potential of limited national markets has never seemed to justify the trouble.

It will require us to do much more than merely ship abroad the surplus of the goods we produce for Americans. It will mean far greater attention to the tailoring of products designed expressly for European tastes and European conditions.

But there is no reason why American industry should not continue to display the vitality and creativeness that have marked its performance in the past. Industrial research in the United States continues on a level substantially higher than that of Europe.

Each year American industry creates products and processes responding to the high living standards of our people and creating in turn the improved production techniques that can push those living standards higher still. Our machinery industry is generating a continuous stream of new inventions for export to the world through our acknowledged leadership in mass production systems.

For we are a creative nation, and there is every reason to suppose that we shall remain so. We respond with vigor when the challenge is great enough. That we can turn our creative genius to use in this new and promising mass market of Europe, I have no doubt. The gains for the American economy will be extraordinary.

IV

You will understand, therefore, that when I said earlier in this statement that America's primary interest in the European Economic

Community was political I was not at all underestimating its economic implications.

Consider the opportunities for us.

By the mid-1950's Europe had effectively completed the major task of postwar reconstruction—assisted, of course, by the Marshall plan. European production was back to the level of prewar days. Since that time, it has been given a prodigious impetus by the bright promise of a common market.

During the last 4 years (1958-61), the six nations of the European Community maintained an average annual rate of growth of slightly more than 5 percent. This contrasted with our own average annual rate of growth during that same period of 3.6 percent.

In spite of some signs of a slowing down, this extraordinary drive continues. As the full economic benefits of a mass market are progressively made available, Europe may be expected to continue its giant march toward a higher living standard.

Stated in truly commercial terms, what is the consequence for us? It is essentially this: Once an area adopts internal free trade, the producers in that area will necessarily be at an advantage in selling in that market over producers outside. We in the United States with our own great market should understand this point. When the European Common Market becomes fully effective, a manufacturer in Detroit selling to a customer in Dusseldorf will be at this disadvantage as against a manufacturer in Milan: he will have to sell his goods over a common external tariff while the manufacturer in Milan will not. But we should not forget that a manufacturer in Dusseldorf selling to a Texas customer today is at a similar disadvantage as against the manufacturer in Detroit. He has to sell his goods over the barrier of our own common external tariff while the producer in Detroit does not.

Granted the existence, therefore, of this common external tariff—which is inherent in any common market, whether that of Europe or that of the United States—what is the measure of its disadvantage to us? That measure, of course, is the level of the common external tariff.

V

A major purpose of the Trade Expansion Act is to provide the President with effective tools for bringing about the progressive reduction of this common external tariff in order to make it possible for producers in the United States to sell their goods in the European Common Market on a basis competitive with European domestic producers.

This committee is quite properly concerned that the President have tools that are adequate for the task. In appraising the adequacy of the tools provided by H.R. 11970 it is necessary to have in mind the elements that enter into the bargaining position of the United States.

First, the United States exports more goods and services than any other single nation.

Second, it enjoys a substantial surplus on merchandise account. That surplus in 1961 amounted to about $3 billion after deducting goods and services finance under our foreign assistance programs.

Third, the U.S. domestic market is the world's greatest mass market.

Fourth, the United States is the leading nation of the free world with all that that implies in terms of political power and responsibility.

Taken together these elements define our bargaining potential and indicate the direction in which we must proceed. The vast size of the American market is, of course, the central source of our bargaining strength, as it has been since the beginning of the trade agreements legislation.

Our ability to offer access to that market is a bargaining counter of great value. The Trade Expansion Act contains provisions specifically designed to enable that bargaining counter to be employed effectively in opening great new opportunities for our own producers in the rapidly expanding mass market of Europe.

It has been suggested in the course of these hearings that we could have made better use of that bargaining counter in the past if we had not concentrated merely on using access to our market as a carrot but had employed the threat of exclusion from our market as a stick.

This has led to certain questions. Why wouldn't it be well to include provisions in the present bill to empower or direct the President to threaten increases in existing tariff levels in order to induce foreign governments to reduce their own tariffs? Or, again, why shouldn't the legislation direct the President to employ tariff increases or other restrictive devices as a means of retaliation in every case where foreign governments maintain restrictions against our exports that are discriminatory or otherwise unjustifiable?

Let me say, first of all, that I regard retaliation as an appropriate course of governmental action in two types of situations. The first can be illustrated by our current experience. Certain European governments are now imposing quantitative restrictions, inconsistent with international obligations, on our exports of various horticulture products. Having exhausted all the avenues of persuasion to secure their removal, we are now setting procedures in motion that will enable us to take retaliatory action against two countries if those restrictions are not withdrawn.

The second type case is where a foreign government withdraws concessions that it has made to us in trade negotiations and proves unwilling to offer compensation that we consider adequate. In such circumstances, we are quite justified in retaliating by withdrawing commensurate concessions on other products.

But while I do not reject retaliation in principle, I am convinced that it should be employed very sparingly. There are two compelling reasons for this.

The first is that retaliation rarely succeeds in its objective—the removal of restrictions on American products.

It can be assumed that nations which continue to maintain restrictions in the face of persistent efforts by other nations to secure their removal are compelled to do so for powerful domestic reasons. Otherwise, they could be expected to withdraw those restrictions when confronted by economic and political pressures, expressed either bilaterally or in the framework of mobilized world opinion within the forum of the GATT. It is an illusion to believe that they can be coerced into abandoning those restrictions by the threat of retaliatory

action against exports of certain of their other products not directly related to the domestic basis for the restriction.

This conclusion finds support in our own recent experience. When the United States found it necessary to increase the duties on carpets and glass following escape clause proceedings, certain of the nations affected rejected our offer of compensation and resorted to retaliatory action. Since the U.S. decision in the first instance was taken for what our Government regarded as adequate reasons, in the light of conditions prevailing in the particular domestic industries, the original decision was not affected by this retaliatory action.

A second reason why we must employ retaliation very sparingly is that it runs counter to the commercial policy objectives that we have pursued to our great benefit for almost 30 years. One axiom is clear in relations among nations, as it is among individuals: Retaliation breeds retaliation.

For this reason it has been generally rejected as an instrument of commercial bargaining among the major nations of the free world. The United States must not undermine this principle. Because of our recognized leadership and our preponderant world position, we are a major factor in setting the tone for commerical practices among nations. If we were to use retaliation without great circumspection and restraint, we could very well set off a chain reaction that would bring about the closing of markets against our exports all over the world.

Not only would we assume a grave responsibility by destroying the liberal trading climate which has been so carefully developed over the last 3 decades, but we ourselves would be the principal loser.

As a nation with a strongly favorable trading balance we benefit greatly from the expansion of world commerce. We can be just as gravely hurt by its contraction.

This principle applies not only to retaliation against actions that foreign governments have already committed, but it also applies to the use of the threat of new restrictions as a weapon at the bargaining table. We should not ignore the fact that while U.S. tariffs are lower on some products than those of the EEC, they are higher on many others.

If we threaten to raise our tariffs, we invite counterthreats. For us to violate practices that have been established for years and attempt to employ threats of raising our tariffs for bargaining purposes would be self-defeating.

The conclusions from this appraisal seem clear enough. If we are to expand our trade around the world, we must work toward the progressive liberalization of markets within the framework of existing bargaining practices. We must concentrate on reaching sound reciprocal bargains in which advantages are exchanged for advantages and not sought through threats.

This does not mean that we need, or should, limit ourselves to bargaining on the basis of commercial considerations alone. We should—and we do—supplement our commercial bargaining power with all the political and economic resources at our disposal when nations maintain restrictions against us that are in violation of their international commitments.

Commercial relations with other nations are a part of the mainstream of foreign policy and cannot be divorced from it. They are an essential element in the structure of international relationships—economic, military, and political.

I should like to emphasize to this committee, for example, that the progress we have so far made in bringing about the elimination of quantitative restrictions on many products would have been impossible had we not employed our economic and political leverage in this effort—not merely through our diplomatic missions abroad but also through high-level representations by the Secretary of State and other officials of the State Department and even, when the occasion required, by the President himself.

Years of experience have shown that the essential basis for the maintenance and advancement of American commercial interests around the world must, in the final analysis, ultimately depend upon the linkage of those interests to our vital political and economic relations.

VI

In the light of these considerations, we are satisfied that the tools provided for in H.R. 11970 are well designed and fully adequate to enable the U.S. Government to advance its trading interests effectively. No additional authority is required.

Moreover, the record is clear that, over the years, the U.S. Government has successfully employed the tools which Congress has furnished it to advance our commercial interests at the bargaining table. Today the two great common markets of the free world—the emerging Common Market of Europe and the established common market of the United States—maintain, with respect to industrial goods, about the same level of protection from outside competition. This fact has been demonstrated by recent studies, including those of the Tariff Commission and the Department of Commerce.

In suggesting that the average tariff rates on industrial imports are roughly similar in these two great common markets, and that the median rates of duty are about the same, I do not mean to imply that the two areas have the same tariff structure.

Our own tariff rates range from the very low to the very high. We admit nearly 1,000 of the 5,000 items on our tariff schedule on a duty-free basis. As the same time, there are about 900 items on which we levy a duty of 30 percent or more. Products governed by such high rates are largely excluded from the American market, while the duty-free items to a considerable extent are products not suited to production in the United States.

The common external tariff of the European Community has a quite different structure, because it has been developed, under the provisions of the Rome Treaty, by averaging the rates that existed at the beginning of 1957 in France, Germany, Italy, and the Benelux Customs Union. As a result of this averaging process, practically all the high tariff rates existing in the individual countries have been greatly reduced. Whereas over one-sixth of the rates in the United States are above 30 percent, less than one-fiftieth of European rates are above 30 percent. There are few rates in the European Community as protective as many rates in our own tariff schedule; at the same time, there are fewer items on the free list.

The foregoing facts are significant for two reasons. In the first place, they show that in any new trade negotiation, the United States and the European Community would be starting at substantially the same levels of protection. It should be possible to phase down the levels of protection, and by this I mean industrial protection, at roughly the same pace.

But these facts also demonstrate that, contrary to the prevailing mythology, our trade negotiators have effectively defended U.S. interests. There is a tendency in discussing these matters to cite rates that are markedly higher in Europe than in the United States—such as the current rate on automobiles, and this is the classical case which is 22 percent under the common external tariff of the Common Market, and only 6½ percent under the U.S. tariff. But one should not ignore cases where the reverse is true, such as clocks and watches where our rate is 51 percent, and the Common Market rate is one-fourth as much—or such items as safety razors where our rates run from 85 to 255 percent and the Common Market rate is 17 percent, and there are many other such examples.

I would not, therefore, put much stock in the myth that America has been improvident in past negotiations and that our negotiators have consistently gotten the worst of it.

Such a view does more credit to our modesty than our judgment. Speaking for the Department of State, which has had the major responsibility for the actual negotiation of trade agreements, I can assure you quite categorically that this belief is held nowhere outside of the United States. It is a myth that stops, so to speak, at the water's edge.

The officials of our Government, who over the years have participated in trade agreement negotiations, have served their country well. If this were not so, we could expect to find the tariff rates of Europe today well above those of the United States—and they are not.

VII

The observations I have made so far have been principally in terms of maintaining our export market for industrial goods. But there is no problem in connection with our trade policy that has claimed more time and attention in the State Department and, of course, the Department of Agriculture, as Secretary Freeman testified yesterday, than the maintenance and expansion of access to the European market for our agricultural products. The United States has a wonderfully efficient agriculture, as this committee well knows. Our commercial agriculture exports to the countries that would make up an enlarged Common Market amounted last year to $1.6 billion. They represented nearly half of the total commercial exports of U.S. agricultural products to all countries. By commercial exports I exclude, of course, Public Law 480.

Our agricultural imports from that same area—the enlarged Common Market—totaled only about $200 million or one-eighth as much as our exports.

Two developments have an important effect on our continental position as a major supplier of farm commodities to Europe. One is the technological revolution in agriculture, which Europe is only now

beginning to experience. Just as the United States has enjoyed a tremendous growth in agricultural productivity as a result of new scientific techniques, so is Europe now proceeding along the same path. Over the long pull we can expect Europe to produce more grains and other temperate zone products with fewer farmers. Though the vitality generated by the Common Market may accelerate this trend, and I believe has accelerated this trend, it is a trend that would have existed even in the absence of the Treaty of Rome.

Another factor affecting our position is the common agricultural policy developed by the Common Market countries early this year after the most intense and difficult negotiations. Those countries began on July 30 to put this common agricultural policy into effect. By 1970, there will be free trade in virtually all agricultural products among the member states.

These are the two key factors that we must take into account in seeking to maintain the U.S. position as a principal supplier of agricultural products to the crucial markets of Western Europe—but there are also others of only slightly less significance. With the steady growth of personal income Europeans will tend to shift toward a greater consumption of protein and a reduced direct consumption of cereals. Since a pound of meat reflects the consumption by the animal concerned of several pounds of cereal, this shift may well mean a substantially increased requirement for certain cereal imports—but at the expense of others.

The extent—if at all—to which an advancing agricultural technology will move Europe toward a higher degree of self-sufficiency in its food requirements—to the disadvantage of imports—will depend upon the price and access policies that the European Community may adopt. It is with respect to both these policies that negotiations under the Trade Expansion Act can be of critical importance. At the same time it is clear that the major producing and consuming nations must face the hard necessity of achieving global solutions to the difficult problems that exist in certain agricultural sectors.

In insuring a bright future for our agricultural exports we shall need all the bargaining counters we can mobilize—and the proposed Trade Expansion Act was drawn with this fact firmly in mind.

VIII

I have, up to this point, dealt largely with our vital trading interests in Western Europe, but I have very much in mind the fact that our direct trading interests as well as our security interests are global in scope. We need to expand our exports to markets throughout the free world. We have important trading partners in many areas. I need only mention that our trade with Canada alone is of the same order of magnitude as our trade with the six member states of the Common Market.

Across the Pacific, Japan is a major market for manufactured goods and the most important single customer anywhere in the world for our agricultural exports. Last year we sold to Japan nearly $700 million more in goods of every kind than we bought from Japan—to the great benefit of our balance of payments.

The Trade Expansion Act of 1962 will provide effective authority for negotiations with these countries—as well as with the less developed countries and the Common Market.

IX

There is one respect in which we feel that the bill as passed by the House should be substantially amended. In its present form, section 231 would require the President to deny most-favored-nation treatment to imports from Poland and Yugoslavia. Such treatment is presently extended under the provisions of existing law. We strongly urge that the President continue to have the ability to grant most-favored-nation treatment to those countries where he finds this would be in the national interest.

The Congress dealt with substantially the same issue in recent weeks, when it provided for the inclusion of similar Presidential flexibility in the foreign aid bill. I need not repeat the reasons underlying that decision, since this committee is fully familiar with them.

Those reasons apply with equal force to H.R. 11970. They are political in character. Although the dollar value of trade with Poland and Yugoslavia is not large, the symbolic meaning of most-favored-nation treatment is of major importance for both countries. To deny them that treatment and subject their trade to the Smoot-Hawley tariff would mean the repudiation of an established policy—which we have followed in the case of Yugoslavia for 14 years.

About 70 percent of Yugoslavia's trade is with the West. Today it is seriously worried about its ability to maintain those trade lines with the free world, since it is not a member of the European Common Market although adjacent to it. For us to reverse our established policy would mean to tie both Yugoslavia and Poland more tightly to Moscow at a time when there are clear signs that the new generations in those countries are becoming ever more Western-minded.

For these reasons I strongly recommend that this committee act favorably on the administration's proposed amendment to section 231, which is designed to restore the Presidential flexibility that exists in the present law.

X

Let me now return for a final moment to the proposition I put to you at the beginning of these observations: that the Trade Expansion Act should be viewed not merely as an instrument for expanding free world commerce and thus benefiting our own economy, but as a solemn political act taken in recognition of the undeniable fact of the interdependence of the free world and of the need for forging an effective Atlantic partnership if the free world is to be strong and secure.

With the progress of Europe toward unity we have for the first time the possibility of a partnership that can become, over the years, a common enterprise in which responsibility can be fully and freely shared. With the prospects of a strong and united Europe we can, for the first time, see the possibility of a partnership of equals.

Already we are making substantial progress within that partnership in tackling a broad spectrum of common problems: the coordination of economic policies to avoid persistent imbalances, the perfection of techniques for meeting our common responsibilities toward the less-developed areas of the world, agreement on common objectives of economic growth. Through the Trade Expansion Act we

should move rapidly ahead in a further vital area—the expansion of trade not only across the Atlantic but within the whole free world.

And by moving toward this great objective on a basis of agreements reached after patient bargaining we should establish a further strong link among those nations on whom the security of the free world largely depends.

Thank you, Mr. Chairman.

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

You discuss the question of retaliation and mention, of course, the increase in duties on carpets and glass.

Would you give to the committee a statement of the quotas that have been established or actions taken with respect to retaliation or whether they were prompted by retaliation or by other cause?

Mr. BALL. The situation in the case of carpets and glass, of course, was not a matter of retaliation taken by the United States but taken by the European countries against us.

You have in mind the retaliation taken against us or the retaliation we have taken against other countries?

The CHAIRMAN. The Chair would like to know what quotas have been established whether for retaliation or for other purposes.

There are some quotas have been established, I understand, for the purpose or protecting American industry.

Mr. BALL. Yes.

The CHAIRMAN. Is there a quota on oil?

Mr. BALL. We have an import quota on oil which is established under the national security clause of the trade legislation.

The CHAIRMAN. What quotas have been established? The Chair was responsible for an amendment relating not only to national security but to national welfare. What quotas have been established under that authorization relating to national welfare?

Mr. BALL. The only quota that has been established under the national security provision——

The CHAIRMAN. I am not speaking of the national security.

Mr. BALL. And the national welfare clause.

The CHAIRMAN. The national welfare is supposed to relate to the domestic situation.

Mr. BALL. That is right.

The CHAIRMAN. And the national security relates to our military.

Mr. BALL. That is right, sir.

Quotas on lead and zinc, quotas on oil and petroleum products. I think those are the only two. Then under section 22 of the Agricultural Adjustment Act there are quotas on various agricultural products such as wheat, quotas on certain types of cheese, and other agricultural products.

The CHAIRMAN. How many quotas are in existence now?

Mr. BALL. I would be glad to insert it for the record, a complete statement of the quota situation.

(The following was later received for the record:)

U.S. import quotas, August 1962

Commodity	Annual quota	Date of effect	Basis of action
AGRICULTURAL PRODUCTS			
Dairy products:			
Butter .... pounds..	707,000	July 1, 1953...	Sec. 22, Agricultural Adjustment Act.
Dried whole milk .... do....	7,000	....do........	Do.
Dried buttermilk .... do....	496,000	....do........	Do.
Dried cream .... do....	500	....do........	Do.
Dried skim milk .... do....	1,807,000	....do........	Do.
Malted milk, and compounds or mixtures of or substitutes for milk or cream. do....	6,000	....do........	Do.
Cheddar cheese and substitutes for cheese containing or processed from Cheddar cheese. do....	2,780,100	....do........	Do.
Edam and Gouda cheese .... do....	9,200,400	....do........	Do.
Blue-mold cheese (except Stilton) and substitutes for cheese containing or processed from blue-mold cheese. do....	4,450,000	....do........	Do.
Italian type cheeses—made from cow's milk original loaves (Romano made from cow's milk, Reggiano, Parmesano, Provolone, Provolette, and Sbrinz). pounds..	11,500,100	....do........	Do.
Articles with 45 percent or more butterfat:			
Butter substitutes, including butteroil containing 45 percent or more butterfat. pounds..	1,200,000	Apr. 15, 1957..	Do.
All articles containing 45 percent or more butterfat, except those articles already subject to quotas, cheese, evaporated or condensed milk and products imported in retail packages. do....	0	Aug. 7, 1957...	Do.
Cotton:			
Upland type .... do....	14,516,822	1939........	Do.
Long staple	....	....do........	Do.
(a) 1⅛ inches or more .... do....	39,590,778	....do........	Do.
(b) 1⅛ inches but less than 1⅜ inches .... do....	6,065,642	....do........	Do.
Cotton waste .... do....	5,482,509	....do........	Do.
Cottonpicker lap .... do....	1,000	Sept. 11, 1961..	Do.
Peanuts (shelled, unshelled, blanched, salted, prepared or preserved). do....	1,709,000	July 1, 1953...	Do.
Sugar .... tons..	9,700,000	1934........	Sugar Act.
Wheat .... bushels..	800,000	May 28, 1941..	Sec. 22.
Wheat products (flour, semolina, crushed and cracked wheat, and similar products). pounds..	4,000,000	....do........	Do.
OTHER COMMODITIES			
Lead and zinc (unmanufactured	(1)	October 1958..	Sec. 7 (escape clause) Trade Agreements Act of 1951.
Oil and oil products (crude oil, unfinished oil or finished petroleum products) (period July-December 1962).	....	March 1959...	Sec. 8, National Security Amendment, Trade Agreements Extension Act of 1951.
Districts 1-4:			
Crude and unfinished oil .... barrels per day..	700,791	....do........	Do.
Finished products, other than residual .... do....	76,634.41	....do........	Do.
District 5:			
Crude and unfinished oil .... do....	270,910	....do........	Do.
Finished products, other than residual .... do....	6,813.42	....do........	Do.
Residual fuel oil .... do....	3,866	....do........	Do.
Puerto Rico:			
Crude and unfinished oil .... do....	98,340	....do........	Do.
Finished products, other than residual .... do....	437	....do........	Do.
Residual .... do....	1,644	....do........	Do.
Residual fuel oil (period Apr. 1, 1962, to Mar. 31, 1963):			
District 1 .... do....	506,993	....do........	Do.
District 2-4 .... do....	608	....do........	Do.

[1] 80 percent of average annual commercial imports, 1953-57.

The CHAIRMAN. With relation to this compact or whatever it is, in regard to textiles, will you explain what has been done about that?

Mr. BALL. Yes, Mr. Chairman.

The problem that was presented by the textile industry, cotton textiles, particularly, was a problem of rapidly advancing imports from certain countries, primarily Hong Kong because Japan had been under a measure of self-restraint imposed through voluntary arrangement, and certain of the less developed countries around the world.

Now, these imports were troublesome, not so much, I would say, because of their size, because I think the total amount of imports in relation to the U.S. production was never much more than 6 percent in dollar value.

They were disruptive because they came in at such extremly low rates that they tended to disrupt the whole price structure within markets.

Taking this into account, at the U.S. initiative, we negotiated a temporary arrangement at Geneva last year. I myself was the chairman of the American delegation that undertook this negotiation, which gave the authority to each of the signatory countries to call for a restraint on imports based on certain base period levels.

This agreement has now been in operation ever since last October. It expires on the 30th of September.

Meanwhile, we have negotiated—again in Geneva—a long-term agreement running for a period of 5 years, which proceeds on very much the same general philosophy of giving to the signatory countries the right to call for restraint on exports by countries whose exports are proving disruptive of markets.

Now, we have exercised the powers under this temporary agreement in a great number of cases, and as a result the imports into the United States will not, in my judgment exceed 6 percent of American production this year.

So that the industry is assured that it will not be faced with the problem which has been very disturbing over recent years of a rising volume of imports of cotton textiles, particularly concentrated in various categories where they come in such a flood as to be disruptive of markets, and we would assume that this technique which has been worked out will provide the kind of protection that the industry requires.

I may say that under the short-term agreement, during the past year, 11 governments have taken action to restrain their exports to the United States in 39 of the 64 categories of cotton textiles which are provided under the agreement, and this has been the result of action that has been taken on an interdepartmental basis. The administration of this agreement is actually in the Department of Commerce.

The State Department undertakes through diplomatic channels to bring about the imposition of these restraints when the interagency committee chaired by the Department of Commerce feels the situation calls for that.

The CHAIRMAN. When you use the word "restraint" what does that mean?

Mr. BALL. "Restraint" means simply this: When exports are of such a nature as to appear market-disruptive, that they are about to break through the levels which have been followed during the base year period, then the U.S. Government, as a signatory has the right to call on the exporting nation to restrain those exports to the base

year level, and if that country fails to do so, the United States then can take direct action itself to stop those exports from coming in.

The CHAIRMAN. In other words, the United States is the judge of what is the restraint?

Mr. BALL. That is right, sir.

The CHAIRMAN. Now, with respect to Japan, you mentioned the fact they bought $700 million, I think, of agriculture products.

Mr. BALL. Excuse me, what I said, Mr. Chairman, was that last year they bought $700 million more in total of all of our goods and services than we bought from them, so that their trade balance with the United States was adverse to the extent of several hundred million dollars and our trade balance with them was favorable by that amount.

The CHAIRMAN. Isn't cotton included in these exports?

Mr. BALL. Japan is the biggest single market for U.S. cotton.

The CHAIRMAN. Excuse me for just one moment.

