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COMMITTEE ON FINANCE
UNITED STATES SENATE

TEXT OF STATEMENTS SUBMITTED BY GOVERNMENTAL DEPARTMENTS

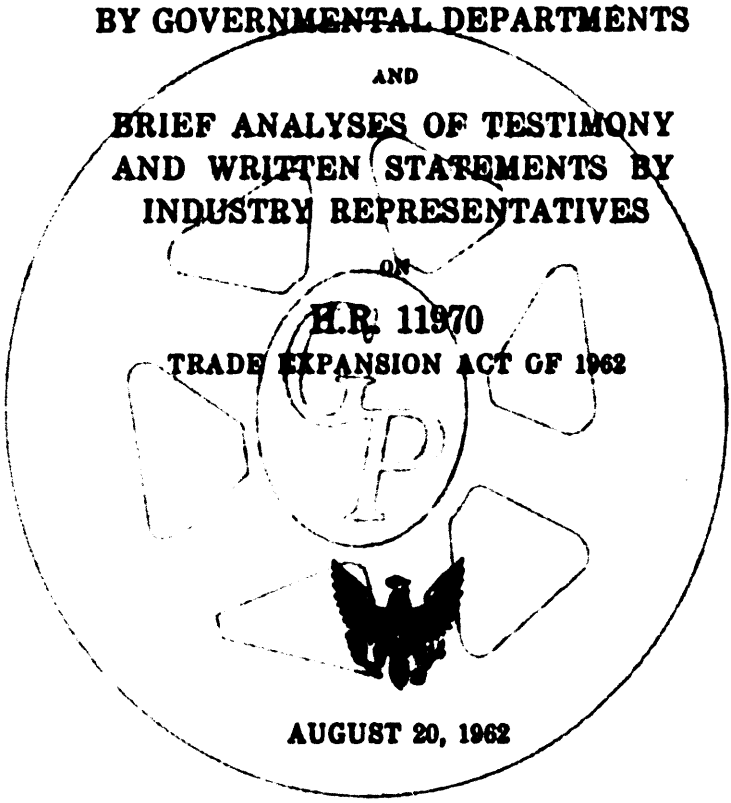
AND

BRIEF ANALYSES OF TESTIMONY AND WRITTEN STATEMENTS BY INDUSTRY REPRESENTATIVES

ON

H.R. 11970

TRADE EXPANSION ACT OF 1962



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PART 1

TEXT OF STATEMENTS SUBMITTED BY GOVERNMENTAL DEPARTMENTS

ORAL STATEMENT OF HON. LUTHER H. HODGES, SECRETARY OF COMMERCE; ACCOMPANIED BY JACK N. BEHRMAN, ASSISTANT SECRETARY OF COMMERCE FOR INTERNATIONAL AFFAIRS; PETER T. JONES, DEPUTY ASSISTANT SECRETARY OF COMMERCE FOR TRADE POLICY; AND DEAN B. LEWIS, ASSISTANT GENERAL COUNSEL, INTERNATIONAL AFFAIRS

Secretary HODGES. Mr. Chairman, before I start the reading, may I thank you for the privilege of being before you. My testimony will be somewhat longer than the other members of the administration primarily because I have been asked to take the lead in this, and try to put the entire bill in perspective. Succeeding witnesses will cover more specific phases of it.

I appreciate the opportunity to appear before this distinguished committee to urge your favorable consideration of H.R. 11970, the Trade Expansion Act of 1962. In my judgment it is one of the most important pieces of legislation, perhaps the most important, to come before the Congress in the last decade.

As you gentlemen know, one of the most vital objectives of our Government, and one of my most pressing concerns, is to achieve greater economic growth for the country as a whole and more jobs for its citizens.

Our gross national product has in recent years increased by an average of about 3 percent per year. In comparison with that of many of our free world trading partners, this record is not outstanding. The European Economic Community, since its formation, has averaged over 5 percent annual overall growth, with 7½ percent annual growth of industrial production alone.

Japan is moving ahead at a surprisingly high rate—about 15 percent annually. I do not say we should necessarily try to equal these records, for other nations have started from much lower down the scale of economic progress than ourselves, and so their growth is understandably more rapid. But we can and must do much better than we have.

We should, for instance, take up the slack in our economic machine. Important segments of American industry are currently operating below full capacity. We must eliminate this margin of idleness in order to step up our productive efficiency.

We need to improve greatly our current unemployment situation. In June of this year, the level of unemployment in this country was 5.5 percent—4,463,000 people were out of work. This is an improvement over last year's 7 percent rate, but it is not enough.

Some analysts seem to think that the United States has reached an economic plateau—that affluence has brought us to the point where expansion cannot be continued and stagnacy has set in.

I think they are wrong and I believe we can prove them wrong in the years ahead.

This administration's goal for the economy is to raise the annual growth rate of our GNP to 4.5 percent by the end of this decade, to get our plants working at full capacity, and to cut unemployment to 4 percent as soon as possible.