Aren't they purchasing that cotton at 8½ cents less than the American manufacturer of textiles can purchase it?

Mr. BALL. This is the result of the price support structure which we have. There is an export subsidy which reduces the price to the world price. They buy at the world price.

The CHAIRMAN. But they buy it at 8½ cents less than the American manufacturer can buy it, is that right?

Mr. BALL. That is right.

Because the manufacturer—the American manufacturer—buys at the domestic price which is 8½ cents above the price resulting from our support program.

The CHAIRMAN. Do you approve of that?

Mr. BALL. Well, I think that this is a problem which is implicit in the whole structure of our agricultural support system.

The CHAIRMAN. Doesn't that place the American textile manufacturer at a great disadvantage as compared to Japan?

Mr. BALL. He is at the disadvantage of 8½ cents per pound of cotton.

The CHAIRMAN. That also added to the fact that the labor wage over there is 28 cents an hour compared to approximately $2 an hour here. The combination of the two makes it a very difficult problem for the industries in this country.

Mr. BALL. This is one of the considerations that led to the development of the cotton textile agreement, Mr. Chairman, and I think that this agreement has been a very successful one in its operation.

Now, actually, the question of this equalization fee, as I am sure the committee knows, is pending at the moment before the Tariff Commission. There has been an application filed by the industry, and I don't know what the disposition of the Tariff Commission will be, what they will make of it.

The CHAIRMAN. As I understand the present agreements expire on October 1. How many nations are included in that compact?

Mr. BALL. Nineteen, I believe.

The CHAIRMAN. Would you insert in the record a list of it?

Mr. BALL. I would be glad to insert the detail on it.

(The following was later received for the record:)

The participating countries in the short term agreement are as follows: Australia, Austria, Canada, Denmark, India, Japan, Norway, Pakistan, Portu-

gal, Spain, Sweden, United Kingdom (also representing Hong Kong), United States, and member states of the European Economic Community (Belgium, France, Federal Republic of Germany, Italy, Luxembourg, and the Netherlands).

The CHAIRMAN. So far as textiles are concerned the major danger that this country has, as I see it, is Japan, is that correct?

Mr. BALL. No, I wouldn't say so, because of the fact we do have arrangements with Japan which prevent the Japanese imports, imports from Japan becoming disruptive.

The CHAIRMAN. But that expires on October 1, doesn't it?

Mr. BALL. Yes, but there is a long-term agreement for 5 years which then comes into effect which was negotiated at Geneva also and has been agreed to ad referendum by the countries and we are now waiting for final signatures.

The CHAIRMAN. But it does expire?

Mr. BALL. It expires——

The CHAIRMAN. The present agreement expires October 1.

Mr. BALL. The short-term agreement expires October 1 but it will be superseded by a long-term agreement.

The CHAIRMAN. Is it voluntary on the part of Japan to renew that agreement?

Mr. BALL. Yes, but the Japanese delegates in Geneva indicated they expected to sign the agreement and it is expected to come into effect. I have no doubt about it.

The CHAIRMAN. How long has the agreement existed?

Mr. BALL. We had voluntary agreements with Japan since 1956 which preceded the short-term cotton textile agreement. The short-term agreement expires October 1. There will then be a long term agreement which comes into effect for a period of 5 years.

The CHAIRMAN. You are assuming they will sign it, do you?

Mr. BALL. Well, I know that at the negotiation there was an agreement reached ad referendum by the negotiating parties.

The CHAIRMAN. It seems to me that is a vital matter. October 1 is only about 60 days from now.

Mr. BALL. Mr. Chairman, I have no concern about the fact that these nations will sign this agreement. We had exactly the same situation last year with regard to the short-term agreement. The signatures came in just before the agreement went into effect, and this is perfectly normal in international affairs of this kind.

The CHAIRMAN. I have another question: You stated on page 13 that commercial relations with other nations are a part of the mainstream of foreign policy and cannot be divorced from it.

Now, to what extent has the State Department used their powers with respect to negotiating with other countries on the premise of preventing communism in countries or having more friendly relations with them, and to what extent on the reciprocal trade idea? I have said several times in these hearings, I made my first speech in the Senate in 1932 on this subject and received a very fine letter from Cordell Hull.

There was no thought in those days of having reciprocity except on an economic basis. In other words, we would sell to the other countries and the other countries would buy from us.

It just occurs to me in late years we have departed from that fundamental principle of the Hull reciprocal trade program and it is

indicated by this sentence of yours in here that you have injected another feature into it, namely the relationships of nations on a basis of foreign policy, which I assume is to prevent communism in certain countries or other things.

Am I correct about that?

Mr. BALL. Mr. Chairman, I wholly agree with your statement that in exercising the powers granted under the trade agreements legislation the bargaining should be on a reciprocal basis in which the considerations should be commercial considerations, we should get full reciprocity. I think we have gotten full reciprocity. I think the very fact, as I have attempted to point out in my statement, that facing our greatest trading partner, a combined Europe, we will start from roughly the same levels of industrial protection would suggest that full reciprocity has been obtained.

But there is one very vital point, and that is that in the extra-legal, so to speak, protective measures which are taken against American products—which are in many cases violations of the GATT or which are under exceptions to the GATT—it is only by the exercise of our political and economic leverage that we have been able to persuade the countries of the world to abandon devices which may have had, did in fact have, validity at one time because of their acute balance-of-payments problems existing in the immediate postwar period.

If this were an executive session I could give the committee some very detailed examples. I would be glad to give to the committee for its confidential use a detailed statement showing the manner in which this has been done.

The CHAIRMAN. I don't understand why you link up commercial relations with other nations as the mainstream of foreign policy and it cannot be divorced from it.

Mr. BALL. That is right, sir.

The CHAIRMAN. Is that the principle laid down by the original reciprocal trade program?

Mr. BALL. It is implicit in the whole situation, sir. All I was saying is that commercial relations between nations are a part of the total relationship between nations—economic, political, commercial.

The CHAIRMAN. You have had a considerable part in these different agreements that have been made.

Would you say that the sole consideration is an economic consideration to promote trade between a certain nation and ourselves on each side?

Mr. BALL. I would say that in the negotiations which have taken place under the trade agreements legislation, to my knowledge, that has been almost 100 percent the consideration which has been employed.

But let us take the case of the cotton textile agreement, for example. This agreement could not have been negotiated and worked out with these countries except within the framework of all of our relationships.

Some of the considerations which led some of these countries to join in this were political. They were not economic, they were primarily political considerations based on a series of relations which we have with them. If one were to divorce the commercial relationships from all else, quite frankly, in my judgment, we could never have negotiated this agreement.

The CHAIRMAN. It doesn't seem to me that is consistent with the statement you made on page 13.

I will read it again, with another sentence:

> Commercial relations with other nations are a part of the mainstream of foreign policy and cannot be divorced from it. They are an essential element in the structure of international relationships, economic, military, and political.

You think that means solely an economic question promoting trade between nations and when you put in here you have got military and political and international relationships what are they?

Mr. BALL. Let's take the case of Western Europe, for example.

Our relations with Western Europe are based upon the fact that as the leading nation of the free world we are carrying enormous responsibilities. We are carrying political responsibilities, we are carrying military responsibilities. We are bearing economic responsibilities.

Now, in our commercial relations with these countries, one of the compelling reasons why they are prepared to do some things in the commercial field which are, from a domestic point of view, difficult for them, is political. In this way their government justifies difficult actions to their own people.

They do this because this is a matter of political concern to the United States.

I think this is a self-evident proposition, Mr. Chairman, that relationships between countries are a kind of seamless web, in that you can't wholly divorce one element from another.

But I want to make one thing emphatically clear: I am not suggesting that we are prepared or intend to employ the powers under this bill, if this legislation is passed, any more than the powers granted by past legislation, to introduce political considerations as the quid pro quo in bargaining under the Trade Agreements Act.

The CHAIRMAN. Let me ask you, why did you mention that in your statement?

Mr. BALL. Because I wanted to point out the fact that—let me give you an example exactly of what I mean.

Under the trade legislation as it came out of the House, the United States is forbidden, and I think quite properly so, to give any concessions of a commercial kind to any country to induce that country to eliminate discriminatory, illegal restrictions against American products. I think this is quite proper.

But what sanction do we have to compel a country to eliminate an illegal discrimination? It may well be that the country in question has an extremely unfavorable trade balance with the United States, so that it isn't really concerned with what the United States does with it as a commercial matter.

We could close our market completely to it and it would not affect it very much commercially.

The way in which that nation is persuaded to eliminate that discriminatory trade practice against the United States is by use of the fact that it has political and economic relations with us which it very much values, and it justifies, therefore, the action which it takes in eliminating those restrictions——

The CHAIRMAN. Wouldn't the word "political" be appropriate to consider whether or not you would recognize some particular regime or leadership in certain countries or not?

Mr. BALL. The trade agreements program has never been employed for that purpose and I see no reason why it should be used.

The CHAIRMAN. It certainly could be construed in that way. I want to say very frankly to you, Mr. Ball, I am one of those who thinks that the State Department has not been firm and stern enough in negotiating our trade agreements, and I say that as one who has been on this committee for a long time, and I have paid a great deal of attention to the question of promoting foreign aid, of which I am in favor, very strongly in favor of it and have been for a long time, and I came into this Senate when we had the Hawley-Smoot tariff bill which if it had been continued would have destroyed, in my judgment, the growth of this country.

We would have a tariff wall around us that nobody could get over and I was one of those who had a part in repealing that.

But I must say to you with the utmost frankness that I don't think the State Department has been as energetic and as positive from looking at it from a standpoint of mutual trade relations, the economic part of it.

I think other factors are involved in it.

Mr. BALL. Mr. Chairman, I would like, if I may, simply to call attention to what seems to me to be clear from the record. Our biggest trading partner will be an expanded EEC, expanded European Community. Looking at the levels of industrial protection at the present time, they are about the same as our own. As I tried to indicate, the structure is different. Ours are in many ways more protective. But they are at about the same level.

Now, this is the "proof of the pudding," Mr. Chairman. This is the proof of the effectiveness with which we have utilized our powers over the past.

I also want to say that the task of negotiating with a combined Europe will in some ways be more difficult, but in other ways very much easier than the task of dealing with a fragmented Europe.

In the past we have had the command of a very large market.

This has been our bargaining counter. When we give access to that market, it isn't enough to give it to one country, because what that country can give us isn't enough of a quid pro quo. We have had to work arrangements out with several countries depending on the product.

This is a difficult process and it has been an inherent weakness in the American bargaining position—which I don't think has at all deterred us from making a most effective record.

I quite frankly, Mr. Chairman, don't believe that this program could have been better conducted, and I say this not as one who is a career officer in the State Department. I have only been in the State Department the last 18 months, but I have been enormously impressed by the way in which it has been done.

The CHAIRMAN. I think you are making a pretty broad statement when you say it could not have been improved upon, because everything can be improved upon in some cases, and I know you have a very good opinion of yourself and the State Department and I think you should continue to have that, but I wouldn't say that what you have done couldn't be improved upon.

Mr. BALL. Mr. Chairman, I was not speaking for myself. I was speaking for the record of the Department over a great many years

through Republican and Democratic administrations alike. I have been impressed with it.

Senator DOUGLAS. Would the chairman permit me to ask a question of fact of the witness?

The CHAIRMAN. Surely.

Senator DOUGLAS. Mr. Ball, you have several times said that the tariffs of the European Common Market and the United States are on approximate equality. I have had the subject studied and it is my understanding that on those commodities on which tariffs are imposed that the arithmetic average for the Common Market is 14 percent, the arithmetic average for the United States is 11 percent.

Mr. BALL. That is before the last Geneva negotiation, Senator Douglas. We are talking here about tariffs on industrial products because that is what this related to. The 14 percent and the 11 percent figure were based, I believe, if I am correct, on the study made for the Joint Economic Committee with which you are familiar.

Senator DOUGLAS. Well, those figures are correct.

Mr. BALL. I beg your pardon.

Senator DOUGLAS. Those figures which I cited are correct.

Mr. BALL. They were correct prior to the last Geneva negotiations. At the last Geneva negotiations so far as industrial products were concerned we got from the Europeans almost a 20 percent across-the-board reduction.

Senator DOUGLAS. What did we give in return?

Mr. BALL. Very much less than that. I think it averaged out about 6 or 7 percent.

Senator DOUGLAS. So we reduced, say, from 11 to 10 and they came down from 14 to 11?

Mr. BALL. Some very unofficial figures which have been developed by the Department of Commerce, I believe, and by the Tariff Commission, would suggest that after the Geneva negotiation the figure for the United States was something like 7.1 percent and that for the European Economic Community was 5.7 percent.

Senator DOUGLAS. That includes the commodities on which no tariffs are levied such as bananas, isn't that right?

Mr. BALL. No, this is on commodities which are subject to tariff. It does not include those items on the free list.

Senator DOUGLAS. On the Common Market tariffs?

Mr. BALL. On these figures.

Senator DOUGLAS. I don't believe that and it doesn't follow from your previous statement that they came down 20 percent and we came down 6 or 7 percent. This would bring us to around 10 percent, and would bring them down to around 11 percent.

Mr. BALL. Well, I am told by my colleague that the 14 and 11 percent figures were computed on a somewhat different base. We can give you the figures, I think on the same base which would be comparable. I don't want to stand——

Senator DOUGLAS. This is an arithmetic average, is it not?

Mr. BALL. This is a weighted average.

Senator DOUGLAS. Which one?

Mr. BALL. The 7.1 and the 5.7.

Senator DOUGLAS. Weighted by amounts of imports?

Mr. BALL. Of imports, weighted by amounts of imports.

Senator DOUGLAS. Well, I certainly would like to scrutinize those figures.

Mr. BALL. We will be glad to give you those figures.

(The following was later recorded for the record:)

The table below shows a comparison of weighted ad valorem equivalents of United States duties and European Economic Community duties based on 1960 imports (dutiable and duty free). For technical reasons agricultural products, refined petroleum products and various chemicals had to be excluded from the figures for the EEC.

The results of the comparison on nonagricultural sectors (excluding refined petroleum products and various chemicals) show that, based on the 1960 pattern of trade, the weighted ad valorem incidence of the common external tariff of the EEC was 7 percent before the Geneva tariff negotiations and was reduced to 5.7 percent as a result of the negotiations. The ad valorem incidence of U.S. duties on comparable nonagricultural goods (i.e. also excluding petroleum products and various chemicals) worked out to 8.1 percent before the Geneva negotiations and 7.9 percent after the negotiations. For the United States the weighted average nonagricultural duties including petroleum products and chemicals is 8 percent (pre-Geneva) and 7.7 percent (post-Geneva).

The EEC charges duties on c.i.f. basis, the United States on f.o.b. To take this difference into account, it is reasonable to reduce the United States figures in the table by 10 percent to make them comparable to those for EEC. Making this adjustment would bring the United States and EEC pre-Geneva levels to 7.3 and 7.0 percent respectively, and the comparable post-Geneva levels to 7.1 percent for the United States and 5.7 percent for the EEC.

Comparisons of duty levels should be used with great caution. The comparison of national duty levels is a difficult task. A simple addition of all duty rates, followed by division to yield an average rate, disregards the fact that some categories are important in trade, others not. The grouping of rates within duty ranges, while yielding some interesting information, also does not take into account the relative trade importance of individual rates.

In preparing the table below, the assumption was made that working out a weighted average incidence was the best way to compare the relative height of U.S. and EEC tariffs. The technique employed was to apply the rates, pre-Geneva and post-Geneva, of the EEC's Common External Tariff (CXT) against the actual pattern of 1960 imports from all non-EEC sources by EEC countries to arrive at duties which theoretically would have been collected if the CXT had been in effect in 1960. Similarly, all U.S. duties, also pre- and post-Geneva, were applied against the actual pattern of U.S. 1960 total imports.

Comparison of weighted ad valorem equivalents of U.S. duties and European Economic Community duties based on 1960 imports [1]

[Percent]

Commodity categories	Pre-Geneva weighted average ad valorem equivalent of duties		Post-Geneva weighted average ad valorem equivalent of duties	
	United States	EEC	United States	EEC
Total of all commodities	7.2	(2)	6.9	(2)
Total agricultural commodities	4.9	(2)	4.8	(2)
Total nonagricultural commodities	8.0	(2)	7.7	(2)
Nonagricultural commodities, except petroleum products and specified chemicals and other items [3]	8.1	7.0	7.9	5.7
U.S. averages adjusted to c.i.f. basis	7.3	(2)	7.1	(2)

[1] EEC imports exclude imports from member countries and from associated overseas territories of EEC countries.

[2] Not available.

[3] The specified chemicals and other items excluded from the calculations are: Organic and inorganic chemicals; dyeing, tanning, and coloring materials; medicinal and pharmaceutical products; fish and preparations; sugar confectionery and other sugar preparations; distilled spirits; and developed cinematographic film.

Source: Prepared by International Trade Analysis Division, Bureau of International Programs, U.S. Department of Commerce, March 1962.

Senator DOUGLAS. Because take in the case of automobiles—we will have a tariff of 6½ percent and the Europeans will have 22 percent.

Mr. BALL. This is the classical case, Senator Douglas.

Senator DOUGLAS. What?

Mr. BALL. Whenever one gets into a discussion of the U.S. tariffs people always cite the case of automobiles but this is only one of a wide list.

Senator DOUGLAS. I wonder if you would be willing to have these arithmetical computations with a full statement printed in the record at this point, Mr. Chairman?

Mr. BALL. Yes, with this qualification: All that I am asserting is that there is a rough equality.

Now, as an economist, you know very well, the complexity and the difficulty of making this kind of a comparison. For the record, I want to say here that certain items were omitted simply because the classifications were impossible of comparison because of the totally different classification structures.

Senator DOUGLAS. Would you indicate the items that were omitted?

Mr. BALL. Yes, I would be glad to put them in.

Senator DOUGLAS. Mr. Ball, what is the situation on quotas of American exports of coal?

Mr. BALL. There is a tariff quota in Germany and there are some restrictions in France.

Senator DOUGLAS. What is the total quota in Germany on coal?

Mr. BALL. Six million.

Senator DOUGLAS. Six million tons, is it not?

Mr. BALL. Yes.

Senator DOUGLAS. In which 5 million is allotted to the United States?

Mr. BALL. Yes.

Senator DOUGLAS. Coal producers of the Midwest inform me and the German authorities when I interviewed them did not deny the fact that American coal would be laid down at the ports along the upper Rhine, perhaps I should say, at a price appreciably below the German price.

Mr. BALL. That is right, sir; that is quite true.

Senator DOUGLAS. And it is estimated that we could export from 20 to 40 million tons.

Mr. BALL. Right.

Senator DOUGLAS. Now, I had an hour's interview with Mr. Erhard and begged him in the interest of international trade to remove these quotas and to permit coal to be sold, on the free market there, and he refused, and announced it was going to be the continued policy of the German Government to preserve the German market for German coal, despite the fact that there was no unemployment in Germany. In fact, they are importing Italians, and we have terrible unemployment in the coalfields of the United States.

Mr. BALL. One of our——

Senator DOUGLAS. May I just continue, because you have touched a very sore spot.

He made a long and eloquent speech on the need for all countries to cooperate and to abandon restrictions, but he was adamant when the question came of any concessions by Germany. I pointed out to him

that the fact American coal was barred from Germany, in turn, caused the coal producers to demand more restrictions upon the importation of residual oil from Venezuela and that, therefore, our relationships with the democratic government of Venezuela were being impaired.

I said I thought if we could get a relaxation of the quotas which Germany was imposing against us that we would not push Venezuela aside, and that the general cause of international amity would be furthered.

But this appeal to broad general principles and international peace made no impression whatsoever on him.

It is well known that the present German Government gets its financial support—the Christian Democratic Party gets its support—from the coal and iron producers, and they are insisting that Erhard maintain and Adenauer maintain, restrictive policies on coal.

They want us to make the concessions but they will make none themselves.

Now, that may sound like a Philippic, but it is just a plain statement of fact.

Senator HARTKE. Will the Senator yield at that point?

I was in Bonn on the same matter, on the coal matter, when they threatened cancellation, and they politely told me they had domestic problems in their coal industry and that they were not in the slightest interested in discussing anything which was going to upset their domestic tranquility in order to accommodate any proposition from the United States to have additional allocations of coal.

Senator DOUGLAS. That is exactly what they told me, and it turned out we had domestic problems, too, but we had a higher ratio of unemployment in our country, and they had almost no unemployment in that country and, therefore, the conversion of coal miners into other occupations in Germany was much less difficult than it was in the United States, and I thought of the coalfields in my State of Illinois, West Virginia, southern Indiana, Pennsylvania, and so forth.

The CHAIRMAN. Virginia.

Senator HARTKE. The truth of it is, is it not, Senator Douglas, that their production costs are much higher.

Senator DOUGLAS. That is right.

Senator HARTKE. Even though we pay our laborers a considerable amount more, considerably more money, they have the welfare benefits and pension plans. The truth of it is if you are going to raise the standard of those people they ought to be willing to buy and move out of that business to one which they could produce economically.

Senator DOUGLAS. That is right.

I told them the German consumers would be greatly benefited by low-priced American coal, which is always the argument we free-traders have advanced.

Senator MORTON. It is not just Germany. We pay 10 times the wage rate of the Italian miner, and we can put in coal in Genoa cheaper than the Italians can.

We can put coal at the mouth of the Clyde cheaper than the British can, and we pay four times their rate.

We pay about six times the German rate and, as you have pointed out, we can put coal on the Ruhr cheaper than they can.

Here is an industry which is criticized, at least Mr. John L. Lewis has been criticized, for pricing himself out of the market.

This is not the case because today coal at the face of the mine, whether it is in Illinois, Kentucky, West Virginia, wherever it is, has only gone up about 5 percent since 1948.

Here is an industry where technological development has kept up with the increase in the wage rate.

Senator DOUGLAS. There has been no increase in tonnage wage rates. Lewis has kept the tonnage rates constant.

Senator MORTON. That is correct.

Senator DOUGLAS. And the increase in American productivity has raised the daily earnings.

Senator MORTON. He has never objected to any technological development, and in some industries we found objection on the part of labor to technological developments or automation. You have not found that in the coal industry.

Yet we are precluded not from just Germany but from practically all the world market save, perhaps, Japan, because of some quota arrangement, some protection of their local mining industry, some fictitious argument on dollar availability, precluded from exporting our coal which not only is mined by the highest priced miners in the world, but it is carried by those who are paid the highest wage in the world on the railroads, and shipped in American bottoms, and still they bar it.

Senator DOUGLAS. And are still able to undersell any other coal.

Senator LONG. Mr. Chairman, I think this is wonderful testimony that the Senators are presenting, but I would like for the witness to comment on it. [Laughter.]

Senator BENNETT. Mr. Chairman, before he comments may I get into this? We produce coal in Utah, and the Federal Government buys Australian coal to give away to the Korean economy. They will not buy domestic coal, and the Federal Government itself will not buy domestic coal to fill its foreign-aid commitments to the Korean economy. This is a real merry-go-round.

Senator WILLIAMS. Would you comment on that and relate that action to the dollar shortage that we are having now?

Mr. BALL. Thank you.

The CHAIRMAN. Wait one second. I think three Senators have propounded certain questions. Would you answer them in order.

Mr. BALL. Thank you, Mr. Chairman, and I appreciate your intercession, Senator Long. [Laughter.]

First of all, with regard to the tariff quotas which the German Government maintains, I may say I am wholly in accord with the position that has been expressed here this morning. I think that they are extremely unwise.

I think that they cannot be justified on any economic ground. The American coal industry is extremely efficient, it is mechanized more than any other coal industry in the world.

The conditions of mining are such that the pits are much shallower, and the whole operation is more productive per man-hour.

Now, the German quotas are a matter which is of very great concern to us and on which we have been working very hard indeed. I may say that what Senator Douglas has indicated in his conversation

with the Minister, Mr. Erhard, with regard to the levels of employment, and injecting this in the argument, I think, is a very good illustration of the fact that a whole series of economic considerations should have to enter into these discussions.

But a disability under which representatives of the United States labor is that we have to face, frankly, the question that we do protect our own coal industry by import limitations on offshore oil.

That is the answer which one always gets in this dialog.

The Europeans say, "We protect our coal industry, you protect yours. You protect yours by restricting, through quotas, the import of foreign oil. We protect ours by restricting the import of foreign coal."

I am not defending the European position, I am simply suggesting to the committee the kind of problem which we face.

Now, at the present time, the Europeans are undertaking to formulate within the Economic Community an energy policy. I think that it is extremely important that the energy policy be such as to be as liberal as possible with respect to the utilization of coal from the United States as well as from other coal-producing areas of the world.

This is a matter of great concern to us, and we are doing everything possible to bring it about.

But I would like to again remind the committee that this is something which is not going to be achieved simply at the level of exchanging one commercial consideration for another because of the very fact which has been illustrated by what Senator Douglas has said, that there are strong political pressures within Germany to maintain this system of import quotas. Therefore, this problem has to be approached as a part of the total relations between the United States and Germany.

Now, as to the matter which, I think Senator Morton mentioned a moment ago, the question of buying coal from Australia——

Senator BENNETT. That was my comment.

Mr. BALL. I'm sorry, Senator Bennett—buying coal from Australia for Korea, this program has been completely reexamined as a result of the concern which we have been having over the whole balance-of-payments problem.

A committee has been set up under the chairmanship of Secretary Dillon with the full cooperation of the State Department, of the Department of Defense and the other departments of the Government, and we are working toward the reduction of offshore purchases to the greatest extent possible, and this is one of the elements which will certainly be looked at.

I am not familiar with this particular case, but I can tell you that, in principle, this is not something which we propose to continue, this kind of practice.

Senator BENNETT. There is another factor in this. You require the American supplier of coal going to Korea to pay American bottom rates while the Australian supplier is able to make tramp ship contracts with anybody he pleases.

So that in addition to the question of the cost of the coal we are involved with the question of the cost of shipping to Korea, and this combination just blanks the supplier.

Mr. BALL. That is the 50–50 percent clause, as you know, in the legislation.

I am not sure I have satisfied Senator Douglas. We have discussed this matter before.

Senator DOUGLAS. I am not satisfied, no; because even though you have tried you never get anywhere. You made these efforts, and the Germans refused to budge, and you keep saying, "We are doing our best; we expect to negotiate this."

I do not want to take over the questioning, Mr. Chairman, but if I mention chickens, there has been as great a revolution in the production of chickens as in coal, and our distinguished colleague from Delaware, with others, has helped to revolutionize the production of chickens with a plan of a moving assembly and automatic feeding and automatic slaughtering, so we can furnish good chickens to Europe, frozen, at a low price.

But these are kept out and Secretary Freeman testified yesterday, and I have his testimony before me, that the first act of the Common Market was to increase the tariff on American chickens from 5½ to 9½ cents a pound, so they intend to deprive the European consumers of the benefit of American frozen chickens produced on the farms of the Delmarva Peninsula, and benefit their own chicken producers, and lessen the stream of international trade, and they have done that despite all your protestations, and despite the fact that Secretary Freeman himself, made a trip last year.

When I was in Paris he was in Paris pleading with them not to do this, and I want to say he defended the interests of American agriculture most effectively, and yet they go ahead and do it.

They have wheat and feed grain and soybean provisions in the offing with the variable levies.

There is an understanding that they are going to raise the price of wheat. France wants it at $2.30 in which she can flood the European market.

Germany wants it at over $3, and I remind you that just as the coal and steel magnates form one branch of the financial support of Adenauer's party, the Bavarian wheat farmers form another branch, and they are determined to keep out American products, and they are going to be able to do it.

Now, wouldn't you like to have some real weapons that you can use so that instead of begging them you can have a switch in the woodshed to use on them if they do not comply? Wouldn't you like to have a clause which would permit you to raise tariffs in case they do not cooperate?

I have been proposing that for months, Mr. Ball, I do not seem to get much response from you.

Mr. BALL. Senator Douglas, I addressed a good deal of my statement this morning to this very question.

Senator DOUGLAS. I was busy on the floor, Mr. Ball, I'm sorry.

Mr. BALL. Let me say with respect to poultry, because I think this is a matter of great interest, that the poultry question has been a matter of long discussion between the two governments at the very highest levels, and although, Senator Douglas, you gave the impression, sir, that nothing has been accomplished——

Senator DOUGLAS. Well, yes, the tariff has been raised from 5½ to 9½ cents. This is marvelous success they have had in increasing the tariff. [Laughter.]

Senator WILLIAMS. If the Senator will yield for a moment, I will say it not only has been raised, but in your testimony I understood you to say, you described it as a 20-percent reduction across the board that you had obtained.

Senator DOUGLAS. On manufactured products.

Senator WILLIAMS. He referred to it as an across the board, and apparently he did not figure these items worthy of mention.

Mr. BALL. May I clear this up if I can? First of all, the 20 percent related to industrial products, and I dealt with the agricultural products differently.

Now, with respect to poultry, the German Cabinet has just decided——

Senator DOUGLAS. Today?

Mr. BALL. About 2 weeks ago, which has been announced in the German press and is well known in Germany, to recommend a level of protection which will be about the same as applied in the past.

Senator DOUGLAS. What is this, what does this 9½ cents a pound mean?

Mr. BALL. This has not yet become effective. Under the Common Agricultural Policy which went into effect on July 30, the 9½ cents applies, but the German Cabinet has just decided within the last fortnight to recommend a return to a level of protection which would be about the same that has prevailed before under which——

Senator DOUGLAS. They already have kept out a good deal of American poultry.

Mr. BALL. We have a very great rising market, Senator Douglas, of American poultry.

Senator WILLIAMS. Would you, Mr. Secretary, furnish a memorandum of that change and when it is going to go into effect?

Mr. BALL. Surely.

Let me be quite clear about what has occurred.

The decision of the German Cabinet must be approved by the European Economic Commission, and with regard to this I anticipate no difficulty.

Senator WILLIAMS. But in the meantime is it not a fact that as of July 31 this raise went into effect?

Mr. BALL. It has gone into effect.

Senator WILLIAMS. And it is in effect today?

Mr. BALL. Yes, that is right.

What I am saying is that the German Cabinet of the German Government has made a governmental decision to cut this back. This is to be as——

Senator WILLIAMS. Is the German Government the only one that would be affected in this?

Mr. BALL. I beg your pardon, sir? Let me describe exactly the situation if I may sir.

As in all civilized governments there is not merely an executive decision involved, however, there is a legislative decision. The matters is being, and will be, submitted to the Bundestag against the background of the German Government decision for the reduction in

this level of protection, when the Bundestag reconvenes—which, I think, will be about the end of October or the first of November.

This means that Senator Douglas' discussion with Mr. Erhard and several of the other Ministers in Germany have had some effect, and this is a matter——

Senator DOUGLAS. I will believe it when I see it, Mr. Ball.

Senator MCCARTHY. If Senator Douglas would yield, I would like to ask a question of the Secretary, whether in his opinion a civilized government is one which is marked by having the concurrence of the legislative branch in all tariff decisions? [Laughter].

Senator WILLIAMS. I was going to raise the same question. They did not delegate to their executive branch the authority which you are asking us to delegate to you under this bill; is that correct?

Mr. BALL. Well, the situation is——

Senator WILLIAMS. Is that correct?

Mr. BALL. The situation is this——

Senator WILLIAMS. I would appreciate knowing if it is correct that they did not delegate to their executive branch the authority that you are requesting that we delegate to you in connection with tariffs under this bill.

Mr. BALL. The whole structure is different as between the parliamentary government and governments such as our own, which is a presidential government.

Senator WILLIAMS. I will ask you the question again.

Mr. BALL. It would not be appropriate or indeed there would be some question as to whether it would be really possible under a parliamentary government to proceed on this basis.

Senator WILLIAMS. I agree with you on the propriety, but I would appreciate an answer yes or no.

Mr. BALL. They do not, because of a totally different governmental structure. I may say that a decision which the executive makes in any of these countries, however, when it is approved by the cabinet is normally the decision which is followed.

We have had no difficulty in the trade negotiations which we have conducted with governments over the years about their ability to get the acceptance of their government to the agreements that have been made. The reason for this is implicit in the structure of a parliamentary government because the government represents the majority party, and the majority party usually responds to the decisions which the government makes. But [laughter] I am describing, I may say, a situation that exists in other countries—not my own.

Senator DOUGLAS. There is this difference that in a parliamentary government members of the cabinet are selected from the ranks of the majority party.

Mr. BALL. That is right.

Senator DOUGLAS. And have to have the consent of the majority party. In this country the members of the Cabinet are selected by the President or by the caprice of the President, and I assure you the Members of the Senate have very little to say about it.

Mr. BALL. They give their advice and consent.

Senator DOUGLAS. They are confirmed by the President and selected from his own party.

Senator BENNETT. Mr. Chairman, I want to take note of the fact that the majority party has in the Congress of the United States, two

to one, and Adenauer does not have a majority. He is in power by virtue of a coalition.

Mr. BALL. That is right. But a governmental decision is a decision made by the government which represents the coalition.

Senator WILLIAMS. Do I understand seriously there is no doubt in your mind but that when the October 30 meeting of the German Bundestag takes place that this reduction in poultry will be rolled back to the rate that was in effect prior to this increase?

Mr. BALL. I would not want to say that, Senator Williams, at all. All I will say is that there has been a governmental decision taken at the governmental level. What the Bundestag decision would be would not be at all proper for me to speculate on.

Senator WILLIAMS. Then I understand we have really nothing to look forward to except the fact that they are just promising to negotiate.

Mr. BALL. No; the Government has made a decision. This is a step in the governmental process under the German Constitution, and it is an essential step.

Senator HARTKE. Will the Senator yield?

What is the decision? I am sorry; I must have lost it.

Mr. BALL. The decision has been widely discussed in Germany actually within the last 2 weeks.

Senator HARTKE. I would like to have not widely discussed, just a little bit discussed, here.

Mr. BALL. The decision is to return the level of protection roughly to that which existed prior to the imposition of the variable levies on July 30.

Senator HARTKE. That is 5.5 cents?

Mr. BALL. That is about what it comes out at. It is a little different.

The CHAIRMAN. What nations have increased it from 5.5 to 9.5?

Mr. BALL. I beg your pardon?

The CHAIRMAN. What nations have increased the tariff from 5.5 cents a pound to 9.5 cents; is that what the figure is?

Mr. BALL. It is not exactly an increase in tariff. It is a part of the arrangements under the common agricultural policy.

Senator WILLIAMS. Variable fees and gate prices?

Mr. BALL. Variable fees and gate prices.

The CHAIRMAN. The purpose of it is to prevent the importation of poultry; is it not?

Mr. BALL. The theory of the variable fee, as it is applied, is to enable the countries to move toward a common support price, and during the period when they are moving toward the common support price, there will be a variable fee employed for this purpose.

The CHAIRMAN. What Germany finally does will be taken as a standard for the Common Market involving all the other nations; will it not?

Mr. BALL. I am sorry; will be what, sir?

The CHAIRMAN. I say what Germany does in respect to a matter of this kind will be taken as a standard for the other members of the Common Market.

Mr. BALL. No—well, as far as the variable fee situation in Germany is concerned, this is a measure that the Germans have taken, I think, because they are the principal consuming nation.

The Italians have taken off their quantitative restrictions on poultry.

I do not think—this will not be the same because during the period that each country is moving toward the common agricultural policy—and this is over a period of 7 years—there will be variations due to the level of price within each country. In other words, there is not at the moment a single price for poultry in Europe, but they are moving toward it.

The CHAIRMAN. It will naturally lead to a common action, won't it, if it is a common market?

Mr. BALL. Each country adopts the kind of protection which enables it to maintain its present price as that price moves toward a common price.

The CHAIRMAN. You can answer one question in the affirmative, I think——

Mr. BALL. Yes.

The CHAIRMAN (continuing). That the increase has been made, and it is effective as of this day.

Mr. BALL. July 30; yes.

The CHAIRMAN. I say it is effective today.

Mr. BALL. That is right.

Senator WILLIAMS. One other question, if I might, that I would like to ask at this point. You can also answer in the affirmative. The question the chairman asked earlier, the purpose of putting these variable fees on was to restrict the importation of poultry into these countries; was that answer "Yes" or "No"?

Mr. BALL. Let me describe what the situation has been.

Senator WILLIAMS. Describe it.

The CHAIRMAN. I do not want to be discourteous to you, but please answer these questions more directly. You are going to answer them "Yes" or "No"; you will talk in circles otherwise.

Mr. BALL. Mr. Chairman, I think that simple answers, categorical answers, in this case are going to mislead the committee.

The CHAIRMAN. You can say "Yes" or "No" on some particular, and then explain why, couldn't you?

Mr. BALL. All right. The answer, of course, is "Yes, they are to protect." But they are in substitution for a wholly different structure of protection.

Now, whether Europe is going to come out more protective or less protective as far as agriculture is concerned is something which is going to be decided over a period of time.

In other words, variable levies themselves do not necessarily mean more protection. These countries have had all kinds of quantitative limitations on agricultural imports.

The question is, At what level are the variable levies going to be determined? This will be based ultimately on the decision as to what will be the price-support level within the Community on these products which are under a variable levy system.

This is a matter which is of very great concern to us because if they adopt an artificially uneconomic high price, then it is going to bring

into production and maintain in production a lot of uneconomic farms and producers.

On the other hand, if they adopt a reasonable price policy—and there are forces working both ways within Europe on this matter, there are many people in Europe, and many people in important positions in Europe who want to see a reasonable price policy, a reasonable support price—then the variable levies will be low.

This is a matter which will come into the negotiations under the legislation which I hope this committee will make available to us.

Senator WILLIAMS. Just as these other members pointed out in the instance of coal, you have here a situation where an industry is not supported in any way, shape, or form by our Department of Agriculture.

This is one agricultural commodity which is produced in this country without the benefit of any support program, and it never has had a support program, and with all of it, even with the higher price of feed and labor, they can put this poultry down in these European markets cheaper than they can produce it there, and yet the State Department agreed to these variable levies, which increased the tariffs or increased the cost of putting them in there by as much as a hundred percent in some instances.

Mr. BALL. Senator Williams, let me make this point clear, the State Department has not agreed to these variable limits.

Senator WILLIAMS. You may have disagreed, but it does not make much difference. You did not do much about it.

Mr. BALL. On that I would also like to——

Senator WILLIAMS. A man goes broke on sympathy, you realize that.

Mr. BALL. I would also like to respectfully differ with you, sir. We have done a very great deal about this. This has been a matter where no greater effort has gone into anything than in protecting the interests of American agriculture over the last few months when this whole question has been under consideration.

Now, the variable levies are not agreed to and, as a matter of fact, under the agreements that were reached with respect to the concessions that were given at Geneva, there was a reservation of our rights with respect to these things.

This is a matter for continuing discussion. This is a matter which we will discuss again with these nations as they agree themselves on the kind of policies which they are going to adopt.

It is a matter which will be the subject for further negotiation.

But I can assure you, sir, that there has been no matter on which greater effort and energy has been put than this, or in which the political-economic leverage, commercial leverage—all of the resources at our command—have been employed more than they have with regard to the expansion of the access rights and the maintenance of the access rights for American agriculture.

Senator WILLIAMS. I do not question for one moment you have not been negotiated extensively, but what I am afraid of is you will be negotiating 5 years from now.

Senator CARLSON. Right on that point, Mr. Secretary, you state in your statement this morning that by 1970 there will be free trade in virtually all agricultural products among the member states.

Do you really believe that based on a $3.05 ceiling in Germany on wheat, and $2.30 in France, do you think they can work that out?

Mr. BALL. They have committed themselves to do it, Senator Carlson. I think there is reason to think they will succeed. This will take very difficult political decisions for them.

Senator DOUGLAS. Mr. Ball, what is the world price of wheat in the Liverpool market? Liverpool is, I think, the free trade market of the world. Is it not $1.75 a bushel?

Mr. BALL. It is about $2, I believe, Senator Douglas.

Senator DOUGLAS. We can get the exact figures?

Mr. BALL. Yes, I would be glad to.

Senator DOUGLAS. What is it?

Mr. BALL. $2, I think.

Senator DOUGLAS. $2?

Mr. BALL. About it.

Senator DOUGLAS. Do you think the French farmer will be willing to come down from $2.30 to $2, and the political peasants who furnish the political backbone for Adenauer's Christian Democratic Party will be willing to come down from $3 to $2? That will be the elimination of Germany as a wheat-producing area.

Mr. BALL. I do not expect that, Senator. I do not expect they would be prepared to come down to the world price any more than we maintain——

Senator DOUGLAS. Wouldn't you like to be equipped with some weapons that you can use? You are fine fellows. You are patriotic. You are skilled, and all the rest. You want cooperation. You want peace. These are things that are excellent. But you do not have a switch in the woodshed. All you can say is, "Please, do this," and when they say, "No," you say, "We will continue to negotiate."

The only weapon you have in this bill is to say, "Well, if they don't behave we won't give them future concessions." That is about all you have got. Wouldn't you like to have a clause that if in the opinion of the President the foreign governments are discriminating against America, either by tariffs, by quotas, or by restrictions, that the President should have power to increase tariffs? We hope he never would have to use it, but when you went to negotiate you would have this switch tucked away in your spacious back pocket.

You are a perfect gentleman. You would not mention it very often, but, by the method which diplomats know, you could let them understand it was there, and the prospect of the woodshed would induce much more cooperation than more plaintive pleas.

Mr. BALL. We have it, Senator Douglas.

Senator DOUGLAS You what?

Mr. BALL. We have all the authority we need under section 252.

Senator DOUGLAS. Why don't you use it, then?

Mr. BALL. Because, as I attempted to explain in my statement this morning, this is a double-edged sword, and we can cut our own head off very quickly.

Senator DOUGLAS. You know the father of the free trade movement and the man whose thoughts caused England to move in the direction of the free trade and the anticorn laws in 1846 was Adam Smith who advocated more eloquently than anyone else, more cogently than anyone else, the advantages of the extension of the market and free trade within that market, and permitting geographic specialization.

Then Corden and Bright came along and showed that these economic interconnections bred peace, too.

I believe in that firmly and devoutly.

But Smith also said, Suppose some nations refuse to cooperate? Then he said, "You have two choices. One is to make a reduction in tariffs hoping that this example will cause others to follow, or you have the possibility of threatening increases in tariffs in the hope that this threat will cause the other countries to change their policies and also to cooperate."

Then he has this phrase, which is unusual for an economist because it is stylistically good, which most phrases from economists are not, that the choice as to which of these methods is to be used is not for the economist to make but for that crafty and insidious animal vulgarly termed a "statesman" or a "politician."

I do not know whether you are a statesman or a politician, Mr. Ball. I think you have tried your hand at both things. I certainly would not accuse you of being a crafty and insidious animal, but wouldn't you like to have this possibility present, and I want to say as one who has believed in international cooperation and who supported the Marshall plan, and who campaigned for the Marshall plan in what was supposedly an isolationist State, and as one who supported the NATO and the European Alliance, you will forgive me, when the proposal came to send our troops overseas, I was afraid we might get sucked in, so I announced I was going to introduce an amendment that the number of American divisions would be limited to one-fifth of the total NATO force; that for every American division there must be four European divisions.

Mr. Acheson, whom I respect highly, and who, I think, was one of the great Secretaries of State, came to me and pleaded with me not to introduce that resolution. He said: "Let us go ahead and show our good faith and the Europeans will follow."

So against my better judgment I did not present that amendment, and I voted for NATO and the sending of American troops overseas.

What has happened? We have sent five divisions overseas; Great Britain has withdrawn most of its conventional forces from the Continent. France, I believe, has not turned over more than two divisions to NATO. The NATO army consists almost entirely of the five American divisions, and the German divisions.

Germany, indeed, is refusing now to increase its army up to 750,000 men.

The burden has fallen upon us, and you go to them and say, "Yes, you must contribute to the defense of your own continent, you should do this. Also it is hurting our balance of payments. You should bear a larger share in foreign trade."

You negotiate and nothing happens.

Shouldn't you have some weapons to back up your honest efforts to get some of this load off our backs? Shouldn't you have something besides merely an appeal to good will which, thus far, has seemed ineffective?

It is hard to say that, but it is true, and I see representatives of foreign governments in this room busily taking notes as I say this, and I hope the message will be carried back, as one who has always believed in cooperation with Europe, and still believes it.

But cooperation is a two-way street, and I think they have come to take us for granted, to feel that they can impose continuously upon us, that those of us who believe in international cooperation when we come to the sticking point will always yield, that they can push us further and further and further, and that we will be committed to defend them without limit, cooperate with them without limit, receive unilateral treatment from their hands without limit.

I have been going through some changes in the last year, based both on my experience on the Senate floor——

Senator McCARTHY. When a Quaker takes up force, look out. [Laughter.]

Senator DOUGLAS. (continuing). Both in the experience on the Senate floor and nationally, and I have been rereading Machiavelli who, in many ways, was not quite an estimable character, but he said one thing which was very important:

"Now, therefore, all the unarmed prophets have perished and only the armed prophets have survived."

Our great enemy is the Soviet Union. We have got to defend ourselves from them. The Common Market will help in that direction by bringing the countries more closely together.

It will be of immediate and ultimate benefit to Europe. It will be of ultimate benefit to us because by increasing the prosperity of Europe they will be able to buy more from us. Immediately it is good politically; ultimately it is good economically; in the short run it is going to be adverse economically inevitably. I am willing to take that providing we reduce the danger.

The discouraging thing is that the European countries take us completely for granted, and I want to give you powers with which to negotiate.

We have talked this over many times. Wouldn't you favor a clause that would give to the President the power to impose higher tariffs if these are necessary in order to—in his opinion necessary to—obtain relaxation of European restrictions, either in the tariffs or nontariff nations?

Mr. BALL. We have, under section 252 of the present law——

Senator DOUGLAS. Do you favor the principle?

Mr. BALL. As I pointed out in the statement, Senator Douglas, I favor retaliation under certain circumstances. I gave certain examples.

Senator DOUGLAS. Why not make it explicit?

Mr. BALL. It exists to a very considerable extent under section 252.

Senator DOUGLAS. No. The power you have now is to deprive the European countries of concessions which you would otherwise make, not to impose additional ones.

Now, we have that great economic weapon which we touched on briefly, automobiles. If the European tariff is 22 percent on automobiles, and ours is 6—if we would threaten to increase the tariff on automobiles unless they reduced their restrictions on our farm products and coal, you would be in a better position to bargain.

Mr. BALL. Let me refer again to the example which I gave in the statement a moment ago, which is the reverse of this, because I think it illustrates the point, Senator Douglas. This is the case of the recent action——

Senator DOUGLAS. Excuse me just a moment. My assistant corrects me. He says that they do not come to 22 percent until 1970.

Mr. BALL. That is right.

Senator DOUGLAS. But they are above 22.

Mr. BALL. Well, above or below.

Senator DOUGLAS. Well, in the main, above. This is a great weapon which we hold over them.

We have given away most of our marbles, but we have one left.

Mr. BALL. Let me say, first, under section 252 we have a greater power than I think you suggested, sir. We have the power to return to the Smoot-Hawley tariff by the withdrawal of concessions in cases where they impose an illegal restriction.

Senator DOUGLAS. Do you really have that?

Mr. BALL. It is under section 252.

Senator DOUGLAS. Why don't you use it then if you really have it?

Mr. BALL. Because this was given to us by the House version of the bill.

Senator DOUGLAS. Why not put it in explicitly? I drafted the letter of the 1,034 economists against the Smoot-Hawley tariff. I think it was an abominable tariff which set back this country for years. I will not defend the Smoot-Hawley tariff. I do not say we should go up to Smoot-Hawley plus 50 percent, that would be terrible, but at least let the President have the authority to go up if he needs to.

Mr. Morton announces that he has signed a cloture petition to stop me, so I will stop [Laughter]. But I must go to the floor, Mr. Chairman, and I think——

Senator MORTON. That is where the filibuster is going on over on the floor. This is the wrong place. [Laughter.]

Senator DOUGLAS. I wish the Secretary would not leave, and that we can have him back this afternoon.

The CHAIRMAN. We will meet again at 2:30 this afternoon.

Senator MCCARTHY. Mr. Chairman, I would like to pose a question. Mr. Ball, I have a letter dated August 9 from Mr. Dutton, in answer to a letter that I sent to him on the 23rd of July relating to the increased tariff duties on poultry imports into Europe.

I wrote to him about the increase, and his letter, in the first paragraph says:

> I received your letter regarding the poultry exports to the Common Market. * * * We have continued to discuss this matter at the highest levels with the German Government.

I made no mention of the German Government. I am interested in the procedure.

Do you go to the Common Market government which you think has the greatest interest in having these duties reduced, and ask them, in a sense, to represent you in the Common Market with ECC or how do you proceed, how did you proceed in this case?

Mr. BALL. In this case, Senator McCarthy, the Common Market does not exist yet, I mean it is something that is coming into being, as you well understand, sir.

We have made representations to all of the governments in regard to poultry.

The reason I mentioned the German Government is this is far and away our biggest market in Europe. It is an enormous market which has developed in the last 2 years.

The importance of this for us is if we can get the German Government to move on this it will open up the market far more than would action by any of these other governments.

But this does not mean that we have not discussed this with other governments and, in fact, the Italian Government has as a result of our discussions taken off its quantitative restrictions on imports of our poultry.

Senator McCARTHY. What arguments do you make to them? Do you simply say, "It is in your interest to do this?" They know that, do they not? What do you do, do you threaten them? Do you say, "We may have to raise the duties on Volkswagens when they come into the United States?"