The only way to meet these targets is to sell more products, to expand the markets in which the goods of American industry, farms, mines, and fisheries are sold. In other words, greater production which means more jobs.

A more rapid economic growth is the first objective of the bill before you. The Trade Expansion Act will pave the way for greater growth of the U.S. economy by providing access to new expanding world markets, most immediately in the booming European Common Market.

Some of the greatest opportunities for increased American sales lie in fast-developing countries overseas. This act would give us a tool to break down the tariff barriers that currently restrict those sales. Ever since the reciprocal trade program was launched in 1934 by Cordell Hull, American export trade has prospered and grown.

Tariff-reducing authority under the most recent extension of that program, however, was almost entirely used up in our last round of trade negotiations, and on the 30th of June this year, it expired. We now need a new instrument of reciprocal trading to preserve and expand the country's export trade, thus adding to our economic strength, which is the foundation stone of all our efforts at home and abroad.

Of equal importance, this act fosters the strength, unity, and prosperity of all nations of the free world—our common goal which carries with it the answer to communism's drive for world domination.

The distinguished Secretary of State, Dean Rusk, will deal with the highly significant foreign policy implications of the act, including the important matter of most-favored-nation treatment for such nations as Poland and Yugoslavia.

I will concentrate, Mr. Chairman, primarily on its role in helping us achieve greater economic growth here at home.

The United States exports more goods to foreign markets than any other country—in 1961 U.S. exports totaled a record $20 billion. About $15 billion of our exports represent manufactured and semimanufactured goods—8 percent of our total production in these lines.

The other $5 billion consists of farm products—12 percent of our total agricultural production. Out of our total sales of $20 billion, something over $2 billion was financed by our Government aid and support programs. Thus our strictly commercial exports were around $18 billion.

However, our entire $20 billion worth of exports constitute $20 billion of orders for American farm and factory products from overseas markets. This is a greater volume of annual sales, for example, than the entire American automobile industry achieves in consumer purchases of cars, parts, and accessories.

Our exports provide us with an estimated 3.1 million jobs and additional profits that, in large measure, could not otherwise be achieved.

In comparison to this $20 billion of exports, we imported $14½ billion of goods from abroad last year, goods which are important assets to our economy in many ways. They give us many essential raw materials without which much of our industry would quickly grind to a halt. They help present our customers with a range of choice broader than anywhere else in the world.

They provide a competive stimulus that keeps our own industry technologically progressive, and they help check inflation. They earn profits and create jobs for the million or more Americans whose livelihoods are based on transporting, processing, and distributing imported goods.

It is estimated that some 60 percent of these imports are not significantly competitive with goods produced in this country. These are the bananas, the coffee, the tin, the nickel, the linen, the silk, and other articles which are simply not produced in significant quantity in this country.

I call your attention to a chart which illustrates how we rely on certain products. Showing there we have 100 percent of our imports in tin, 89 percent in nickel, 55 percent in zinc, 34 in copper and so forth and on the agricultural side, Mr. Chairman, 53 percent of our raw wool and 50 percent of our sugar.

The remaining 40 percent, or about $6 billion, which are competitive with American production represent only about 2½ percent of our overall output of transportable goods.

We should not overlook the fact that our imports help other countries pay for our exports, and that after excluding Government-financed goods, our exports exceed the total value of our imports by some $3 billion.

Mr. Chairman, I wish to call attention to the fact that this is the largest single net entry on the credit side of our balance of payments which, as you know, has been running at a sizable deficit in recent years and is a matter of concern to all of us.

The distinguished Secretary of the Treasury, Douglas Dillon, will discuss with you the relationship of the trade bill to this important subject.

For years, international trade has played a vital part in building a healthy and vigorous American economy. Yet while U.S. exports are large in volume, they have been relatively small in comparison to the gross national product of the U.S. economy—last year less than 4 percent, which is the lowest of any industrialized nation of the world.

Endowed with an abundance of natural resources and a large domestic market, the United States heretofore has not had the same need or urge to engage in foreign commerce as have certain competing countries whose percentage of GNP runs several times our 4-percent rate.

Consequently, we have in the past by no means taken full advantage of our opportunities for expanding the domestic economy by increasing our sales in the international marketplace.

In fact, we estimate that fewer than 4 percent of our manufacturers are engaged in export trade.

We are now entering a period of our Nation's history when these export sales can count for more than ever before. Changed conditions

at home and abroad point to new opportunities for increased economic growth through export trade. More and more U.S. products will be flowing to Latin America as the Alliance for Progress stimulates further development in that area. New markets for American-type commodities will also spring up in other areas, including the Commonwealth nations and various lesser developed countries, as the drive for economic development takes root in one country after another.

Japan, our second greatest customer, is expected to triple her purchases of foreign goods in the next decade and we must get our share. These opportunities cannot be fully realized unless the barriers to trade are reduced.