Mr. BALL. I can assure you, Senator McCarthy, that every resource that we have that is usable, as a part of the whole context of relations which we have, as I tried to point out in my statement, is brought to bear in discussions with the foreign government on a matter of this vital importance.

This is discussed within the context of discussions which go on between governments. One does not separate one relationship and deal with it exclusively apart from the others.

Senator McCARTHY. What happened by way of retaliation on the part of the European community when you raised the duties on glass and on carpets. They acted almost immediately, didn't they?

Mr. BALL. They took the position that the offers of compensation which we gave, and which we were able to give, under existing authority, which was simply the authority that was remaining under the Trade Agreements legislation, did not in their opinion represent adequate compensation, and they took action against certain other of our products.

Senator McCARTHY. Did they offer any compensation to you with reference to the poultry increases?

Mr. BALL. The question of the poultry increases was a matter which was reserved for discussion, and which will be discussed. Again, this will be discussed in terms of trying to get a reasonable level of protection for poultry and, obviouly, the question of compensation arises as well.

Now, this was——

Senator McCARTHY. I heard about the procedure. Why is there a different procedure when they act against an increase here and a different procedure or a procedure different from what you follow when they imposed additional duties?

Mr. BALL. Their action was taken within the context of the whole movement toward a European Common Market.

This involved a major negotiation in which a great many different items were involved, industrial items, poultry items, and so on.

Now, the requirement, again under article XXIV, was that they come out of this with about the same level of protection across the board that they had before.

This does not mean that they have to have the same level of protection with respect to any particular item that they had before, but

that the total incidence is about the same, and this is the standard which is set up by article XXIV. This is the frame work within which this——

Senator McCARTHY. Do you think they are operating within that framework?

Mr. BALL. Yes.

Senator McCARTHY. Do you think we have a case against them?

Mr. BALL. I think we are operating within the framework. The total discussions have not concluded in the sense that we have reserved under those negotiations the opportunities and rights to discuss the level of protection which might be achieved with respect to certain agricultural products.

Senator McCARTHY. Then it would be your opinion that so far as we are concerned we have no case against them on the poultry increases. The only case that can be made would be one that could be made within that community itself?

Mr. BALL. This is a matter upon which I would rather not comment publicly before this committee because we are going to have discussions with the governments within the GATT on this very question.

Mr. McCARTHY. Am I to accept the last paragraph of Mr. Dutton's letter as a consolation? I am concerned and the poultry producers are concerned. While the decision of the German Cabinet is most gratifying, is this our consolation: that the German Cabinet has made a gratifying decision? This is worse than a congressional letter. This is like saying, "The subcommittee has acted favorably and I will continue to watch this with interest."

Mr. BALL. This is a part of the governmental process. The Government makes the decision and it follows a regular course. All we are reporting to you is that the District court in a lawsuit has made a favorable decision, but that there is a Court of Appeals to consider as well, and I cannot give you the answer from the Court of Appeals because it has not made its decision.

Senator McCARTHY. The trouble is I am not sure I have my lawyer in court.

Mr. BALL. Well, I am sorry because I can assure you that you have not had a more diligent advocate than the Department of State in this matter.

Senator McCARTHY. I have no further questions on this point.

The CHAIRMAN. Senator Williams.

Senator BENNETT. May I ask one question? I have only one.

You say that there are about 900 items on which we levy a duty of 30 percent or more. You say that products governed by such high rates are largely excluded from the American market.

I think it would be interesting to the committee, if this would not be completely burdensome, if you could have somebody take that list of 900 items (it must exist somewhere), and arrange it in scales of products that are in excess of 30 percent, and then tell us in another column what percentage of the American market the main and important products in those areas do contain—you make the statement they are largely excluded. Our staff man tells he has a study which indicates that in some of those items they may run as high as 25 percent of the total American market.

Mr. BALL. We will be glad to do this. It is a fairly big satistical job, but we will be happy to do it, and I think it might be useful to the committee.

Senator BENNETT. I do not want to get down to nit-picking. Products that are of no particular concern one way or another should be left out, but there is a grave question that these high products are largely excluded.

Senator MORTON. Would the Senator yield for one specific question?

I understand with respect to the duty on finished dyestuffs, for instance, that is still at about 40 percent. Yet I understand that on certain dyestuffs, domestic prices have been lowered in the last few weeks merely because of importations. So even the 40 percent duty on finished dyestuffs I do not think is a wall.

On the intermediates, that is those products which go into dyestuffs, I think we lowered them some years ago to 25 percent plus 3.5 cents, and they have not—at that rate come in rather substantially, so I think if you get the major items that you seek there for the committee, it would be helpful.

Mr. BALL. I would be glad to.

Senator MORTON. Because there is an opinion that some of these high tariffs automatically put up a wall, yet some of the very highest duty products come into the domestic market in great amount.

Senator BENNETT. There is a fundamental question we always face, and that is the difference in costs of production overseas. Are these 30, 40, 50 percent tariff rates effective? The implication of your statement is that they are, and when you get up to as high as 30 percent or above this excludes these commodities. We on the committee have some doubts.

Mr. BALL. You get, of course, a wide difference in the relative cost of production between the United States and overseas depending on the type of article or commodity which is involved.

We have certain advantages; they have certain advantages. It depends on how those advantages combine with respect to the production of the particular item.

Senator BENNETT. I realize that you cannot get an accurate measure of this relative advantage, but it would be interesting to me, as a member of the committee, to take a look at the important items among these 900, and then let us see what percentage of our market they assume.

You mentioned 30 percent in your statement. I would like to, if you could, to have you separate out those items which have tariffs left over 50 percent, and let us separate them out by themselves for another reason. Many of us would assume your concessions are going to be made in this area where the tariffs are still relatively high. This is the area in which you have more trading stock than you have on commodities where the tariffs are very low.

So we would like to take a look at these commodities, and at the percentage of the market which the important commodities now involve. That is all I have.

Senator MORTON. Are we returning this afternoon?

The CHAIRMAN. At 2:30.

Senator MORTON. I will be back this afternoon, but I would like to ask the Secretary, if you want to wait a few minutes more, a couple of questions.

First, the colloquy that you had with the chairman concerning Japan, Mr. Secretary, I think one thing should be pointed out.

(Discussion off the record.)

The CHAIRMAN. We will recess until 2:30 this afternoon.

(Whereupon, at 12:30 p.m., the committee recessed, to reconvene at 2:30 p.m., this same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.

The Chair recognizes the Senator from Kentucky, Senator Morton.

STATEMENT OF HON. GEORGE W. BALL, UNDER SECRETARY OF STATE; ACCOMPANIED BY LEONARD WEISS, DIRECTOR, OFFICE OF INTERNATIONAL TRADE AND FINANCE; AND ABRAM CHAYES, THE LEGAL ADVISER, DEPARTMENT OF STATE—Resumed

Senator MORTON. Thank you, Mr. Chairman.

Mr. Secretary, in the colloquy with the chairman this morning, you discussed at some length the question of the impact of Japanese textiles on the economy of this country.

I recognize this. There are textile manufacturers in my State. But isn't it true that the Japanese have tried voluntarily even to be cooperative in not flooding the U.S. market?

Mr. BALL. That is correct, Senator Morton. They have shown, I think, a great deal of understanding of the problem that is faced by the textile industry in this market, and considerable statesmanship.

Over a period of years we have had voluntary arrangements which they have entered into, and which I may say, on the whole have been very carefully complied with on their part. And currently we have an arrangement with the Japanese which has worked out quite satisfactorily.

Senator MORTON. Isn't it also true, Mr. Secretary, that there are other offshore cases of textiles, which have had a negative effect on the domestic industry other than the Japanese?

Mr. BALL. Well, the problem which was created and which gave rise to the consideration of a special arrangement last year in the form of a short-term cotton textile agreement, was the rise of imports from Hong Kong, primarily, although other less developed countries were involved.

Hong Kong was the principal beneficiary of this great increase in imports. This occurred during a time that the Japanese Government was maintaining their imports under voluntary restraint.

It put the Japanese Government or Japanese industry in a position where by exercising restraint and statesmanship they were, in effect, being at a disadvantage as against those countries which were not under voluntary restraint.

What was achieved by the textile agreement was to import into these arrangements a measure of equity as between the foreign producing countries, so that one wouldn't be penalized for complying,

while another took advantage of an opportunity to increase its own trade.

Senator MORTON. I recall in 1957 I was with our then Ambassador in Japan, Douglas MacArthur, III; incidentally, he showed some good judgment when he married a Kentuckian, the daughter of Senator Barkley; but we were talking to some textile entrepreneurs in Japan, and one of them made this statement to me which I thought rather significant.

He said, "You know, one of your biggest buyers came to us the other day and pulled out a piece of cloth and he said, 'Can you duplicate this?'"

And we said, "Of course we can."

He said, "We would like to have your price on 500,000 yards of this cloth."

I said, "No, we are not going to bid on it because we are trying to operate"—then—"under a completely voluntary agreement and we think that is enough."

He said, "All right, if that is the way you feel," and he closed up his portfolio and he said, "We will go to Hong Kong and get it there."

The reason I pursue the questioning, Mr. Secretary, is I do think the Japanese and their industry have made an effort to play ball, and I think that we are up against imports from many countries that are either now operating efficiently in the textile field or potentially can, which makes this problem much greater than just the Japanese problem.

Mr. BALL. I quite agree, Senator Morton.

Of course, as I say, this is one reason why the arrangements which we now have under the short-term agreement and will have under the long-term agreement, create a much more equitable situation than existed before, because all the producing countries will be under restraint.

Senator MORTON. Now, Mr. Secretary, if we will get back to this problem we were belaboring this morning in the agricultural exports: Do you find it difficult in carrying on negotiations, and I know you vigorously have been carrying them on because we also have a two-price system.

In other words, here is West Germany with a $3.05 support price on wheat.

Now, my good friend from Kansas knows that out in his country they can raise it for $1.20 per bushel and make money on it. He won't admit that.

Senator CARLSON. We have not admitted it. [Laughter.]

Senator MORTON. Anyway, it is a fact. [Laughter.]

But here we are trying to break down certain barriers that are being placed against us on poultry, feed grains, wheat, any number of agricultural items, but can't they just turn to you, if you are the head of the negotiating team and say, "Well, Secretary Ball, this is a good argument you are making but you are doing the same thing," wouldn't we be better off if we had a one-price system?

Mr. BALL. Senator Morton, you are leading me into a field of domestic agriculture and agricultural policy which is really not within my competence.

Senator MORTON. I do it deliberately, too. [Laughter.]

Mr. BALL. We do have, as you know, section 22 of the Agricultural Adjustment Act which enables us to protect the support price system which we have, and to the extent that we do protect our support price system, of course, it does furnish an argument for other countries to say they protect their support price system, and this is an argument which we become very familiar with in negotiations.

At the same time, I think that we have in many agricultural sectors, the most efficient agriculture in the world. There are many reasons why I think our agriculture will continue to be more efficient than in many other parts of the world even though those other sections of the world begin to apply the new agricultural technology to the same extent that we do.

It is partly a matter of land tenure, the fact we have large fields. In Europe, for example, under historic land tenure, the fields are fragmented, mechanized agriculture is not possible to the same extent it is here and so on. But it is to everyone's interest that we are able to bring about an agreement on the part of our European friends—which is for us the really big agricultural market—to maintain a reasonable price structure so that they are not in a position of maintaining and inviting nonproductive, inefficient farming.

This will mean more money, more goods, more everything for them. I am not at all pessimistic about the future of American agricultural markets. I think we are going to be able to maintain them. I think that while the system of variable levies, which the Europeans are now embarking on as a means of reaching a common agricultural policy within the European Community, is subject to an abuse of being used protectively, it is also capable of being used in a very liberal fashion. But, in the long run, the question is what is going to be the level of their support prices?

If it is high, the levies will be high in order to protect those support prices. If the support prices are reasonable, the levies will be reasonable. If the support prices are reasonable, Europe will not move toward self-sufficiency in agricultural production.

If they are extremely high, Europe will move toward agricultural self-sufficiency at great cost to themselves as well as to us.

So that there are a great many elements that are involved in this.

There are a great many reasons from the European point of view, why they should adopt reasonable price policies.

I may say that in the negotiations which have just been underway between the European Economic Community and the United Kingdom over the accession of the United Kingdom to the Rome Treaty, this is one of the major problems. As a matter of fact, it is the problem which has brought about the temporary adjournment of these discussions. It is the problem of how one defines the reasonableness of a price policy which these countries will follow.

The United Kingdom obviously, as perhaps the major food importing country in the world, is greatly interested in low prices for foodstuffs. Therefore, it is on the side of liberalism, it is on the side of imports not only from the Commonwealth but from the United States.

I would hope that out of this negotiation there will come an additional influence leading the Europeans to come down on the side of liberalism, and I think that by the use of the powers which we hope-

fully will have under the Trade Expansion Act we will be able to help bring this about.

Senator MORTON. I hope we have those powers.

Senator CARLSON. Will the Senator yield to me at this point?

Senator MORTON. Yes.

Senator CARLSON. I wonder if the distinguished Senator from Kentucky will make the same proposition for tobacco as for wheat?

Senator MORTON. Tobacco is a unique product, it is neither food nor fiber. It has one end use; you can't substitute it for anything else.

You can put wheat in chicken feed if you want to. [Laughter.]

And there are all kinds of uses for wheat. And if we had that flatland you have, why we would raise wheat as cheap as you do. [Laughter.]

I am sorry the Senator from Kansas keeps interrupting my train of thought. [Laughter.]

I hope that the statement that you just made is correct and it works out. I think certainly it is in the interest of the German people based on their bread price alone, to not have a $3.05 support price on wheat and then charge us different.

This same thing applies as we went into that this morning with coal and other items.

Isn't the basis of this bill where you get 80 percent of the trade enabling full negotiating powers to a practical extent dependent on Britain's entry into the Common Market?

Mr. BALL. Yes, to a very large extent. I would say that the 80-percent provision would be usable only to a negligible degree if the United Kingdom does not join the Common Market.

Senator MORTON. Why are we in such a hurry then? Shouldn't we wait for Britain to move?

Mr. BALL. No. I think there are several reasons why it is imperative that we move quickly.

First of all, the current negotiations between the United Kingdom and the Community are being shaped to a considerable extent in the expectation that the Trade Expansion Act will be available.

Let me give you a very concrete example. At the moment Canada and Australia, particularly, have preferential arrangements for their manufactured products, in the British market. This goes back to the old Ottawa agreements. It has been a historic part of their trade structure.

Now, a large measure of agreement has been reached between the United Kingdom and the European Community, and if the chairman would like I might submit for the record the British white paper, it isn't very long, which summarizes the agreements that have been reached so far.

The CHAIRMAN. Without objection.

(The paper referred to follows:)

Miscellaneous No. 25 (1962)

THE UNITED KINGDOM AND THE EUROPEAN ECONOMIC COMMUNITY

Report by the Lord Privy Seal on the Meeting With Ministers of Member States of the European Economic Community at Brussels from August 1–5, 1962

Presented to Parliament by the Lord Privy Seal by Command of Her Majesty, August 1962

PROGRESS OF THE BRUSSELS NEGOTIATIONS: MINISTERIAL MEETING, AUGUST 1–5

INTRODUCTION

In recent months the Lord Privy Seal has made statements in the House of Commons on the progress of the negotiations between the United Kingdom and the member Governments of the European Economic Community after each Ministerial meeting in Brussels. His most recent statement, following the Ministerial meeting of July 24 to 28, was made on July 30, shortly before the House adjourned for the Summer Recess. (Hansard, Vol. 664, No. 155, Cols. 34–35).

2. After making the statement Mr. Heath undertook to issue a further public statement after each Ministerial meeting which took place when the House was not sitting.

3. The following is an account of the meeting which took place in Brussels from August 1 to 5.

ASSOCIATION UNDER PART IV OF THE TREATY OF ROME

4. Ministers gave further consideration to the question of association under Part IV of the Treaty of Rome in relation to both dependent and independent countries of the Commonwealth. The United Kingdom has made known to the members of the European Economic Community its own views in this respect and there was a further exchange of views on this occasion. It will be recalled that member countries of the European Economic Community have been engaged in discussion with the associates of the Community on the content of a new Convention of Association to take effect from January 1, 1963.

5. As regards dependent territories of the Commonwealth, Ministers agreed that, with certain possible exceptions, association under Part IV of the Treaty of Rome provided the most satisfactory arrangement for such territories and that they would be eligible for it. It will be for the British Government at an appropriate moment, and when the terms of the new Association Convention are settled, to state which of these territories are to be associated after such consultations as may be necessary.

6. Particular considerations arise in respect of:

Singapore, Sarawak, North Borneo and Brunei.—In view of the discussions which are taking place on the establishment of a Greater Malaysian Federation, the position of these territories will be considered at a later date.

Aden.—There will be further examination of the appropriate arrangements for Aden taking account of the production there of petroleum products.

Basutoland, Bechuanaland Protectorate and Swaziland.—Certain technical problems arising from the existing customs union with South Africa are to be given further consideration.

Hong Kong.—The Community agreed to work out with the British Government, before Britain's entry into the Community, appropriate measures in the field of trade relations.

7. As regards independent countries of the Commonwealth and those which will shortly become independent, Ministers agreed that association with the Community under the proposed new Convention would be a suitable arrangement for Commonwealth countries in Africa and the Caribbean which so desired. It was also agreed that at the appropriate time there should be consultation between the member Governments of the Community (after consultation with the States already associated) and the British Government (after consultation with the Governments of the Commonwealth countries concerned) with a view to the association of these countries.

8. The heading under which arrangements suitable for the Federation of Rhodesia and Nyasaland should be considered remains for further discussion.

9. If certain countries do not become associates, there will be consultations between the United Kingdom and the member States of the European Economic Community about what alternative economic arrangements might be possible.

10. Further discussion will be needed at a later stage about the level of the Common External Tariff on certain tropical products and about trade in tropical products of interest to Commonwealth countries and territories which do not become associated.

11. As European territories, Malta and Gibraltar are not eligible for association under Part IV of the Treaty of Rome. The British Government will make proposals in due course about the relationship of these territories to the enlarged Community.

INDIA, PAKISTAN AND CEYLON

12. Provision proposals were agreed on the treatment of trade (with the exception of certain items) between an enlarged Community and India, Pakistan and Ceylon. Ministers, recognize that in the definition of the future commercial policy of the enlarged Community, account should be taken of the necessity for these countries to increase and diversify their national production with a view to raising the standard of living of their populations. The arrangement worked out comprises the following elements:

(a) *Comprehensive trade agreements*

The enlarged Community would seek to negotiate comprehensive trade agreements with India, Pakistan and Ceylon, at the latest by the end of 1966. The objective of these agreements would be to develop trade and so to maintain and increase the foreign currency earnings of these countries and in general to facilitate the implementation of their development plans The means by which this could be done would include tariff policy, quota policy, export policy and measures to facilitate the promotion of private investment and the provision of technical assistance.

(b) *Tea*

Agreement was reached on a reduction to nil of the existing Common External Tariff of 18 per cent. on tea.

(c) *Cotton textiles*

The Common External Tariff would not be applied to these imports in accordance with the normal timetable but in four stages: the first step of 20 per cent. would be taken on the accession of the United Kingdom to the Community; a second step of 20 per cent. 18 months later; a third step of 30 per cent. a year thereafter; the final step of 30 per cent. when the Common External Tariff applies throughout the Community. As in the main the rate of duty in the Common External Tariff is 18 per cent., the rates applied by the United Kingdom in the first three stages would be about 3½ per cent., 7 per cent. and 12½ per cent. *ad valorem.*

It was agreed that until the conclusion of the trade agreements referred to in (a) above, or the end of 1966, the enlarged Community would take steps without delay to restore the situation if, as a result of the progressive application of the Common External Tariff by the United Kingdom exports to the Community were to decline. Such a decline would be measured in relation to a base level for such exports to the Community which would be established before the accession of the United Kingdom. It would be at least the average tonnage of imports into the member countries of the enlarged Community during the years 1959 and 1960.

Provision for certain additions in accordance with the Geneva Arrangement was also agreed in principle so far as the markets of the present Community are concerned. The United Kingdom would restrict its imports from India and Pakistan to about the present limit.

Arrangements were agreed that during the period when exports to the United Kingdom of Indian or Pakistani grey cloth pay a rate of duty lower than that represented by the Common External Tariff, a control should be exercised over exports of goods made from this material from the United Kingdom to other members of the Community in the event of difficulties arising in the latter's markets.

(d) *Other manufactured goods and processed foodstuffs*

Agreement was reached that the Common External Tariff should be reduced to zero in the case of some minor industrial products, notably certain sports goods.

As regards the remainder of products under this heading, it was agreed that there should be a substantial delay in the normal timetable for the application of the Common External Tariff. The agreement provides for the application of the tariff by the following stages: 15 percent of the

appropriate rate on Britain's accession; 15 percent on July 1, 1965; 20 percent on January 1, 1967; 20 percent on July 1, 1968 and the final step on January 1, 1970.

(e) Jute goods

The provisional proposals agreed provide for a progressive application of the Common External Tariff. The United Kingdom would establish a quota for goods (other than heavy jute goods) from other member States of 3,000 tons increasing annually by 700 tons. Quantitative restrictions would be abolished on January 1, 1970, at the latest.

(f) Tropical products

A suspension of duties (under Article 28) was agreed for a number of items including cashew nuts and handloom products (the latter subject to an agreement on customs definition). The treatment of other tropical products, including coffee, which are also of interest to associates of the Community, will be considered at a later stage.

(g) Items for further discussion

The British Government's proposals for nil duties on East India kips, coir mats and matting, certain heavy jute goods and hand-knotted carpets are to be discussed further.

TEMPERATE AGRICULTURAL PRODUCTS

13. There was a prolonged discussion on arrangements for trade in temperate agricultural products from Canada, Australia and New Zealand and much common ground was established. A good deal of work remains to be done, however, both as regards individual commodities and in order to give greater precision to some of the proposed arrangements.

14. The arrangements proposed relate both to the longer term and to the transitional period.

15. As regards the longer term, it will be recalled that, in earlier discussions, all the Seven Governments agreed, in the context of an enlarged Community, to take an early initiative to secure world-wide agreements for the principal agricultural products. This decision reflected recognition of the responsibility of the enlarged Community as the most important food importer in the world. In the discussions that have just concluded, Ministers clarified further purposes of such agreements and amplified the points to be covered in them. The latter would include the price and production policy to be followed by the exporting and importing countries, the minimum and maximum quantities to enter international trade, stock-piling policy and the special aspects of trade with developing countries. The purpose would be to seek to work out the most suitable structure of international trade in agricultural products in order to ensure an agreed balance between the interests of consumers and of producers and to meet in particular the development of requirements and outlets in the different parts of the world. It was agreed that such world-wide agreements would be subject to revision every three years.

16. It was agreed that the Community's future price policy was particularly important since it would largely determine the volume of production and thus the outlet opportunities for exporting countries. Ministers recognised therefore that it would be desirable that the Community should make an early declaration expressing its intention to define its price policy as soon as possible and to pursue a reasonable policy in conformity with the objectives of Articles 110 and 39 of the Treaty of Rome.

17. Thus the Community, in taking appropriate measures to raise the individual earnings of those engaged in agriculture in the Community by ensuring the rational development of agricultural production, would also endeavour to contribute to a harmonious development of world trade including a satisfactory level of trade between itself and third countries, including Commonwealth countries. The price policy of the Community would, within the framework of world-wide agreements, be the subject of a confrontation with the price policy of other producer countries ready to take part.

18. An explicit statement was also agreed that the policy which the enlarged Community intended to pursue would offer reasonable opportunities in its markets for exports of temperate foodstuffs. It was confirmed that the agricultural regulations adopted by the Community required the abolition of quanti-

tative restrictions both between member States and on imports from third countries subject to exceptional provision in the event of grave disturbance.

19. Ministers further considered the position which would arise if world-wide agreements did not prove practicable. The Community reaffirmed their readiness to conclude agreements for the same purpose with those countries who wished to do so and, in particular, with Commonwealth countries.

20. As regards the transitional period, further arrangements remain to be discussed for a number of major commodities. But a framework was worked out for the treatment which could be applied to all individual commodities for which there would be an intra-Community preference. In the case of cereals, the members of the Community stated their intention to ensure that the operation of the intra-Community preference would not lead to sudden and considerable alterations in trade patterns. If these were to occur, the Community would review the operation of the intra-Community preference in consultation with Commonwealth countries. A similar safeguard was offered for all products where there would be an intra-Community preference. It was agreed that imports into the United Kingdom of cereals at present enjoying a tariff preference in the United Kingdom should benefit from an agreed application of the intra-Community preference. The precise application is to be discussed further when negotiations are resumed.

21. The Ministers of the Community said that they had been giving special consideration to the position of New Zealand. They recognised the particular difficulties affecting New Zealand because of its high degree of dependence on the United Kingdom market and expressed their readiness to consider special provisions to deal with these difficulties.

FINANCIAL REGULATION

22. Ministers considered the Regulation of the European Economic Community relating to the financing of the Common Agricultural Policy. The United Kingdom delegation confirmed that the British Government would accept the Regulation in full if the United Kingdom joined the Community and indicated that at the appropriate time they would be prepared to participate with other members of the Community in an examination of the relation of this Regulation to the financing of Community expenditure in the period from 1965 to 1970 and in the Common Market period. The French Delegation took the view that it was not possible for it to give its agreement to arrangements for temperate foodstuffs from the Commonwealth until further consideration had been given to the question of the Financial Regulation.

FUTURE PROGRAMME OF WORK

23. At earlier meetings, Ministers had worked out arrangements covering other sectors of the negotiations, including the treatment of manufactured goods from the developed Commonwealth countries and some aspects of domestic agriculture, notably provision for annual reviews and a further assurance for farmers in the enlarged Community.

24. At the meeting which has just concluded a great deal of progress was made on major questions affecting the Commonwelath—association under Part IV of the Treaty of Rome, the particular interests of India, Pakistan and Ceylon, and temperate agricultural products from Canada, Australia and New Zealand. In addition to the work which remains to be done on some of these questions. Ministers have to take decisions on the proposals which the British Government have put forward for nil tariffs on some industrial raw materials and arrangements have to be agreed on processed foodstuffs. There are also important matters to be settled in the fields of domestic agriculture and horticulture, in particular those concerning individual commodities.

25. Ministers agreed that the negotiations would be resumed in September at the official level and that the next Ministerial meeting should take place in the first days of October.

Mr. BALL. One of these agreements calls for the phasing out of the preferential arrangement for industrial products between now and 1970.

Now, quite explicitly the basis upon which this was done was stated to be because the Trade Expansion Act would make possible a major

liberalization of the market for manufactures in the combined expanded European Community, and, therefore, the preferential arrangements which the Commonwealth countries had enjoyed with respect to finished manufactures weren't going to be necessary to the maintenance of their trade.

Now this, of course, is to our very considerable benefit. The promise of the Trade Expansion Act hovers like a kind of omnipresence over the whole United Kingdom-EEC negotiation and to the extent that this promise exists it will be a very great influence in bringing about liberal solutions to the problems which these countries are working on now—liberal solutions from which we will very greatly benefit. It would be highly undesirable from our point of view if what should happen as the result of the United Kingdom coming into the Common Market would be the preservation of all the Ottawa arrangements on top of the necessary trade advantages that will flow to the countries within the market in trading with one another.

So this is one of the reasons why I think it extremely important that we move promptly on this.

Secondly, and related to this, is the fact that the Trade Expansion Act has been the greatest evidence of a determination of the United States to follow a liberal trading policy that has been demonstrated for a long time. It has given an inspiration to the Europeans—not simply a mechanical reliance on the act but that there will be a spirit of liberalism. Because we are, in effect, the leaders of the free world, and we do, as I suggested this morning in my statement, to a large extent set the trading tone for the free world.

If we were to eliminate the 80 percent section or if Congress were to modify the bill in such a way as to greatly reduce the trading authority of the President, then I think that this could have a very serious effect on the way things are being done in Europe today from the point of view of our longer range trading interests.

Senator MORTON. You think that was a quid pro quo or was it essential we go ahead at this session of Congress with legislation of this kind even though we can only forshadow and in no way predict what is going to ultimately happen between the United Kingdom and the Common Market?

Mr. BALL. That is right, Senator Morton.

Let me say one further thing if I may, because I think it is important for the record to have this made clear: once this legislation is passed, if Congress acts this summer, it will still be the end of 1963 before we can get into negotiations. This is simply the mechanics of the operation.

Now in the meantime what will be the position of an American manufacturer who wants to get into this market early, establish his goods while there is still fluidity, before the trade lines are all set?

How is he going to do it? He can do it in one of two ways.

He can invest in the European market and build a plant there which will have, from our point of view, several long-range disadvantages.

Senator MORTON. Not under the tax laws we are going to pass.

Mr. BALL. The tax laws will have an effect but they are only one element in an investment decision. They are only one element.

Senator MORTON. I was facetious, Mr. Secretary.

Mr. BALL. Or he can make his plans to sell in the European market producing over here. One of the elements which has to go into his investment decision is the effect of the protection of the common external tariff. If we don't act now, if Congress does not act now, then he will have no assurance whatever that there will be a possibility of a reduction of the common external tariff, and this has to go into his investment planning.

Thus there are a number of compelling reasons why there shouldn't be a delay here from the point of view of establishing our own products in the European market.

Senator MORTON. Well, Mr. Secretary, I am asking these questions because they have been asked of me. I am attempting to help make a record here that will give me some answers. You don't think then that we are tipping our hand by passing this bill before the British go into the Common Market?

Mr. BALL. I should say, on the contrary, that we are helping the Europeans to arrive at liberal solutions for our benefit, and that we have nothing to lose and everything to gain by this.

Senator MORTON. Do you think, Mr. Secretary, that the bill as passed by the House is adequate in giving you the power that you will need as the negotiator in these matters, to go beyond just tariffs.

Actually today what happens? We negotiate a tariff reduction on each side, and then we run into some domestic tax of some kind that precludes the import of U.S. goods into that country.

We talked a lot about automobiles here. Senator Douglas brought out that 22 percent against 8 percent was the case. That is not what is stopping American automobile sales in the Argentine. What is stopping it is they put a domestic tax on either horsepower or weight, things characteristic of American automobiles. They put a quota on coal as the Senator pointed out this morning.

Are you sure that in this bill you have adequate authority to see that they don't set up an artificial domestic barrier even though they give us the tariff relief?

Mr. BALL. This bill gives us, I think, all the authority that can be devised for this. There are two kinds of nontariff restrictions which the foreign governments may use.

One is what one can call illegal restrictions under the GATT—there is other terminology which is sometimes used.

The second consists of restrictions which are legal under the GATT, but which nevertheless are very disadvantageous from our point of view.

Now, with respect to the first we shouldn't pay anything for the elimination of these and we don't intend to. We intend to bring about their elimination but we intend to do it within the framework of all of the considerations we have discussed this morning—the relationships between ourselves and those governments and the mobilization of world opinion through the GATT which itself can be an effective thing in some cases.

With respect to the second—which are legitimate in that they don't contravene any of the provisions of the GATT—this is a matter where we can use the bargaining powers that are provided under the Trade Act as well as we use them to obtain reductions in tariffs, and we intend to do so.

Senator MORTON. As an example, Mr. Secretary, I have here a telegram from a constituent of my good friend from Minnesota, stating that in the flour-milling capital of the world, Minneapolis, exports to the Netherlands have been completely stopped by the recent imposition of excessive import levies.

Now, historically, to my knowledge, for 30 years, and probably going back 50 years, we have had an export business on grain products, mostly wheat flour, to the Netherlands. Yet, it suddenly stops, and under this bill do you have the authority to move into the situation and try to recapture that market that has historically been ours for a half century?

Mr. BALL. That is right.

We have been able to obtain some small relief on this already. But I quite agree with you, I think that the levy was reduced from 6½ guilders per hundredweight to 5 guilders. Historically, it used to be a little over 1 guilder per hundredweight.

But certainly, I mean this is exactly a situation where legislation would be usable.

Senator MORTON. Do you think there should be some greater legislative oversight in the matter of possible escape clause or peril point than is in the bill?

Mr. BALL. No. Escape clauses are not a source of strength to us; from a bargaining point of view they are a source of weakness.

Senator MORTON. They are a source of strength to the domestic economy?

Mr. BALL. They are a source of protection to the domestic economy but they are a source of weakness in international bargaining. I will tell you why I say that and I am not suggesting that we are dissatisfied with the escape clause provisions as they are written in the bill.

I am not suggesting they be eliminated but I think it should be made clear they do not add but actually detract from our bargaining power, because when a concession is given to a foreign country one of the big questions that the foreign government asks is: You give it now but will it stay or will you withdraw it?"

To the extent that there is an escape clause the fear of the foreign manufacturer or foreign producer is that if he establishes himself in the U.S. market and succeeds, then there will be pressure to exercise the escape clause. He will have lost his investment in establishing himself.

So to the extent that the escape clause is a prominent feature of the legislation, it somewhat detracts from our bargaining power. Tightening up the escape clause wouldn't give us more of a weapon to achieve these things we want.

But we are satisfied that this legislation in its present form gives us the power that we do need. We are satisfied that we can make great progress toward trade liberalization.

Senator MORTON. Do other countries have the escape clause provision?

Mr. BALL. Again they have quite a different structure. When you have a parliamentary government, in some cases the government itself may make a decision to modify a tariff and when that decision is made, since it represents the decision of the majority party which

is the majority party in the parliament and since the members of the government themselves are parliamentarians, this is effective.

But it is not presented as an escape clause as such. But I am not complaining about the escape clause. I think that in its present form it is all right.

Senator MORTON. Since I, a few years ago, sat on your side of the table on this same subject, I recognize the validity of your arguments, but since I am now on this side of the table, I have to point out that for instance, in the case of light bicycles, we had, I remember a question of putting a tariff on them after the British had developed the market over here, just as you point out, and they came in and with some degree of justification, with a statement that, "Well, we developed this market under this system. Now, you can't prevent us from this market through tariffs."

But here the Dutch, after 50 years of American flour products going to Holland, seem to have no qualms whatsoever about completely pricing us out of a market, completely shutting us out of a market we have enjoyed for half a century.

Mr. BALL. I am satisfied that we must obtain the reduction of this excessive levy on flour. I am quite sympathetic with the position that you take in it.

Senator MORTON. You said, Mr. Secretary, in a paper written by a committee which I understand you chaired in the preinaugural days of 1961, that 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 trade is attractive and often necessary for many other industrialized countries. As a result of these U.S. policies, expansion of East-West trade has taken place largely on Communist terms.

Do you still feel, sir, that East-West trade with the effect which you stated then is still correct?

Mr. BALL. Well, that paper, Senator Morton, to which you refer, was a task force report which was prepared for the then President-elect Kennedy. The position that I have necessarily taken is that it is a paper in the control of the President, since it was a confidential paper for him. But if you care to ask me as to my own opinion with regard to the question of East-West trade, I feel quite free to answer you and would be happy to do so.

I am satisfied with the policies of the U.S. Government with regard to East-West trade, and I think that we have some problems facing us which are of a very acute kind.

The possibility of a development of Soviet trade in certain commodities as the Soviet Union develops export surpluses in those commodities—oil is the most conspicuous example—can be of very real concern principally because of the possibility of countries outside the Iron Curtain becoming too dependent on the Soviet Union as a source of supply.

There is the continuing problem of trying to work with our allies to bring about a substantial agreement with them on the maintenance of sufficiently strict controls not only over strategic materials as such, but over materials which could contribute to the economic buildup of the bloc countries. These are matters which we have constantly under review, and I fully support the position which this Govern-

ment has taken, which I may say, I don't find at all dissimilar from the position that the Eisenhower administration took before.

Senator MORTON. If this bill is enacted, do you envision trade agreements with so-called Communist or Iron Curtain countries?

Mr. BALL. No. As you know, under this bill, the most-favored-nation provisions do not extend to the bloc countries—to the countries which are Communist dominated.

I suggested this morning that we very much hope that there can be a substantive amendment to the present legislation which would restore the same flexibility that President Eisenhower had or that President Kennedy or any of his predecessors have had with respect to the extension of the most-favored-nation clause when in his judgment he finds that it is in the national interest.

Now, what we are actually talking about is Poland and Yugoslavia, and this question has come up before the Congress very recently in connection with a question of almost exactly the same kind.

It came up in connection with the foreign aid legislation and I would hope that this committee would feel that since Congress has made a decision with regard to the foreign aid legislation, that it can make the same decision with regard to this bill, because the principle is almost identical.

Senator MORTON. Would you advocate and push for the most-favored-nation treatment for an example in the case of Japan which doesn't get it now?

Mr. BALL. It gets it as far as we are concerned.

Senator MORTON. As far as we are concerned, yes.

Mr. BALL. The situation there is this, Senator Morton, that at the time that Japan became a member of the General Agreements on Tariffs and Trade——

Senator MORTON. 1955.

Mr. BALL. 1955. Yes. Countries had an opportunity to make a reservation with regard to the extension of most-favored-nation treatment to Japan. We did not elect to make that reservation. Certain of the European countries did.

Now, over a period of time several of the countries that made that original reservation have withdrawn it and are according most-favored-nation treatment to Japan.

Our influence has been on the side of trying to bring an agreement from all of the European nations to extend most-favored-nation treatment to Japan. I think we have made very great progress. I think the British Government is seriously considering action on this.

I would hope very much that the French Government will do so; the German Government has already done so, and the Italian Government has already done so. I would hope within a short time that Japan will be accorded most-favored-nation treatment by all the members of the GATT.

Senator MORTON. Again, sitting in your seat I can remember when we did that and brother, I caught the devil from Capitol Hill. [Laughter.]

Mr. BALL. Well, I think that the merits of what you did then, Senator Morton, have been demonstrated.

Senator MORTON. I don't know, it has come back to haunt me. [Laughter.]

Senator MORTON. Mr. Secretary, the administration seems to resist the establishment in this bill of guidelines for the negotiator or for the President, tight guidelines for this program.

I should think that you would like to have certain guidelines because then as you sit at the negotiating table you can say, "Well, I agree with you, fellow, but here I have a law back of me, I have a Congress back of me that tells me I have got to do this."

Mr. BALL. This legislation, of course, has been in existence in very much the same general form since 1934, and I think that the guidelines, the working principles of negotiation, have been very well established over those years.

As I said this morning, I think that the negotiators have been very successful, and I don't think that anything more than confusion could be added by an attempt to write strict guidelines into the bill.

The principle of reciprocity is well established. We are quite prepared to say to this committee and to the Congress that this bill will be administered in a way where there will be full reciprocity for every concession that the United States makes.

Senator MORTON. One final question, Mr. Secretary: our program has been criticized for a good many years, not under your administration but prior to it, because we did not include industry experts in our negotiating procedure.

Specifically what we do, and the Eisenhower administration was guilty of this, too, we go to the chamber of commerce and we say, "We want industry representation," we got broad industry representation. We sit down with the Germans, let's say, or the French or anyone else, and we deal with a specific tariff. Let's take chemicals, dye stuffs, anything you want to mention. They have got a specialist in that field. We have got an industry representative who is not a specialist. Will it be your policy, if this is enacted, to see that on the specific issues we have specific representatives from the industry concerned who are expert in the particular field?

Mr. BALL. I think that it is necessary to keep some distinctions very clear.

First of all, among the European governments the actual negotiators at these proceedings are representatives of governments. The extent to which they draw for advice on industry representatives differs from country to country. To a very considerable extent they rely on technicians from within their own governments.

I think that it is extremely important that the U.S. negotiators have available to them technical advice, technical advice which can be provided by industry people. Industry representatives can come and establish themselves at Geneva, they can be consulted. Industry advice can also be provided, as has been the practice, through the hearings before the Committee for Reciprocity Information. It can be provided, as it is by technicians who are members of the staff of the delegations drawn from the departments, such as people from the Department of Agriculture, who are specialists in particular commodities.

But there is a very great distinction between drawing on representatives of private interests for technical advice and involving them in the actual substantive decisions of the negotiators themselves

In order that the negotiators should have the benefit of advice from industry, agriculture, labor, we have had the practice, as you know, sir, of inviting very distinguished representatives of industry, labor, and agriculture to participate as advisers in the negotiation and to be privy to the decisions that are made, and the offers that are about to be made, and even to sit in at negotiating meetings.

These people, however, when they assume that responsibility, assume it as U.S. citizens and they cease to be specific representatives of one trade interest or another, or one commodity interest or another.

This is vitally important out of deference to the whole principle of the conflict of interests.

Let's suppose that industry representatives actually participated in the negotiations or sat with our negotiators in Geneva and were told about each offer that was proposed to be made with respect to each particular commodity by the negotiators on a day-to-day basis.

First of all, what would they be there for? They would be there to safeguard the interests of their particular industry. They would be there to see that no concessions were given with respect to the products of their industry but that the largest possible concessions were requested from foreign governments.

If their influence was effective within the councils of the negotiating group then their industry would have been greatly benefited but at the expense of some industry which probably wouldn't be represented, because in the nature of things you can't have every industry represented.

But even more than that this would be a direct and serious violation of the conflict-of-interest principle which this body has been most diligent to see that the execeptive department follows, and I don't think that it is at all feasible to think of industry representatives or representatives of particular agricultural sectors being privy to the decisions that are being made on a day-to-day basis by the negotiators and having an influence brought to bear on those decisions—trying to make sure that their industry was protected even though it was at the expense of somebody else.

There has to be a point at which private responsibility stops and official responsibility begins, and this is the place, and I don't see how we can do otherwise.

Senator MORTON. I can see your point about conflict of interests but at the same time, I think it is somewhat difficult to understand why—take the city of Cincinnati, the biggest machine tool manufacturing center in this country, perhaps the biggest soap manufacturer—why should the soap man pass, give you advice as to the tariff on machine tools, I think you have to listen to the machine tool man and we export machine tools, you have got to listen to him a little bit if you are dealing with the tariff on machine tools. I don't think that conflict of interest necessarily prevails.

I think that—I don't say he has to sit at the table with you—but what I am asking you is will you give him his day in court before you make your final decision?

Mr. BALL. Well, he has his day in court under existing procedures in that he is invited to come in and make a full presentation of his position, with all of the statistical and technical data necessary.

There is a further thing he can do. If we wants to have a representative in Geneva he can talk every day to the members and staff of the official delegation and I may say that so far as I am concerned and to the extent that I will have anything to do with this, I think that the negotiators should be encouraged to talk wih him fully and freely so long as what they are talking about are the technical problems of the industry and the technical problems of negotation but not about the substantive decision. This is the point which you can't go beyond or you are going to get into a very serious problem of conflict of interest, that would be contrary to the principles upon which we operate in every other area.

One other thing which is very important—and I may say that the State Department is fully sympathetic with it—is the provision in this bill for the appointment of a special representative to be the chief negotiator, who will be appointed with the advice and consent of the Senate, by the President. He will hopefully be drawn, I think, from the ranks of the people who have had vast experience in business and are sympathetic with the problems of agriculture or drawn from agriculture and are sympathetic with the problems of business. I think this is an important move and I am all for it and I think it can be very helpful indeed.

One of the provisions of the bill directs that he seek information and advice with respect to the negotiations from representatives of the various sectors—industry, agriculture, and labor—but in doing so he cannot tell them what he is going to do specifically with respect to their commodity or to any other commodity because once he does this then he is transgressing this line of demarcation I have suggested.

Senator MORTON. I see your point there and I think it is well taken. I just hope that the industry concerned will have its day in court.

I remember a few years ago, I think, one of the things of which I am rather proud that I accomplished, I got the distinguished chairman of this committee to go to the GATT meeting.

I think that is the first time anybody ever got him to go there, and I persuaded him to go there and I think that has made this committee more sympathetic with your problems, and I yield, Mr. Chairman.

Senator DOUGLAS. Mr. Chairman, the Senator from Kentucky was very kind enough this morning, very politely, to state that a cloture petition had been filed on the questions of the Senator from Illinois. I wonder if it would be appropriate for a similar petition to be filed with respect to the Senator from Kentucky?

Senator MORTON. I would like the Senator to know that I have taken but——

Senator LONG. You cannot file a cloture petition now because the Chair has yielded me the floor, and I do not yield for that purpose. [Laughter.]

The CHAIRMAN. Senator Long is recognized.

Senator MORTON. Touché. [Laughter.]

Senator LONG. Mr. Secretary, just what is your attitude with regard to a legitimate, long-established American business going out of business as a result of low-cost competition? Now, just one instance occurs to me. It may involve a relatively small number of people, but it is my State and we have been kind of famous as shrimp fishermen down there in Louisiana, so much so that when the Louisiana team

took on the Washington State team to play a baseball game, we named our team the "Louisiana Shrimpboats."

We are practically out of the shrimp business. These other people might catch shrimps in small catches, but they are working with 6-cent labor, and we cannot obey the minimum wage law and stay in business in competition with them.

We have tried to get a quota, and we have tried to get a tariff quota arrangement but, as a practical matter, if we get our shrimp beds reestablished we are still out of business, and those people are starving. We never have had any tariff on shrimp, so far as I know.

Historically we could catch all the shrimp we needed to, and sell it on the domestic market and get by.

I assume that is parallel to what will happen to some other industries. Is it your attitude that when a historic industry like this finds it has become a higher cost producer as a result of minimum wages, let us say, and improved foreign competition, that it just ought to make their plans to get out of the business?

Mr. BALL. I would say that to the extent that their problem results from the action of the trade legislation and the concessions which have been granted under it, of course, they have recourse now to the escape clause procedures.

Senator LONG. What recourse can we have to escape clause or anything else when we never have had any tariff on shrimp?

Mr. BALL. This has always been a problem in this legislation in the sense that the President is not given power to create tariffs where no duty concession is involved. He is given power to reduce or, under the escape clause provision, to withdraw concessions, which have been made. But to give the President the power to impose tariffs, of course, you are entering into an entirely new terrain.

Senator LONG. So far as we are concerned we have a big investment, we are broke, we are out of business, and we have a lot of people involved.

Now, what would your attitude be, and could you tell me what you think the administration's attitude would be with respect to an amendment here to sort of impose some sort of a tariff arrangement to keep us in the shrimp business?

Mr. BALL. I would have to study the question, Senator Long.

We do not want to see damage done to American industry where the conditions are such that it contributes greatly to a community or where the conditions are such that it would be difficult for the people to find work or where there would be major losses in capital involved, and so on. That is the reason for the adjustment assistance provisions.

At the same time, if this is a situation where there never has been protection, I think that a decision to extend protection in this area initially would require a very careful study of all the factors.

Senator LONG. Here is the point, Mr. Secretary. Historically we did not need it. In other words, I would say up to 5 years ago, 10 years ago, we did not need any protection, and we did not come to you asking for something we did not need. So far as we were concerned we were happy. But now in this industry we find that we are out of business.

I can be a statesman about the textile thing. They ran us out of business. We are no longer in the textile business. All of our textile mills in Louisiana have been shut down.

We might take some cloth, cut it out, and sew it together in a pants factory or something of that sort but, as far as the big cotton mills we used to have—Lane Cotton Mills and others—they are all out of business, so I can be a statesman about the textile industry

I cannot afford to be a statesman about the shrimp industry. If you look back 30 years ago, 20 years ago, back up to any time until the close of World War II, we had no problem about our oil industry, and that is the biggest in Louisiana.

We were relatively low-cost producer, until these big Saudi Arabia fields came in, and since Creole did so well at Lake Maracaibo; and those countries do not have any conservation practices, as you know. As you know, they turn the wells wide open.

We have some tideland wells that can compete with them, but we cannot compete with these upland wells.

Right now, Canada can bring all the oil she wants to produce into this country. The world price is about $1.75, the American price is $3. Every barrel of oil that Canada produces she sells in the United States, and every barrel she consumes she buys on the world market.

Is there anything going to be done about that or are we just going to sit down there and continue to watch them expand their fields and put it all into the United States?

Mr. BALL. I understand that the question of the import restrictions on oil is under study at the moment. I think there is a group taking a look at this. Involved in this is the level of imports under the overland exemption, as I understand it.

Senator LONG. Before we folks in Louisiana divorce ourselves from these protectionists, we have got to know what the fate of the oil industry is going to be, because if we lose our shrimp and oil industry we are going to be in pretty bad shape down my way. I do not think you have enough money to take care of all our folks on public welfare in the event we have to close those two industries down.

Mr. BALL. Well, the shrimp industry, as I say, Senator Long, is not anything about which the administration has power to act under this legislation. This is a problem which——

Senator LONG. As you know, my daddy used to be an old share-the-wealth man, and I am sort of a share-the-burden man.

My feeling is that if we are going to have to let all these imports in we ought to kind of split it up so that everybody takes his part of the load rather than just putting it all on my shrimp fishermen. They are not quite that strong. I have always thought maybe we ought to have sort of a flexible thing, where you can make your tariff reductions, but where once an industry loses 10 percent of the market, the tariff goes up a little bit. If the industry loses another 5 percent, the tariff goes up a little higher—keep raising it a little higher hoping the industry can stay in business somehow. But there never has been too much appeal over at the State Department for that kind of philosophy, and it looks like you are either in business or not.

It seems to me that there ought to be something of an in-between, a "Mr. In-Between."

Mr. BALL. This is the philosophy of the escape clause. As imports rise and the industry is damaged then it applies for the right to have the concessions withdrawn. But the shrimp situation is a different one because there never has been a concession made, so there is nothing to withdraw.

Senator LONG. I want to use some of these things to get some leverage. I never have been able to get any Secretary of State, John Foster Dulles, or any Democratic Secretary of State, to use any of these leverages. It seems to me one of the best State Department officers we had was the one who served in Brazil at the time when they withdrew America's base rights to land their planes.

That fellow just put a stop order on that RFC loan. They were going to borrow money to establish their own airlines, and they abruptly terminated our landing rights, and we needed them to get our planes back and forth across the ocean, and he just put a stop order on the RFC.

He had a lot of pressure from American Airlines and people like that, but he stood his ground, and so in about 3 weeks, when Brazil saw that they were going to have to respect our rights in order to get the RFC loan, they restored our rights, and we never have had any more trouble about it.

What is your reaction about these people violating our treaty rights, in violating what they agreed to in regard to our rights to do business in their countries?

Mr. BALL. You are speaking of Brazil specifically, Senator?

Senator LONG. Well, Brazil is a good example.

Mr. BALL. Well, the problem with regard to Brazil, which, I think, concerns you most directly, I'm sure, is the——

Senator LONG. We want to sell them some sulfur. We used to sell them 95 percent of their requirements on sulfur, and now they put a discriminatory tax on us. They do not apply it to Mexico, but they apply it to us, and now, in fact, I suspect they are in direct violation of that anticonfiscation amendment.

Are you folks going to administer it the way we hoped at the time we passed it?

Mr. BALL. We expect to, Senator.

Senator LONG. Because that amendment makes explicit reference—as a matter of fact, I proposed the thing to begin with, and Senator Hickenlooper said that I was too soft. I was not too soft, he was. He wanted to amend it so that this anticonfiscation thing included also discriminatory taxation against American firms.

From what I can hear of it it looks to me as though Brazil is in violation of that amendment, and it seems to me as though the burden is on you to tell those people that "It is too bad, fellow. We tried to defeat this anticonfiscation amendment and tried to get the President the right to dispense with it, but we don't have that right. We have got to tell you that you don't get the aid, you don't get your sugar quota. If you don't watch out they are going to amend the trade bill saying that we can't even trade with you if you are going to do this to our people."

Mr. BALL. This sulfur case came to my attention just last week, and I immediately sent another message down to our Ambassador, who is meeting this week with the Foreign Minister of Brazil. I agree

with you that this is a very serious matter and one which requires very vigorous attention.

Senator LONG. Mr. Secretary, I am of the opinion that if you folks get tough about this you can win this without too much trouble. But if you let them think you are not going to stand up and really fight them on it, they are going to run us out.

Frankly, Castro took all of Freeport Sulfur's investment in Cuba, and now poor Freeport Sulfur and the other companies—Jefferson Lake and others operating in my State—are in position of losing 8 percent of their market.

It seems to me as though if you people just tell a country, "you cannot do it, if you do it the law forces us to retaliate, and we just don't want to but we have no choice, the law makes us"——

Mr. BALL. This, as I say, has just come to my attention last week, and I can assure you we will take the most vigorous action with regard to this.

Senator LONG. Thank you so much, Mr. Secretary.

The CHAIRMAN. Senator Williams.

Senator CARLSON. Mr. Secretary, just two or three things are all that I want to go into. The Senator from Louisiana went into the oil situation.

Is this not correct that last December or thereabouts the Department of Interior made a suggestion that we cut back some of our imports, probably 50,000 barrels and after much discussion this suggestion was not adopted because of the opposition of the State Department and probably the Defense Department?

Mr. BALL. This related to imports from Mexico?

Senator CARLSON. No—well, from outside the United States. I won't get it to any one place, but it was a cutback——

Mr. BALL. Not under the overland exemption.

Senator CARLSON. Yes.

Mr. BALL. I see. So far as the quota was concerned——

Senator CARLSON. That is right.

Mr. BALL (continuing). Frankly, Senator Carlson, I just do not know. I will be glad to look into it. I was unfamiliar with it at the time.

Senator CARLSON. Is it not a fact that at that time the decision was made that you would reach a decision on it by July 1? July 1 arrived, and it is now September 1.

Mr. BALL. I will have to look into this. I'm sorry I'm not up on it.

Senator CARLSON. I think you will find that to be a fact that at a time when we really do have some problems in the oil industry as the Senator from Louisiana has just mentioned, when you realize that some of our fields are back——

I was interested to note here that the percent of U.S. crude oil production which, of course, now will include the residual as well, that we import 28.4 percent of the domestic production, and if you just take a percentage of U.S. crude it is 19 percent, and that gets to be a substantial item when you have the active drilling crews cutback 30 percent; you have wells drilled in 1961 that are down 19 percent, the rotary rigs are down 33 percent from 1956; the employment in the production of oil and gas is down 9 percent below 1956; the price for domestic crude was 20 cents a barrel less than in 1957 in the face of steadily increasing costs.

I mention this because these are items that concern those of us on this committee and those of us who are responsible to protect the industries of the United States.

I do hope that you will give some thought to that as you begin to make decisions on these particular problems that affect our Nation's industries.

Mr. BALL. Senator Carlson, there is, I believe, a committee which has been set up under the White House to look into this whole oil import problem because it concerns the Defense Department, the Interior Department and ourselves, and I will be very glad to personally look into it. I appreciate your comments on this because I am not as familiar with it as I should be.

Senator CARLSON. I agree with you fully that there is a committee, because I am somewhat familiar with it, and the only thing I am hoping for is, as the Senator from Louisiana said, we would like to get a decision. I mean, we would like to know. In fact, I would like to know before we pass the trade bill. I think it is going to have some effect on my views and position on it.

We have that same situation in agriculture, and I am not going into it, because you have discussed it generally, but I brought up yesterday with the Secretary of Agriculture the question in regard to these assurances that were received at the meeting at which you represented us with Howard Petersen, I believe, at Geneva on these assurances that Canada got on the protection of their own markets for wheat.

Mr. BALL. Yes.

Senator CARLSON. What assurances did we get?

Mr. BALL. They are exactly the same as the ones that were given to Canada.

Senator CARLSON. All right. And now what are they?

Mr. BALL. Let me see if I can give you the exact language of them. These agreements provide for a standstill in the existing terms of access for Canadian wheat into the Common Market, and that means also for U.S. wheat.

Under these agreements the Community and the six member countries undertake to negotiate with the United States, not later than June 30 of next year, the terms of access which, by virtue of the Common Agricultural Policy will displace the existing national systems of protection that exist.

Furthermore, until the putting into force of this policy which will result from these negotiations, the six member countries undertake not to intensify or otherwise adversely alter the existing terms of access for our wheat.

In the event that the imports of U.S. wheat should, as a result of this agricultural policy, fall appreciably below the levels specified in the agreements, the member states will take steps to rectify that situation.

Senator CARLSON. In other words, about all this assurance amounts to or is is that nothing will be done until June 30, 1963.

Mr. BALL. No; it is a little different from that. It is that they will undertake to negotiate with us not later than June 30, and that nothing will be done until the putting into force of a policy that results from the negotiations, and if that policy results in a decline below the level that is set, they will take steps to rectify the situation.

Senator CARLSON. Do you have any hope that we are going to get some agreements that will be helpful in that situation?

Mr. BALL. Yes; I think so. Again it depends to a very large extent on the decisions that are reached with regard to the level of support prices within the community. By and large, the wheat that is produced in Europe is soft wheat, as you know, and the wheat, a large part of our export trade, is hard wheat. I would hope that we can continue and, perhaps, even expand our hard wheat markets in Europe.

Senator CARLSON. I hate to bring these various complaints up that I get from people concerning the future of this trade program but, after all, I just think we have to give some thought to them.

We get to the livestock industry, and I have had many communications from people who are greatly concerned about the imports, increased imports of meat products, livestock.

In the 5-month period—and this is an interesting table here—in the 5-month period in 1961 we imported 214,626,000 pounds of beef and veal.

In the period in 1962, the same 5 months, we imported 334,699,000 pounds, or an increase of 56 percent.

It seems to me that these people who are in the livestock industry and business have a right to be somewhat concerned about these ever-increasing amounts of meat and meat products.

What is your thought on that? What have you got to say about it?

Mr. BALL. Well, first of all, Senator Carlson, this meat, I believe, comes in largely in the form of frozen meat and processed meat products.

One of the problems in the past has been that in the form in which this meat came in, it was not an exactly similar product to the product produced in the United States and, therefore, under the escape clause procedures, it could not be demonstrated that the American producer had been injured by the production of the same product.

This is taken care of by the new legislation which has a provision which is different from the provision in the past in that in the definitions——

Senator DOUGLAS. Where is this in the bill?

Mr. BALL. It is in 405(4). It defines an imported article directly competitive with a domestic article—let me read it as it is written. It says:

> 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 effect on producers of the domestic article comparable to the effect of importation of articles in the same stage of processing as the domestic article.

What this means is that under the new legislation, escape clause relief can be available where it has not been available before, because it is not required that the imported article be the same or in the same stage of processing, which has been the situation up to this point.

Senator CARLSON. You mentioned, Mr. Secretary, this was largely canned or processed products, which is a correct statement.

But in 1959 there were 688,000 head of live cattle brought into the United States; in 1960, 645,000; in 1961, 1,026,000. So there has been a substantial increase, about a 40 percent increase, in regard to the live cattle that have come into the United States.

Mr. BALL. Well, to the extent, Senator Carlson, that the import of live cattle resulted in the injury of the meat industry in the United States, there would be escape clause relief available under this new definition, which has not been available before.

Senator CARLSON. We have had some experiences with peril point cases and escape clause cases in the past, and I sincerely hope the statement you have just made will be an accurate one when we get into the field of trying to use some of these agencies to protect an American industry.

It is interesting to note that 8.1 percent of the imports of U.S. production of beef and veal have come into the United States, and that is a substantial amount, based on tables from the Department of Agriculture.

Mr. BALL. That is total production.

Senator CARLSON. That is right.

Mr. BALL. That again comes in as frozen boneless beef, is that right, and processed beef?

Senator CARLSON. It totals up with the live cattle that I have mentioned, the equivalent in weight and pounds of these live cattle, would be 263,000 pounds, beef and veal total would be 1,321,000, or a total of 16,321,000 pounds, both live and processed, or 8 percent.

Mr. BALL. I would certainly suggest, Senator Carlson, that there is a possibility of relief under the new legislation which has not existed before.

Senator CARLSON. We are going to hold you to that statement, I assure you.

That is all, Mr. Chairman.

The CHAIRMAN. Senator Douglas.

Senator DOUGLAS. Mr. Chairman, for certain reasons which I shall not mention, I wish to disassociate myself from any discussion of the sulfur situation in Brazil. But I think the shrimp illustration which the Senator from Louisiana mentioned lends added strength to what I have been urging on you for several months; namely, that the President should have power to impose tariffs or raise tariffs or impose other restrictions when increases have gone up on our products or when nontariff restrictions are imposed.

But we will give you an armistice on that question for a few minutes, and I want to deal, first, with a matter which worried the Congressman from Wisconsin, Mr. Reuss, which he raised in his testimony on Monday.

A large part of this bill has been predicated upon the hope and, indeed, upon the assumption, that Great Britain would enter the Common Market, and various members of EFTA, and they would have a trading area of 170 million, and we would have a trading area of 270 or 300 million, and it is only in that context that there is much meaning to the ability of the President to eliminate all tariffs on products 80 percent of the world trade of which is between Common Market and the United States.

Now, in recent weeks there is grave doubt as to whether Great Britain will enter the Common Market or will be permitted to enter the Common Market.

It is apparent she will not be able to bring much of the Commonwealth in with her, and she will not be able to bring much of Canadian

wheat or Australian wheat or New Zealand butter and cheese or New Zealand and Australian wool and mutton, and in the Commonwealth conference which is shortly coming up, we may find such objections from the Commonwealth that Great Britain will decide that she cannot risk estranging the Commonwealth in order to enter the Common Market.

In addition to this, of course, opposition to entrance is rising among the back benches of the Conservative Party, and in certain sections of the Labor Party.

To complicate the situation still further, President de Gaulle is suspected of not wishing to have British entrance because he wants to maintain continental superiority and does not wish to have too much British influence.

If this entrance of Britain should not occur, and the Common Market remains in its present form, Congressman Reuss has studied the subject and he says that aircraft would be virtually the only major item where 80 percent of the world trade would be on the part of the United States, and the world market, and therefore, he proposed that in dealing with the phrase "Common Market," chapter 2, that wherever there is reference to the European Economic Community there should be inserted the following words, "and the countries of the European Free Trade Area," and he goes on to say that this would permit the trade of the countries of the second group to be counted in determining the categories for down to zero bargaining and insure the inclusion of most of the industrial goods categories important in Atlantic trade.

He is speaking primarily of durable consumer goods.

In the actual trade associations, Congressman Reuss went on to say that the United States would seek adherence of the EFTA countries as well as the Common Market to the same schedule of reductions down to zero in any category selected for bargaining.

I was greatly impressed by Congressman Reuss' statement, and in informal conversations which I had with him, and I tend to lean in his direction.

I wondered if you had any comments.

Mr. BALL. Yes. I would like to comment on that, Senator Douglas. First of all, as I said in my statement this morning, I just returned from Europe. I was there this last weekend and I had an opportunity to consult with the representatives we have in the capitals of some of the principal countries that are parties to this negotiation.

Since we are not a party to the negotiation ourselves, I do not think I should speculate too freely. I would say, however, that the impression which our own representatives have who have been watching this very closely as well as my own impression, sir, is that very great progress has been made in settling the difficult problems between the United Kingdom and the European Community and that the remainder of the problems should not prove impossible of reasonable solution.

Now, this does not mean that they will be worked out. It is a highly complicated negotiation. My own impression is that they will be.

Senator DOUGLAS. Suppose it does not happen? Suppose you should be mistaken? Then it will be some months before we know. Now, we have to act on this tariff bill in the next few weeks—I hope in the next few days. We do not want to gamble on the hope that

Great Britain will enter the Common Market. What harm will there be in including EFTA in the area of negotiation along with the Common Market?

Mr. BALL. I find myself in a curious position, Senator Douglas.

Senator DOUGLAS. I did not want to put you in such a position, but the country is in a serious position.

Mr. BALL. I said "curious."

Senator DOUGLAS. Oh; I thought you said "serious."

Mr. BALL. In suggesting that we do not wish larger powers to reduce tariffs than are represented in this bill.

But there are several reasons why I think the legislation in its present form is as it should be. First of all, the 80-percent provision is in addition to the basic formula which is the ability to cut tariffs by 50 percent. The 80-percent provision was put in with this in mind; that if we were trading with a single trading area which could speak with one voice, and if between us, we commanded 80 percent of the trade of the world, then that would mean that we could make a tariff agreement which, even under the most-favored-nation clause, would produce a minimum of third-country problems.

One of the great difficulties that we have had in negotiating tariffs in the past has been that because of the great preponderance of our own economic position we have been an enormous market negotiating with a whole group of small markets. It has been very difficult to work out arrangements under which we gave access to our markets while what was given in return was access by this small country, access also by another small country, access by a third and fourth country, and so on.

On the other hand, this problem would be largely avoided in a negotiation in which the United States and the expanded Common Market were the sole partners. Therefore, we felt it would be possible, without creating further problems of third-country benefits, to go much further down the line toward complete liberalization of trade than was otherwise the case.

Furthermore, because of the fact that the United States was economically similar to the countries making up the Common Market—that is, both highly industrialized—the opportunity for a much greater liberalization of trade presented itself because of these comparative conditions.

Now, if we were to change at this point, we would be doing something we have rather carefully avoided doing up to this time. We would be injecting ourselves into the United Kingdom-EEC negotiations in a way which I think could have very serious consequences—in the sense that it would add a new element to an already highly complicated negotiation.

Opponents of the entry of Britain into the Common Market could say that there was an alternative presented to Britain which had not been available before. They would say the United States had given up hope that Great Britain was going to enter the Common Market and therefore that it was a hopeless enterprise, and so on.

I think that this politically would be a highly undesirable action for the United States to take.

Senator DOUGLAS. May I reply to that?

Mr. BALL. Surely.

Senator DOUGLAS. You say the United States should not inject itself into the negotiations between Great Britain and the Common Market. I would say that this existing provision implicitly injects the United States, because what you are in effect saying to Great Britain is, "If you join the Common Market (and Great Britain and the Common Market together will have 80 percent of this wide range of goods) then you can come into the American market."

While you have been very diplomatic in your answers, I would say you have already been injecting yourself on the side of putting pressure on Great Britain to get into the Common Market, which for political reasons, I also would like to see them do.

But now you say this might induce them to stay out of the Common Market. Should not that be Great Britain's decision to make on her own, of course, and should not we be willing to deal with EFTA or the Common Market? Why should we put this pressure to get into the Common Market?

Mr. BALL. I think the difference here, Senator Douglas, is that after a negotiation is well underway toward a conclusion one way or another, we should not change the international rules.

Senator DOUGLAS. Well, now, just a minute. The European countries should know that it is Congress who makes the laws, not the State Department. We are not bound by the bill which you sent up to Congress. We have the right to change that bill. I am very sorry that we did not go into the old League of Nations in 1919. But I think the European complaint that Wilson had by agreement with the League of Nations made an implicit promise that we would go in was completely wrong.

The Senate had the legal right to reject the League. We have a legal right to reject this bill.

I hope we do not do it, I hope we are not forced to do it, but we have the right to change it. I do not see that we are changing the rules of the game at all. We are trying to protect ourselves from the possibility that Great Britain may not go in, and if she does not go in, then we are somewhat restricted in the degree to which we can expand our trade.

Congressman Reuss pointed out very well that our greatest hope for export to Europe is durable goods—refrigerators, television sets, washing machines, dryers, all those things; this is our hope. We can only get the tariffs on these goods slashed if the countries of the Common Market have 80 percent of world trade. If we do not have 80 percent of the world trade, we cannot get this expansion. With EFTA we could get the expansion, not only with the Inner Six but the Outer Seven or whatever group should affiliate themselves with them.

Mr. BALL. Senator, I am not suggesting, of course, that Congress does not have the right to pass this law in any way it sees fit. You asked me if I thought it was a good idea or not. I said I thought from a political point of view, we would be changing the international rules——

Senator DOUGLAS. What you mean is reduce the pressure on Great Britain to go into the Common Market.

Mr. BALL. I think that is really not the proper formulation, with due respect.

Senator DOUGLAS. May I temporarily cease my cross-examination, with the understanding that I do not lose my right if and when I return?

The CHAIRMAN. The Chair recognizes Senator Williams in the interim.

Senator WILLIAMS. Mr. Secretary, I will ask the question, and if you do not have the answer, maybe it can be furnished.

Senator HARTKE. Mr. Chairman, may I ask a question of procedure? I do want to ask a question or two. I have patiently waited. I have tried to answer the quorum calls and I want to go vote, whether the rest of them want to vote or not.

I plan to go vote. I respectfully request that I have a right to question this witness.

The CHAIRMAN. We will not have a chance to answer many questions because they have already called the roll.

Senator MORTON. Go on and vote and come back. We are always glad to have you.

Mr. Secretary, with this huge attendance that you have here, the discussion on poultry this morning was somewhat broken up. Could you tell us precisely what happened in a consecutive fashion, and I promise you that I will send it to each of my colleagues on the committee?

Mr. BALL. I had a memorandum here.

The situation is that in——

Senator MORTON. If you want to put it in the record, you can just put it in the record. I think I know, but I was asking this for the edification of my colleagues, whom I think have deserted me.

Mr. BALL. I will be glad to put it in the record, or I can read it if you would like.

Senator MORTON. Just put it in the record. It will save time, but we did get it broken up this morning.

Mr. BALL. I am happy to have it in the record.

(The following was later received for the record:)

(1) Prior to 1958 U.S. export markets for poultry in Germany were substantially curtailed by German import restrictions. In 1958, our prolonged efforts to achieve the lifting of these restrictions began to show results, and our exports rose from more than $3 million in that year to $50 million in 1961.

(2) In January of this year while the Geneva tariff negotiations were in progress the EEC agreed upon the basic features of its common agricultural policy, including the import system for poultry. Under this system, which was to enter into force on July 30, all poultry was to be subject to a variable levy whose amount was still to be determined. This levy would fully replace all quantitative import restrictions maintained by any of the EEC countries. In the settlement reached at Geneva the United States obtained agreement of the EEC to defer negotiations on poultry and certain other variable levy items. The United States reserved all rights it had on poultry and other variable levy items as of September 1960.

(3) In anticipation of the imposition of a levy on poultry as of July 30 in excess of the existing German import duties, the Department of State and the Department of Agriculture pressed the German Government at the highest level to refrain from imposing the increase in import duties by the EEC permitted under the Common Agricultural Policy. The German Cabinet decided on July 29 to request permission from the EEC Commission to impose substantially lower duties on poultry for the remainder of this year than would otherwise apply. The EEC Commission must still approve the German request. The German Bundestag will then have to concur in the Cabinet decision before the lower duty can be made effective. Since the Bundestag is not expected to meet until fall, it was unavoidable that the higher levy would go into effect as scheduled on July 30.

However, our shipments of poultry to Germany in recent months have been abnormally large in anticipation of an increase in the levy, and we are hoping that by the time normal shipments might be expected to resume the Bundestag will have acted to reduce the levy.

Senator MORTON. One further thing. I should have asked this when Senator Douglas was here, because some questions have been asked as to the power of the United States to retaliate under the proposed act. Do you have a memorandum or would you care to tell us about what you understand that power to be under the appropriate section of the bill?

Mr. BALL. Yes; the appropriate section is section 252 of the act, which provides that whenever there are unjustifiable foreign import restrictions that impair the value of tariff commitments that have been made to the United States, oppress the commerce of the United States, or prevent the expansion of trade on a mutually advantageous basis—the key word here is "unjustifiable", and I would suggest that unjustifiable in this context relates to those commitments—those import restrictions which are not under the rules of the GATT so that they are illegal from a GATT point of view.

Whenever there are illegal foreign import restrictions, then the President has the right to suspend, withdraw or prevent the application of the benefits of trade agreements concessions to products of such country or instrumentality or refrain from proclaiming benefits to trade agreement concessions to carry out trade agreements with such country.

What this amounts to is a broad grant of power whenever there are illegal import restrictions to retaliate by withdrawing concessions already made or by refusing to proclaim concessions which have been worked out.

Now, as I suggested in the statement I made this morning, I thought that where there were these illegal or unjustifiable restrictions, retaliation, if used sparingly—and by sparingly I mean used in such a way that it might have a possibility of being effective—that this would be desirable and I think section 252 in its present form is desirable.

I think the quarrel I would have with Senator Douglas—perhaps I should wait until he returns—relates to the utilization of retaliation or the threat of retaliation in the normal course of a trade agreement negotiation, where we are unable to persuade a foreign government to give us the concession we want even though we offer substantial concessions to that government.

Here, instead of acting in accordance with the GATT rules ourselves, we would be acting in violation of those rules. We have no business retaliating under the GATT rules simply because the foreign government does not believe it is getting an adequate quid pro quo.

Senator MORTON. We fail to gain our objective if we cannot use it then.

Mr. BALL. If we were to retaliate, under the rules of the GATT, the foreign government would have the right to say "You have violated the GATT by imposing an unjustifiable restriction on us, so we will retaliate against you."

It is unlikely that retaliation would effect the result we wanted, because it would be against some other product which had a whole

different set of political and economic pressures surrounding it in the foregin country itself. All we would succeed in doing would be setting in motion a chain reaction of retaliation and counter-retaliation which would do violence to our posture as the world leader which sets the tone in trade matters.

It would be a reversal of all we have tried to accomplish here for 26 or 27 years, since 1934, and would invite the kind of closing up of markets against us and ganging up against us in world markets which, in the long run, would hurt us more than anyone else because of the very fact that we do have a very substantial balance on merchandise account and therefore we can be hurt by the contraction of trade to a much greater degree than a country which has an adverse trade balance.

Senator MORTON. I think, Mr. Secretary, one question is going to be put to those of us who support this measure, and I hope I can be one of them when it comes to the floor. That is going to be, what is an unjustifiable restriction? I mean, is it any restriction after a tariff has been negotiated, any restriction such as those artificial restrictions of licenses, sales taxes, quotas—are any of these restrictions unjustifiable in the framework of GATT?

Mr. BALL. Almost all of them unless they can be justified for a balance-of-payments reason. After the general move to convertibility in 1958, as you know, most countries have been put in a position where they are no longer capable of claiming that. There are a few other exceptions—health and welfare restrictions, and so on—like our sanitary restrictions on the import of beef from Argentina, for example.

But by and large, I wholly agree with you. I think that, as I said this morning, under the right conditions where there was a chance of its being effective, I see no reason why we should not retaliate, and as a matter of fact, I am sure the chairman would be interested to know that with respect to some articles, commodities in which he is greatly interested—apples and pears—we have set in motion a mechanism which will free us to retaliate against two European countries who have been imposing unjustified restrictions on the import of those commodities.

Senator MORTON. Excuse me, Mr. Secretary.

(Brief recess taken.)

Senator McCARTHY. The committee will be in order.

The Senator from Indiana had some questions?

Senator HARTKE. I yield to my distinguished friend.

Senator McCARTHY. I have one or two questions.

Mr. Ball, the increased importation of iron ore from Venezuela and particularly from Canada created some special problems for us in the Iron Range area of Minnesota, Wisconsin, and Michigan. Since 1948, those imports have grown from approximately 2 million tons a year to something like 35 or 40 million tons a year. Iron ore is on the free list. If this were genuine economic competition, I think most of us would be inclined to let it pass and say this is a good thing. The fact is that much of this competition from foreign ore is subsidized, either directly or indirectly, and consequently, it does set up what I consider to be unfair competition. Is there any way for us to pro-

ceed or for you to proceed under existing tariff legislation against importation of iron ore?

Mr. BALL. Well, as I understand it, there was an escapo clause proceeding, an escape clause investigation that was undertaken by the Tariff Commission. In 1960, I believe, at the end of the year, there was a report by the Tariff Commission that iron ore was not being imported in such increased quantities as to cause or threaten serious injury, which was the standard under the Trade Agreements Extension Act of 1951.

Now, iron ore is in the position of any other commodity. The producers have available the remedies which are generally available. The question of whether there is subsidization is not the same as the question of whether there is discriminatory tariff treatment. If there were dumping, that could be the basis for an antidumping action, with the possibility of a countervailing duty. But apart from those possibilities, if the foreign government wants to change the conditions of production by some form of subsidization, I would not see that that would be the basis on which we could ask for discriminatory treatment.

Senator MCCARTHY. In other words, you would need additional authority of some kind to proceed, let's say against the Canadian Government which has given U.S. ore-producing firms a 3-year moratorium on taxes. This has the same effect on competition as if they were directly subsidized.

Mr. BALL. That does not apply primarily to the ore they export, that applies to ore generally.

Senator MCCARTHY. But all or nearly all of the ore is exported.

Mr. BALL. If it is not set up in a way which by its terms discriminates solely in favor of exports then it does not become an export subsidy as such.

Senator MCCARTHY. As far as the competition with ore produced in the three Iron Range States I have mentioned, this is subsidized competition.

Mr. BALL. I can understand how it would have that effect. I was merely addressing myself to the consequences under the terms of the GATT and the relevant legislation. I would suppose that as far as administrative action is concerned, the only remedies that would be available would be under section 7, which is the escape clause proceeding, or——

Senator MCCARTHY. Well, a decline of a few million tons below the not injured the industry, even though production has gone down from about 60 or 80 million tons a year, to something like 40 million tons, which would seem significant.

Mr. BALL. I believe there has also been some decline in imports also. Is that not true?

Senator MCCARTHY. Well, a decline of a few million tons below the high point. But if you go back to the 1940's, or look at the decline in production of American ore, this difference of 4 or 5 million tons in variable importation I would say has little significance.

Mr. BALL. Does not that result somewhat, Senator, from the exhaustion of certain types of ore reserves?

Senator MCCARTHY. It results in part from the exhaustion of high-grade ore. As a matter of fact, the iron content of much of our ore at the present time is higher than the iron content of much of the

Canadian ore which is being processed by many of our American firms and reimported. It has some bearing on it. But I am not concerned about those technical factors. My concern is over the advantage that comes from direct and indirect subsidy. In the case of Canada, it is largely from tax concessions. In the case of Liberia and other countries you have it as a result of loans, as a result of subsidized shipping and a number of other forms of hidden subsidy.

I believe you indicated that there is a reexamination of the oil quotas at the present time.

Mr. BALL. There is a White House study group on which there is representation not only from the White House staff itself, but from the Interior, Defense, and I believe State Department and perhaps Commerce.

They are actively working on this matter. I do not know just when this report is done. I thought it was in a very short time.

Senator McCARTHY. I assume this is in response to demands that the import quotas be further reduced.

Mr. BALL. I think that the pressure or the suggestions that brought about the creation of this group were from the industry here asking for a tightening of the quotas, yes.

Senator McCARTHY. What percentage of the domestic market for oil is now allocated to domestic producers—approximately what, 85 percent?

Mr. BALL. I do not know the figure offhand.

Senator McCARTHY. About 85 percent, I believe.

Mr. WEISS. That is correct.

Senator McCARTHY. Roughly what is the difference in the price of a barrel of domestic oil in contrast to what would be paid for, say, Middle Eastern oil laid down at an eastern port?

Mr. BALL. I think I can give you some information on that, Senator in just a moment.

The import figures that we have would indicate that the imports represent something over 18 percent of domestic production. We do not have here, I am sorry to say, any price figures and I am not sufficiently familiar with this to know them offhand.

Senator McCARTHY. Senator Long, if I understood him correctly, said the difference is about $1.35 a barrel, did he not?

Mr. BALL. That is my recollection, yes.

Senator McCARTHY. What is the total consumption of oil in the United States; do you have those figures?

Mr. BALL. Yes. The domestic production of crude oil is 7 million barrels a day. Imports amount to about 1.2, making an 8.3 total consumption—that is production plus imports, which may give you a consumption figure, although there is a time lag involved.

Senator McCARTHY. The annual consumption would be something over 3 billion barrels?

Mr. BALL. I beg your pardon, sir?

Senator McCARTHY. What is the annual consumption of oil; do you have that?

Mr. BALL. If you take these figures, which really are not consumption figures, but are imports plus production figures——

Senator McCARTHY. Use figures is what I want.

Mr. BALL. I suppose the only way you could do would be to take the barrels per day and multiply.

Senator McCARTHY. That would be about 3 billion barrels a year. If there is a differential of $1 a barrel, and I assume there would be some adjustment. If we would buy that much oil in the world market. If we could supply our needs in the world market, even to the extent of 50 percent, this would result in a reduction of the cost of oil and gas to consumers in the United States, would it not?

Mr. BALL. Yes; I think that is quite clear.

Senator McCARTHY. This is a quota that was imposed in the name of national defense, is it?

Mr. BALL. Yes; that is right.

It was imposed under the 1958 extension to the Trade Agreements Act, under the national security provision, so called.

Senator McCARTHY. Had there been no quota before 1958?

Mr. BALL. A voluntary quota, I understand.

Senator McCARTHY. But in the name of national defense, not before 1958.

Mr. BALL. No mandatory quota until after the 1958 act was passed.

Senator McCARTHY. Was there any change in the prospective defense activities since 1958 that suggested that 85 percent should be supplied by the domestic oil producers?

Mr. BALL. No; I think the rationale for it was that it would be essential to have an active domestic industry to support military action and that production could only be maintained if exploration were maintained and this could only be financed if there were an adequate level of demand over a period of time. It was on this basis that it was felt that—under the national security provision, there was a decision by the OCDM at that time, I believe, which found that some restriction was necessary in the interest of national security and that was the basis of which it was done.

Senator McCARTHY. Was 85 percent of our oil supplied during World War II by domestic suppliers?

Mr. BALL. I could not tell you, Senator McCarthy.

We would be glad to put that information in the record, if you would like.

Senator McCARTHY. If you could do that, I think the record might show that we were supplied to that extent even during World War II.

(The following was later received for the record:)

Crude oil imports as percent of U.S. domestic demand [1]

	Percent		Percent
1940	3.2	1943	0.9
1941	3.5	1944	2.6
1942	0.9	1945	4.2

[1] E:clusive of offshore procurement of oil for use of U.S. Navy.

Senator McCARTHY. The possibility is that the next military crisis will be one of much shorter duration. I would suggest that they might reexamine the 85 percent quota in terms of the national economic interest and at the same time we might give some consideration to whether or not perhaps we ought to have 85 percent of our iron ore supplied from domestic sources.

Mr. BALL. Senator, the study committee, I am sure, is taking a close look at the whole question of the import quota situation as far as crude oil is concerned, and residual fuel oil. On iron ore, we

would be glad to study that situation. That is not one I am familiar with.

Senator McCARTHY. Senator Byrd, I am sort of holding the line here for Senator Hartke.

The CHAIRMAN. He is going to vote and come back.

Mr. Secretary, some members of the committee have been under considerable pressure to delay the bill until a decision is made in the textile case. That has been in progress for 10 months.

What do you think about that?

Mr. BALL. Well, I think—I hope that it would not be necessary to delay the bill. I understand that the Tariff Commission, which is making the study, is hoping to make a decision on this matter very shortly, I think within a matter of a fortnight or so.

The CHAIRMAN. I got a letter from them yesterday, I think, in which they said they would make the decision on the 15th but would not make the report until 2 weeks later, which would be about Labor Day.

I do not exactly understand why they have taken so long. The President requested the investigation on November 21 of last year.

Now, Senator Talmadge cannot be here and he has asked me to ask you three questions.

The first is, several spokesmen for the administration have said that cotton, imports of cotton goods would be held under the short-term Geneva agreement at or about the level of fiscal year 1961 by country and by category.

The 9 months' data show that imports are on a 101-percent basis, with indications that it will go to perhaps 120 percent. Many categories are far in excess of base. Why is the agreement here failing to meet its promise and what is being done about it?

Mr. BALL. Mr. Chairman, the short-term agreement was worked out at a time when there was no apparatus and no experience in the administration of an agreement of this kind. While it was being worked out, the shipments came in in large quantities before the apparatus for the administration of the agreement could be put into effect.

As a result, there was a certain amount of slippage in the administration of the agreement during its early period.

Now, the fact that there is a high percentage over the base period which has come into the country up to this point does not mean that the imports will continue at the same level throughout the balance of the term, because the restraint requests which have been made are now becoming operative and the rate of shipments which were made during the early part will not be continued. There will be, I think, some excess over the base period, but I think that 20 percent is quite high as an estimate.

One of the problems which we faced was that we had no legal basis for requesting restraint from nonmember countries and that authority did not become available until the Congress gave us that legislative authority last June.

The total, I think, will be something under 6 percent of domestic production that will be brought in during this period of the short-term agreement. It will be under 6 percent of U.S. production. The administration of the long-term arrangement should go smoothly since

the administrative arrangements have now been set up, so that I think it can be more easily administered.

The CHAIRMAN. Senator Talmadge's second question is: Under the long-term Geneva agreement which becomes effective on October 1, the import experience of a short-term agreement becomes a new base. In other words, it is the ruling base which would seem to reward the violations now taking place. What will be done to get the base back in line with the President's commitments?

Mr. BALL. Well, I think that certainly the extent to which the base has been exceeded during this year would be a factor which the Department of Commerce would have in mind in its administration. The base period for the long-term agreement is the level of trade in the first 12 months of the 15 months preceding the month in which the request for restraint is made.

The CHAIRMAN. The third question: When the short-term Geneva agreement was being negotiated in Geneva last July, the industry and labor advisers that were present recognized that the nature of the agreement was such that it would be extremely difficult for it to work unless the unfair impact of the two-price cotton system could be corrected. This is because the windfall profits which accrue both to domestic importers and foreign importers are so great that it generates constant pressure for a second international agreement. Experience to date certainly indicates this to be true.

Is the State Department giving all-out support to a correction of this situation through the case for an offset import fee now pending before the Tariff Commission?

Mr. BALL. This is a matter which is pending and which the Tariff Commission will have to decide. At that time, when the Tariff Commission makes its decision, then the President will have to make his recommendation. But this is simply a matter of whether the Tariff Commission makes the finding which the industry has requested, and this is something which we will not know for a couple of weeks.

The CHAIRMAN. That is involved in its present proceedings?

Mr. BALL. That is right.

The CHAIRMAN. Here is a question of my own.

We have a separate bilateral agreement with Japan which ends on December 31, 1962. The long-term agreement permits these bilateral agreements. What will be the situation between October 1, when the long-term agreement is effected, until December 31? Will we or will Japan want or need a continuation of that bilateral agreement with this country?

Mr. BALL. Our impression is, from the position that the Japanese delegation took at the meeting when the long-term agreement was negotiated, that they would support the long-term agreement. When the short-term agreement ends this year, Japan will come under the long-term agreement for its duration.

The CHAIRMAN. Senator Hartke?

Senator HARTKE. Thank you, Mr. Chairman.

Mr. Secretary, with regard to the exports at the present time, what is the proportion and percentage of the exports, our total exports, to each one of the countries inside the Common Market?

Mr. BALL. To the Common Market—I will give it first, if I may, to the Common Market as a whole. Our exports to the Common

Market as a whole, and these are 1960 figures, are 18 percent of our total exports.

Our imports from the Common Market are 16 percent of our total imports.

Now, when I say 18 percent of our total exports, that includes the noncommercial exports—that is, the exports that may be financed by foreign assistance. So the 18-percent figure would actually be higher if you excluded the foreign assistance exports.

Senator HARTKE. Let's exclude the foreign assistance exports. Can you bring those down?

Mr. BALL. It would be something above 18 percent, because the exports of the Community are not being financed under foreign assistance. It would be about 25 percent.

I am not sure I can give the figures to you by the individual countries.

I have them in absolute dollar value.

Senator HARTKE. All right; give them in dollars.

Mr. BALL. If we take 1961—to the Common Market as a whole, it is roughly $3.5 billion; to Belgium and Luxembourg, $420 million; France, $564 million; West Germany, $1 billion—I am giving you these in round numbers—Italy, $795 million; and the Netherlands, roughly $700 million.

Senator HARTKE. These are in dollars?

Mr. BALL. That is right.

Senator HARTKE. Do you have the figures there also for the United Kingdom?

Mr. BALL. Yes; the figure for the United Kingdom is $1.150 billion.

Senator HARTKE. Do you have the imports to these same countries there?

Mr. BALL. Imports from the United States?

Senator HARTKE. Imports from these countries into the United States.

Mr. BALL. I think I can give them to you.

Our imports from the Common Market, $2.226 billion as a total. Of that, $350 million from Belgium and Luxembourg; $435 million from France; $855 million from West Germany; $375 million from Italy; and $208 million from the Netherlands.

Senator HARTKE. And for the United Kingdom?

Mr. BALL. For the United Kingdom, it is $900 million.

Senator HARTKE. Now, can you give it also at the same time for Poland and Yugoslavia?

Mr. BALL. Yes. You want both sides?

Senator HARTKE. Yes; exports and imports.

Mr. BALL. Exports amount to $154 million for Yugoslavia and for Poland and Danzig, $75 million; roughly.

The imports from Poland are $41 million and the imports from Yugoslavia amount to about $40 million.

Senator HARTKE. I am sorry; I did not see the Senator from Illinois return. He had the floor and I will be glad to yield to him.

Senator DOUGLAS (presiding). Go ahead, Senator, please.

Senator HARTKE. Under the proposal, what percentages of increase do you anticipate to these countries? Do you have any idea where you expect this increase to occur?

Mr. BALL. It is impossible to know what kind of a bargain could be struck. I think that we really could not possibly make a forecast.

Senator HARTKE. You spoke of automobiles at one time in the testimony, that this is always one of the prime examples. There is a good reason for it to be a prime example, is there not, because of the fact that it is one of the prime industries in the United States?

Mr. BALL. That is right.

Senator HARTKE. And if it were not for automobiles, the American economy would suffer severely.

Mr. BALL. It is an important element.

Senator HARTKE. One of the major elements is the fact, though, that in very few of these European countries have we been able to invade the automobile market at all because of very restrictive import duties and taxes?

Mr. BALL. I think there are two reasons. One is the fact that they have high import duties. Another is a matter that was referred to this morning, that many of them have horsepower taxes which are designed in such a way that the type of American automobile which has been traditionally made here is very heavily taxed.

Now, of course, since we ourselves have gone into the business of making compact cars, they are not subject to this same disability.

Senator HARTKE. But under the revision, if it was revised down even to 22 percent, is there any real hope or any opportunity for exportation of our automobiles into that market?

Mr. BALL. Yes; I would think so. The tariff came down, I think, from 29 to 22, which represents a substantial difference in the cost in Europe, with the increased European income per capita, so that they have the ability to buy larger and more expensive automobiles than has been the case in the past.

Senator HARTKE. Let us take Italy, for example. Just how are we going to move and do you know what type of automobile we have at the present time that we are manufacturing here that we have any chance of moving into that market?

Mr. BALL. The Italian market has historically been one of the most tightly protected from the automobile point of view, that is true, and there is one manufacturer who has highly dominated that to a degree.

It has been protected from imports from other European countries as well. I would think what we are doing is getting rid of the quantitative restrictions on our automobile exports and I think these are pretty well gotten rid of now. What is left is a cost differential.

Now, the problem is twofold, I suppose; one, to eliminate or work down the tariff to the point where the cost differential is greatly reduced, and at the same time, to the extent that the American automobile producer begins to make a car which is more adapted to the European countries, the better off he will be.

This has been the big development in the automobile industry in the last few years—the American compact.

Senator HARTKE. But the American compact has really made no dent whatever in the European market, has it?

Mr. BALL. I think exports have been going up, not in very dramatic terms.

Senator HARTKE. And as a matter of fact, as long as you have the duty of even 22 percent, this is sufficient from the point of view of

cost differential, to all intents and purposes, to keep American automobiles out.

Mr. BALL. I think it is a duty which is very prohibitive; I agree with you.

Senator HARTKE. Now, we come back to agricultural products which we were talking about with Secretary Freeman. Is it not a generally agreed upon fact that in the first years the agriculture industry of America is going to be most severely damaged as a result of the Common Market arrangement, irrespective of this law but just due to the Common Market arrangement. And isn't it true that with the proposed agreements this industry is going to suffer most?

Mr. BALL. Agriculture?

Senator HARTKE. Yes.

Mr. BALL. I think that it would be premature to say. We have talked a lot in the course of these proceedings about the variable fee situation. The very fact that it is variable means that it could be high or low.

This again means that decisions will be made by the Europeans largely with respect to their own support prices. If they set those prices low enough, I think we will continue to serve a considerable part of the market.

There are two factors here which have to be taken into account. Any common market such as we have in Europe has two economic effects. One is a trade-creating effect and one is a trade-diverting effect. To the extent that the creation of the Common Market unleashes economic forces which mean a higher level of economic activity and the generation of greater income, that in itself may be sufficient to overcome any kind of trade disadvantage that outside producers suffer under, depending upon the level of protection that results.

We estimated, for example, in a very rough way, and I know this is a kind of rule of thumb which others have followed, that a one-quarter of 1 percent increase in the incremental growth rate in Western Europe would probably offset any trade disadvantage which would inure to the American producers.

Senator HARTKE. Do you mean that an increase of one-quarter of 1 percent——

Mr. BALL. If I may, let me start back a little and I will explain just what I do mean.

The Common Market does not create new obstacles to the movement of goods into the countries; it simply substitutes a new system of protection which is a uniform system for all the countries instead of each having its own set of protective devices.

Under the terms of the Treaty of Rome, so far as industrial goods are concerned—and hopefully somewhat the same result might apply in the case of agricultural goods—it would be an average level of national tariffs.

Now, if you assume an average level of protection, our own calculations—we had rather elaborate impact studies run to see what the effects would be—our own calculations indicate that a one-quarter of 1 percent increase in the incremental growth rate—that is, the addition, the rate of growth—would generate enough additional demand to offset any trade disadvantage that might result from the fact that within this market, domestic producers would have an advantage as against outside producers.

Senator HARTKE. Now, this assumes, then, in conformity with your statement, that you are assuming, generally speaking, that there is a question in your mind as to whether or not the European countries are going to continue their present economic growth, or their social progress, as they call it.

Mr. BALL. I think there is every sign that they are going to continue to move ahead at a very rapid rate.

Senator HARTKE. In your statement you said it appeared to slow down.

Mr. BALL. What I meant to suggest was that in some countries, there has been some indication of slowdowns, but actually we have had alarms of that kind over the past year and they have not proved to be the case.

It is always hazardous to make a prediction about a rate of growth, but there is every evidence that they will continue at a very high rate.

Senator HARTKE. But you have said they maintain an average growth rate of slightly over 5 percent. What you are saying is if they are able to increase this to 5¼ percent, is that what you mean?

Mr. BALL. Yes; if it goes up a quarter of a percent.

Senator HARTKE. This contrasts with our own growth rate of 3.6 percent.

You are saying we shall be able to offset this in the field of agriculture?

Mr. BALL. As I say, I made that statement on the assumption that there would not be an increase in the average level of protection, but it would be the same.

Now, in the field of agriculture, we are in a very different situation in that this was not an area where protection was dependent upon tariffs, so you cannot apply the same sort of mechanistic formula to see where you come out.

The big element, the determinative element is going to be the decisions that are going to be made under the agricultural policy with respect to the internal price. If it is high, there will be a lot of marginal production maintained. If it is low, the marginal production will be eliminated and the workers will go into industry.

Here again the level of economic growth within the community, since it puts pressure on the labor force, may have some effect also on the price support levels in agriculture. These things—this is a very complex formula we are dealing with.

We also have this circumstance which I suggested this morning, that, as income goes up per capita and there is a movement from direct cereal consumption to protein consumption—the factor to produce a pound of beef as against a pound of cereal is something like 7 to 1—there will be an expansion in total consumption of the basic foods, the cereals.

Now, this may mean a shift from wheat to feed grains, something of this sort. But it can mean an increased total market for our products.

Senator HARTKE. All right. Let's come back to this thing which was left a few moments ago on page 7 which you are talking about, which is an apparent contradiction.

On page 7, you said that the growth rate of European Common Market countries is about 5 percent. This contrasted with our own growth rate of 3.6 percent. Yet on page 6 you say that as far as the

American industry is concerned, there is no reason why we should not continue to display the vitality and creativeness that has marked its performance in the past. Industrial research in the United States continues on a level substantially higher than that of Europe, and each year, American industry creates, produces, and processes, and so on.

You said back here someplace that in the European market, basically we are able to outproduce the Europeans; isn't that right?

Mr. BALL. Yes; what I was suggesting was this, Senator Hartke, that we have a mastery of mass production techniques which has been developed over the years, which the Europeans have never developed because they have never had mass markets available to them in the same degree and that we could therefore find in this new European market a possible outlet for our production, to which our own productive knowledge, techniques, know-how and so on, were more adaptable than those of the Europeans.

Senator HARTKE. I understand this, but what I am getting back to is the fact of the matter that on one hand, we are seemingly telling everybody in the world about the tremendous growth strides of the European nations and how they are outstripping us. On the other hand, we say not alone have we been able to keep up here in the United States but in effect we have been able to outstrip the Europeans. We use one argument when we are trying to sell one point of view and another argument when we are trying to sell another point of view.

Mr. BALL. We are talking about two different things.

Senator HARTKE. We are talking about two different things in percentages, but the actual response of the overall effect on the United States cannot be better for Europe and better for the United States at the same time. They might have a better percentage increase because of the lower base, but we cannot make an argument, essentially, and this is in your paper here, that we have been consistently able to outstrip the Europeans and at the same time, come back and say that at the present rate of growth, Europe is outstripping the United States.

Mr. BALL. I did not mean to say we are outstripping the Europeans in terms of growth rate. What I did mean to say is in deevloping the means to serve a mass market, we had responded to the opportunities of the great continental market of the United States in a way which gave us a technological advantage in this situation.

Senator HARTKE. Yes; and following in line with this—I do not want to belabor this, but following in line with that, you come down with the next conclusion that a common market basically, as a result of this formation of the union and increased trade and our adoption of this law, this act, the increased trade between us will economically improve the living conditions of Western Europe; isn't that right?

Mr. BALL. I think it will be economically helpful to Western Europe, as to us.

Senator HARTKE. That is right. And also will create, then, an increased political stability for them; is that not true?

Mr. BALL. I think that follows. I think Western Europe is going to be politically stabilized.

Senator HARTKE. Therefore, not only is it economically advisable, but politically advisable.

Mr. BALL. I think so, yes.

Senator HARTKE. And therefore, it tends to stabilize their own political situation?

Mr. BALL. Not only that, but by contributing to growth on both sides, by creating habits of working together in trade matters as well as other matters of economic cooperation, we bring a stability to the whole free world.

Senator HARTKE. None of these nations is a totalitarian government, is it?

Mr. BALL. That is right.

Senator HARTKE. Yet at the same time you propose that we increase the economic stability of two countries, Poland and Yugoslavia, which are operating under a complete dictatorship, and thereby adding to their political stability, to a system which we say, and I understand the President to say, we are absolutely not in favor of promoting.

Mr. BALL. That is not really what I say, Senator Hartke. Let us take the case of Yugoslavia, for example. We are not trying to promote the stability or solidity of the present regime in Yugosalvia. What we are doing is to provide an alternative so that Yugoslavia is not compelled to move completely into the Communist bloc, but is able to maintain the independence which it first established in 1948 and has maintained ever since with our help over the years.

Now, in the course of the years, Yugoslavs have come here in great numbers under various programs of exchanges and so on. The economy of Yugoslavia has developed very differently from the economy of bloc countries—much more in the general direction of freedom than is the case within the bloc. It has been quite significant that an economy which has not developed within the rigid forms of state socialism in the same way as has been the case in the bloc has nevertheless achieved the highest living standard of any of the Communist countries.

What this has meant is that the alternatives are better than the bloc itself—more successful.

What this has meant is that the generations who have had a taste of Western life, Western ideas, are being Western oriented. What they want to do is have the opportunity, many of them—and I say "many of them"—to build closer ties with the West and maintain a high degree of independence from the bloc.

Senator HARTKE. Just a minute. Let's come back on that. You are talking about people now, are you not, not governments?

Mr. BALL. I am talking about people.

Senator HARTKE. You had this in Hungary, the people who did not want the Communist regime in Hungary and in Albania. They went to bat not only to orient themselves with trade, but to orient themselves with sticks and hammers and rocks and stones.

Mr. BALL. You have a different situation in Yugoslavia than in Hungary. Yugoslavia has not allied itself with the bloc and has maintained a highly independent status.

Senator HARTKE. So has Albania.

What we are trying to do is not make a decision on the basis of economic philosophy, because the philosophies are basically the same. They are dictatorial. You want to call them socialism, I think they are plain, outright dictatorships—totalitarian rule, at least.

Mr. BALL. I would not at all try to argue to this committee that the Yugoslavian Government is not a Communist government. I would not at all try to argue that the degree of freedom which exists is at all comparable to the freedom that exists in Western society. There are degrees in this matter.

I would assert that it has a degree of independence from the bloc and is not dependent on the bloc in a way which distinguishes it from any other of the Communist countries.

Senator HARTKE. In Albania?

Mr. BALL. Well, we are talking about Yugoslavia.

Senator HARTKE. You said they have a degree of independence that is not in relation to any other country, I ask is Albania more attached to the bloc than is Yugoslavia?

Mr. BALL. Albania's relations are with Peking right now much more than with Moscow.

Senator HARTKE. But not with the bloc.

Mr. BALL. The distinction as to whether a country is a member of the bloc is whether it is a member of the Warsaw Pact. Albania is a member and Yugoslavia is not.

Senator HARTKE. I pointed out that they made application a year ago to get membership and were rejected.

Senator DOUGLAS. There is a rollcall. I shall have to leave.

Senator HARTKE. I want to vote.

Senator DOUGLAS. I will leave the conduct of affairs with the Senator from Indiana.

If I may ask two very simple questions:

I could not understand from your replies to my question as to whether the President should be given the powers to increase tariffs, impose restrictions upon countries which pursued unfair tactics against us, I could not understand whether you said, first, he should not be given these powers or, second, whether he already had them.

Mr. BALL. What I said, Senator Douglas, was that under section 252, he has powers which we believe are adequate to permit him to impose——

Senator DOUGLAS. Those are simply powers to permit him to withhold concessions, not powers to permit him to put on increases.

Mr. BALL. No.

Senator DOUGLAS. This is a very important point and I do not see how you can get any other conclusion.

The second question which I would like to ask is, suppose we make an agreement with the Common Market or EFTA, then as I see it under 251, the most favored nation clause, this is applied across the board, even though the other countries make no concessions with us.

I am wondering, therefore, whether we should stick to the present interpretation of most favored nation or whether we should go back to the provisions which existed prior, I think, to 1922 or 1934, when the most-favored-nation clause was interpreted in bargaining between powers.

Mr. BALL. I would like to have an opportunity to address myself to this.

Senator DOUGLAS. All right.

Do you want to file a statement on the record for this?

It would be improper for us to hold you any longer.

Mr. BALL. I would be happy to stay, sir.

Senator DOUGLAS. I do not know what is happening on the floor. I have some very important things there. I hesitate to subject you to further discomfort, because you have been most cooperative.

If you prefer to submit a statement to be printed at this point in the record, I am sure most of us will study it with great care.

Mr. BALL. I would be happy to.

(The material submitted in response to Senator Douglas's two questions is as follow:)

The question has been raised as to whether the President under the proposed bill does have the power to take action against unfair import restrictions not only by failing to proclaim new tariff concessions but also by withdrawing existing tariff concessions.

Section 252(b) clearly gives the President power to do both. Under that subsection, if the President finds that any unjustifiable foreign import restriction exists and if he determines that it would be consistent with the purposes of the bill, he may do two things.

First, as provided in subparagraph (A), he may suspend, wtihdraw, or prevent the application of tariff concessions to products of the country concerned. This means that a country can be completely denied the benefits of all tariff concessions granted by the United States since 1934 under trade agreements legislation. This would have the effect of reimposing the tariff levels of the Smoot-Hawley Tariff Act of 1930.

Second, as provided in subparagraph (B), the President may refrain from putting into effect new tariff concessions which have been negotiated with the country concerned.

In short, section 252(b) gives the President the widest possible range of retaliatory powers within the statutory tariff structure established by the Congress. On either a selective or comprehensive basis, the President may retaliate by not proclaiming newly negotiated concessions, while leaving intact existing concessions. Or, he may withdraw existing concessions and go so far as to reimpose the high rates in the Tariff Act of 1930. This places a very formidable power in the hands of the President.

The question has been raised as to whether the unconditional most-favored-nation (MFN) policy, as provided for in section 251 of H.R. 11970, should be abandoned and replaced by the conditional MFN policy pursued by the United States prior to 1923. Under the conditonal policy MFN benefits could be withheld from countries which did not offer equivalent concessions in compensation for reductions in U.S. tariffs. The Department strongly opposes this proposed change for the following reasons:

(a) Violation of commitments in existing trade agreements and treaties

We have exchanged commitments with a total of 75 other free world countries in the General Agreement on Tariffs and Trade, in bilateral trade agreements, and in treaties of friendship, commerce, and navigation, under which we are obligated to extend to them any tariff benefit we grant to any country and they are obligated to extend to us any tariff benefit they grant to any other country. The proposal to limit benefits would run counter to this basic legal obligation and would be likely to deprive us of the very considerable benefits which our trade receives from the application to it of MFN treatment by the countries which receive MFN treatment from us.

(b) The danger of retaliation and the restriction of international commerce

In 1923 the United States rejected the conditional MFN policy on grounds of impracticality, ineffectiveness, and imprudence. The reasons for rejection then are valid today. If the United States were to withhold from third countries concessions negotiated wtih, and paid for, by others, we could expect those nations discriminated against to apply similar policies against us. The result would (*a*) restrict rather than liberalize international trade; (*b*) undercut future efforts by the United States to induce others to eliminate discriminatory measures hindering our exports; and (*c*) deprive U.S. exporters of the benefits to be gained as a result of tariff concessions exchanged among other countries for which the United States granted nothing in return.

(c) Contradiction of other U.S. policy goals

In addition to the danger of retaliation against the United States there is a related danger that others may use discriminatory measures against third countries in a manner which would conflict with U.S. policy goals. The possibility of discrimination against exports from less developed countries, whose trade we are seeking to encourage, comes immediately to mind. The fact that the President would use his authority to discriminate only in isolated cases is no assurance that others would follow this example and would certainly be overshadowed by the precedent established by our break with unconditional MFN treatment.

Furthermore, failure to generalize tariff concessions made to the European Economic Community (EEC) would undercut our efforts to bring about the removal of all existing discrimination by other free world countries against Japanese imports. To the extent that we can achieve success in this effort, the impact of Japanese competition will be spread through the free world as a whole. We are especially concerned that Japan should obtain nondiscriminatory access to the growing EEC market. Although Germany and Italy have undertaken commitments to Japan under the GATT, France and the Benelux countries have declined to do so. We are hopeful that the EEC as a whole can be induced to undertake an MFN commitment to Japan and thus agree to give it the full benefit of all tariff concessions it makes to any other country. If we should decline to generalize our tariff reductions to Japan, the EEC would be certain to do the same. It is clearly in our best interest to continue to strive for nondiscriminatory treatment for Japan. If we are to be successful in this endeavor, we must take the course of action we want others to follow.

(d) Disruption of the stability essential for international commerce

Under a conditional MFN policy each tariff change must be negotiated with all, and not just the principal suppliers. This results in continuous piecemeal bargaining which is further complicated by difficulties in determining "equivalent" concessions. The complexities and problems involved in implementing this policy prior to 1923 and the disruption of stability in international commerce which ensued were among the principal reasons leading to adoption by the United States of an unconditional MFN policy. If the United States were to attempt a conditional MFN policy today, chaos would result because we would now have to bargain with substantially more countries and the bargaining would involve the much larger number of products entering into international trade.

A conditional MFN policy also leads to administrative complications in levying multiple rather than single rates of duty. Imports of a given product from the EEC, for example, would be dutiable at rates other than those applicable to imports of the same product from certain, but possibly not all, non-EEC nations. Such a development would also conflict with congressional policy of tariff simplification.

(e) The safeguards inherent in the special EEC authority afford adequate protection while continuing the unconditional MFN policy

The nature of the special authority in the act for negotiations with the EEC itself minimizes the possibility that a problem could arise from generalizing concessions made under this authority. The authority to exceed the basic 50-percent tariff-reducing limitation under section 211 of H.R. 11970 applies only to categories of industrial goods in which the United States plus the EEC account for 80 percent or more of free world exports. It is in these categories that the United States and the EEC have demonstrated their competitive superiority. Moreover, as provided in the bill, the authority would be used in the light of advice received from the Tariff Commission and other sources as to the economic effect of tariff concessions on our domestic industry.

(f) The technique of multilateral negotiations guards against unrequited benefits

In negotiations utilizing the special EEC authority care would be taken to insure that third countries would not derive substantial unrequited benefits from it. This problem would be taken care of in the course of a multilateral tariff conference by negotiating with third countries a package of reciprocal concessions to pay for the benefits they would receive from our utilization of the dominant supplier authority. In past multilateral negotiations use of this technique has proved to be successful. Under the increased negotiating authority available in H.R. 11970 we would expect to derive greater benefits from third countries in return for our concessions.

Senator DOUGLAS. I apologize for keeping you so long, but rollcalls and motions permit of no delay.

This concludes the hearings.

(The following was later received for the record:)

THE SECRETARY OF COMMERCE,
Washington, D.C., August 16, 1962.

Hon. PAUL H. DOUGLAS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR DOUGLAS: You will recall that in the course of my testimony before the Senate Finance Committee on the Trade Expansion Act, you raised the possibility of extending to the President authority to raise tariffs as well as lower them, in order to secure favorable trade agreements and to obtain the removal of unduly burdensome trade restrictions against the United States.

As you are aware, this is a highly significant issue, touching upon the basic tactics used during trade negotiations. I said at the time that I would submit to you a full report of the administration's views upon the subject. That is the purpose of this letter.

It strikes me that your suggestion raises two separate questions:

1. Does the United States have adequate tools, in either present law or the proposed Trade Expansion Act, to bring about the removal or modification of unjustifiable foreign trade restrictions against U.S. exports; and if not, is authority to raise tariffs required for this purpose?

2. Should the United States, in the course of trade negotiations make use of suggestions that U.S. tariffs may be raised unless we obtain concessions of a certain magnitude, in order to persuade our trading partners to offer us concessions in which we have a strong trade interest?

With regard to the first question, I am convinced that present statutes and the provisions of H.R. 11970 would provide our Government with ample authority to work for easing of foreign trade restrictions. I am enclosing a copy of a paper submitted to Mr. Serge Benson, of the staff of the Senate Finance Committee, listing three current statutory sources of authority for U.S. retaliation against foreign discrimination against our trade. The paper indicates that this authority has been actually employed extremely sparingly and explains why this is thought to have been a wise policy.

Section 252 of H.R. 11970 reinforces this present authority with the power to deny the benefits of U.S. tariff concessions to foreign countries which maintain unjustifiable nontariff restrictions (including unlimited variable import fees such as the Common Market has recently imposed upon several agricultural products) whenever such action would be consistent with the purposes of the Trade Expansion Act. This authority to withdraw concessions would empower the President to go so far as to return to the statutory rate of duty in force on an article before any concessions were made in reciprocal trade negotiations. In other words, he could reimpose the high rates of duty set in the Smoot-Hawley tariff of 1930.

Here, I should add that the same hazards and difficulties involved in the use of retaliatory power discussed in the paper referred to above are equally applicable to section 252. From your remarks during our colloquy on this subject at the Finance Committee hearings, I gather that you agree that retaliation hopefully will not have to be used often, and then only as a last resort, since its use risks instigation of a "tariff war" between ourselves and our trading partners, and results in the elimination of all possibility of obtaining relaxation of the foreign trade restrictions in question.

The second matter you raised, concerning the policy of threatening, in the course of trade negotiations with other nations, to raise U.S. tariffs in order to induce our trading partners to make concessions that they might not otherwise honor, is an important and fundamental one. You are correct in saying that the President does not now have the power unilaterally to raise U.S. tariffs, except in an escape-clause or national security case or in retaliation against unjustifiable foreign restrictions which burden U.S. trade. You suggest that it would be a good idea to arm him with this power in order to strengthen the U.S. bargaining position in trade negotiations.

It will not be easy to persuade the EEC to make concessions of value to our exporters. The combined negotiating power of the six countries of the EEC and the United Kingdom and the rapid rate of growth of their economies since the war have significantly diminished the negotiating imbalance between these countries and the United States. Future trade negotiations between the United States and an enlarged EEC will be discussions among equals. I think that there are two points to stress in this connection. Because the countries making up the EEC have a newly found source of strength, we can deal with them as equals with no fear that a hard position on our part would be construed as an abuse of our position of power and responsibility in the world. Secondly, the EEC itself, by virtue of its newly acquired strength and size, will be increasingly constrained to recognize the restraints that size, power, and responsibility dictate in the present world.

It seems clear that threats, recriminations and retaliation are not the tools which responsible and large power groups in the free world need to use to achieve their objectives. We cannot expect the EEC to offer concessions to us without ourselves making meaningful concessions, and we must expect that the EEC, in many cases, will be as reluctant as we sometimes are in offering concessions of value. Our negotiators must then work vigorously to overcome this reluctance, but our previous experience in negotiations with the EEC indicates that equality combined with mutually meaningful concessions will accomplish significantly more than threats of retaliation.

I have thought long and hard over your proposal, especially because the objective behind—forceful U.S. negotiating on trade and tariff matters—is one that I feel strongly about. Frankly, however, I foresee dangers and difficulties that would likely be created by such an amendment to the President's trade negotiating authority as you suggest. Accordingly, I believe that this authority need not and should not be increased.

Under your proposal, as I understand it, the United States could raise its tariffs even when foreign countries have not taken unjustifiable restrictive action against our own commerce. As you know, to take such action on articles on which we have granted tariff concessions would be in violation of the GATT: it would oblige us, under the agreement to offer offsetting compensation on other articles, and would run counter to the principles of mutual tariff-reduction on which the GATT is founded. U.S. trade benefits as much as that of any nation from the orderly tariff and trade procedures which the GATT prescribes. If we were to undermine the GATT with unilateral tariff increases, then our own commerce would suffer. Trade within the free world would likely be restricted by the illfeeling and uncertainty growing out of the abandonment, first by us, and then by others, of the GATT rule of multilateral tariff agreements.

I also suspect that unilateral action on our part will probably not cow our trading partners into making the sort of concession that we seek. Rather they will be spurred into taking retaliatory action against ours, to the disadvantage of both sides' trade.

For these reasons, I do not think that it would be either wise or profitable to make unilateral tariff increases, unless our present means of obtaining the concessions we need are proved useless. I realize that you are not proposing that we impose tariff increases frequently, but that the executive branch be equipped with this authority in order to be able to suggest, as a bargaining gambit, that it might be used. Unless at some point we actually use this authority, though, I am afraid it would be regarded as a hollow threat, especially since it would represent a break in our past policy. And if we did use it, even infrequently, this would risk setting off the retaliatory chain reaction that I am afraid of.

What is needed more than anything else to accomplish your objective, which I fully support, is tough and expert negotiations by our representatives and I have every expectation that this will be accomplished under the provision of the new trade bill.

Sincerely yours,

LUTHER H. HODGES,
Secretary of Commerce.

Enclosure.

(3) Under what provisions of law can the President retaliate against acts of discrimination against U.S. commerce, and what retaliatory steps has the President taken in the recent past?

The following statutes (texts of which are attached) authorize the President to retaliate against acts of discrimination:

(1) 19 U.S.C. 1351(a)(5), the provision in the Trade Agreements Act which provides for suspension of most-favored-nation treatment with respect to trade agreements concessions.

(2) 19 U.S.C. 1338, part of the Tariff Act of 1930, which provides for imposition of offsetting duties and, in certain cases, for exclusion of imports as well.

(3) 19 U.S.C. 181, an earlier statute, which provides for exclusion of imports.

These statutes have not been invoked in recent years. Since it is the U.S. Government's objective to obtain removal of unwarranted barriers to U.S. trade, it has been considered desirable to exhaust all possible diplomatic and other available legal procedures to this end before we resort to retaliation. Precipitate retaliation would tend to frustrate the achievement of the favorable treatment that we seek for our exports; it would freeze ourselves and our trading partners into mutually antagonistic trading postures which would injure the commerce of both.

The legal provisions listed above are useful as a deterrent to further acts of discrimination, even thought they have been infrequently employed, and they aid in strengthening the efforts of the United States to secure the elimination of past discrimination. These efforts have been vigorous and quite successful.

In the recent past, by far the most important acts of discrimination against U.S. exports have been quantitative restrictions and licensing requirements imposed due to balance-of-payments difficulties in various countries. In large measure, these countries' balance-of-payments problems have been cured, and the United States has pressed strongly for termination of import restrictions that are therefore no longer justified. This remedial action has been pursued through diplomatic representations, through consultations under the General Agreement on Tariffs and Trade, to which the great majority of our major trading partners are signatories, and through its complaint procedures. As a result, since 1958 a substantial number of countries have removed most restrictions formerly applied for balance-of-payments reasons.

A study is now being made under the GATT to identify all residual nontariff restrictions wihch are inconsistent with the provisions of GATT and are presently in force, so that steps may be taken for their removal. The United States is forcefully supporting this effort and is making similar efforts, on its own and through other international organizations, such as the International Monetary Fund and the Organization for Economic Cooperation and Development.

A thorough description of steps taken by the United States to eliminate discrimination against our exports, and of our success, is contained in the annual reports of the President on the operation of the trade agreements program. Further information and data is available in the published hearings on the Trade Expansion Act before the Ways and Means Committee, part I, page 162 and following.

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19 U.S.C. 1351(a)(5)

Subject to the provision of section 5 of the Trade Agreements Extension Act of 1951 (19 U.S.C., sec. 1362), duties and other import restrictions proclaimed pursuant to this section shall apply to articles the growth, produce, or manufacture of all foreign countries, whether imported directly or indirectly: *Provided*, That the President shall, as soon as practicable, suspend the application to articles the growth, produce, or manufacture of any country because of its discriminatory treatment of American commerce or because of other acts (including the operations of international cartels) or policies which in his opinion tend to defeat the purpose of this section.

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19 U.S.C. 181. Imports from Countries Making Discriminations

Exclusion of imports from countries making discriminations

Whenever the President shall be satisfied that unjust discriminations are made by or under the authority of any foreign state against the importation to or sale in such foreign state of any product of the United States, he may direct that such products of such foreign state so discriminating against any product of the United States as he may deem proper shall be excluded from importation to the

United States; and in such case he shall make proclamation of his direction in the premises, and therein name the time when such direction against importation shall take effect, and after such date the importation of the articles named in such proclamation shall be unlawful. The President may at any time revoke, modify, terminate, or renew any such direction as, in his opinion, the public interest may require. Aug. 30, 1890, c 839, §5, 26 Stat. 415.

SEC. 338. DISCRIMINATION BY FOREIGN COUNTRIES.

(a) Additional duties.—The President when he finds that the public interest will be served thereby shall by proclamation specify and declare new or additional duties as hereinafter provided upon articles wholly or in part the growth or product of, or imported in a vessel of, any foreign country whenever he shall find as a fact that such country—

(1) Imposes, directly or indirectly, upon the disposition in or transportation in transit through or reexportation from such country of any article wholly or in part the growth or product of the United States any unreasonsonable charge, exaction, regulation, or limitation which is not equally enforced upon the like articles of every foreign country; or

(2) Discriminates in fact against the commerce of the United States, directly or indirectly, by law or administration regulation or practice, by or in respect to any customs, tonnage, or port duty, fee, charge, exaction, classification, regulation, condition, restriction, or prohibition, in such manner as to place the commerce of the United States at a disadvantage compared with the commerce of any foreign country.

(b) Exclusion From Importation.—If at any time the President shall find it to be a fact that any foreign country has not only discriminated against the commerce of the United States, as aforesaid, but has, after the issuance of a proclamation as authorized in subdivision (a) of this section, maintained or increased its said discriminations against the commerce of the United States, the President is hereby authorized, if he deems it consistent with the interests of the United States, to issue a further proclamation directing that such products of said country or such articles imported in its vessels as he shall deem consistent with the public interests shall be excluded from importation into the United States.

(c) Application of Proclamation.—Any proclamation issued by the President under the authority of this section shall, if he deems it consistent with the interests of the United States, extend to the whole of any foreign country or may be confined to any subdivision or subdivisions thereof; and the President shall, whenever he deems the public interests require, suspend, revoke, supplement, or amend any such proclamation.

(d) Duties To Offset Commercial Disadvantages.—Whenever the President shall find as a fact that any foreign country places any burden or disadvantage upon the commerce of the United States by any of the unequal impositions or discriminations aforesaid, he shall, when he finds that the public interest will be served thereby, by proclamation specify and declare such new or additional rate or rates of duty as he shall determine will offset such burden or disadvantage, not to exceed 50 per centum ad valorem or its equivalent, on any products of, or on articles imported in a vessel of, such foreign country; and thirty days after the date of such proclamation there shall be levied, collected, and paid upon the articles enumerated in such proclamation when imported into the United States from such foreign country such new or additional rate or rates of duty; or, in case of articles declared subject to exclusion from importation into the United States under the provisions of subdivision (b) of this section, such articles shall be excluded from importation.

(e) Duties to Offset Benefits to Third Country.—Whenever the President shall find as a fact that any foreign country imposes any unequal imposition or discrimination as aforesaid upon the commerce of the United States, or that any benefits accrue or are likely to accrue to any industry in any foreign country by reason of any such imposition or discrimination imposed by any foreign country other than the foreign country in which such industry is located, and whenever the President shall determine that any new or additional rate or rates of duty or any prohibition hereinbefore provided for do not effectively remove such imposition or discrimination and that any benefits from any such imposition or discrimination accrue or are likely to accrue to any industry in any foreign

country, he shall, when he finds that the public interest will be served thereby, by proclamation specify and declare such new or additional rate or rates of duty upon the articles wholly or in part the growth or product of any such industry as he shall determine will offset such benefits, not to exceed 50 per centum ad valorem or its equivalent, upon importation from any foreign country into the United States of such articles; and on and after thirty days after the date of any such proclamation such new or additional rate or rates of duty so specified and declared in such proclamation shall be levied, collected, and paid upon such articles.

(f) FORFEITURE OF ARTICLES.—All articles imported contrary to the provisions of this section shall be forfeited to the United States and shall be liable to be seized, prosecuted, and condemned in like manner and under the same regulations, restrictions, and provisions as may from time to time be established for the recovery, collection, distribution, and remission of forfeitures to the United States by the several revenue laws. Whenever the provisions of this Act shall be applicable to importations into the United States of articles wholly or in part the growth or product of any foreign country, they shall be applicable thereto whether such articles are imported directly or indirectly.

(g) ASCERTAINMENT BY COMMISSION OF DISCRIMINATIONS.—It shall be the duty of the commission to ascertain and at all times to be informed whether any of the discriminations against the commerce of the United States enumerated in subdivisions (a), (b), and (c) of this section are practiced by any country; and if and when such discriminatory acts are disclosed, it shall be the duty of the commission to bring the matter to the attention of the President together with recommendations.

(h) RULES AND REGULATIONS OF SECRETARY OF TREASURY.—The Secretary of the Treasury with the approval of the President shall make such rules and regulations as are necessary for the execution of such proclamations as the President may issue in accordance with the provisions of this section.

(i) DEFINITION.—When used in this section the term "foreign country" means any empire, country, dominion, colony or protectorate, or any subdivision or subdivisions thereof (other than the United States and its possessions), within which separate tariff rates or separate regulations of commerce are enforced.

(Thereupon, at 5:10 p.m., the hearing terminated.)