A still greater potential for the expanded sale of U.S. goods and services in the immediate future lies within the booming European Economic Community or Common Market—perhaps the most important economic development in the last decade, a development which I should now like to examine in some detail as it relates to the legislation now before you.

Mr. Chairman, the six present members of the Common Market have a population approximating our own and a combined gross national product almost half the GNP of the United States.

Negotiations are now taking place looking toward membership of the United Kingdom in the Common Market; and several other countries of Western Europe have applied for membership. Within the foreseeable future an integrated economy will be established comprising from 250 to 300 million people, with a productive capacity second only to that of the United States.

This enlarged and prosperous Common Market, perhaps embracing most of Western Europe, will create an opportunity of wholly new dimensions for U.S. exports, which last year amounted to $6.3 billion to all Western Europe.

In recent years the Common Market has been growing at twice the rate of our own economy, and here is a chart which illustrates this principle. You see what has happened there, if I may go up here.

In our own U.S. market we have gone up from 1953 18 percent, whereas Canada has gone up 119, the European Trade Association of which Britain is now a member, is 124, while this Common Market we are discussing has moved up to 145 percent from a base of 100 in 1953.

Europe is experiencing the explosion of demand for consumer durables we have known for the last generation. The rise in personal income and the standard of living there will open up a vast market, as is dramatized by this chart comparing the Europeans' per capita use of consumer goods with our own.

You will see there, Mr. Chairman, out of every 100 people in the United States we have 95 radios against 23 in the Common Market.

Passenger cars we have 34 against their 7, television receivers 29 against 4, refrigerators 28 against 6, washing machines 27 against 6.

Anybody, who is interested in selling as we are, can see what a tremendous opportunity there is ahead for the sales of things that we do best, most efficiently and less costly.

Someone will have to sell them a great deal of merchandise before they reach our level, as you can see. In the next 10 years, the gross national product of the present and prospective Common Market nations is expected to rise by 50 percent or more.

There is one obstacle, however, to this new opportunity that we must overcome. In the process of creating a widened trade area, the

Common Market is moving to eliminate all internal tariffs on goods traded between Common Market member countries.

Internal tariffs, that is between the six, others may join, others have already been out by an average of 50 percent on industrial goods and by 35 percent on a substantial number of agricultural commodities. Complete internal free trade will be established somewhat before 1970. At the same time, and there is the danger, the community is in process of establishing a uniform common external tariff applicable to goods imported into any European Economic Community member from a nonmember country, including the United States.

In many cases, our exports to an EEC country compete with those from another EEC member, whose goods will soon be duty free. Because of this, the height of the EEC's common external tariff wall becomes of critical importance to U.S. exports.

If the Market's external duties remain at scheduled levels, our ability to compete in Europe will sharply decrease and our exports can be expected to suffer accordingly.

For example, no duty will be imposed on German tires or radio and television parts sold anywhere within the EEC but these same articles produced in America if sold to a Common Market member will be subject to a duty of 18 percent, or $1,800 for every $10,000 order.

These are just examples of the general pattern of the tariff disadvantages now scheduled to develop for most of the industrial products we sell today to the present and prospective members of the Common Market.

It is expected that under the EEC's new Common Agriculture Policy there will be disadvantages of similar effect facing some of the important agricultural commodities we now sell to Europe—wheat, feed grains, poultry, and rice, for example. The Community's new Common Agricultural Policy with its variable duties and other features poses a serious problem which the distinguished Secretary of Agriculture, Orville Freeman, will discuss with you.

It is generally accepted that if we have to pay the scheduled common external tariff rates of the Common Market while our European competitors go duty free, we stand to lose a substantial amount in annual sales we would otherwise be able to make to the expanded EEC market.

Thus, the adverse effect of the new EEC trade policies on our agricultural and industrial exports could lead to a serious reduction in jobs and profits, a loss of tomorrow's rich opportunities for economic growth, and a severe blow to the bonds of cooperation upon which a strong Atlantic alliance must be based.

To avoid this possibility, Mr. Chairman, and gentlemen, the Common Market must be encouraged to implement its announced policy of liberal trade by making substantial reductions in its external tariffs. We must bargain to obtain for American producers essentially the same duty-free tariff treatment that is given to our European counterparts in the EEC, so that we can compete with them on a similar tariff footing.

There is only one way to accomplish this. We must negotiate a new trade agreement with the Common Market countries. We must bargain for reductions in their tariff rates on goods we want to sell them by offering in exchange to lower our tariffs on goods in which they have a trading interest here.

In order to make such a bargain, our negotiators must be equipped with the kind of authority contained in the Trade Expansion Act of 1962. As I mentioned, our tariff-negotiating authority under previous legislation has been used up and has now expired.

Let me now examine the new act's most important provisions, beginning with those that directly concern our trade relations with the Common Market. As I do not want to take up your time with a lengthy description of the bill, I would like to insert in the record an annex to my statement which presents the bill's provisions in greater detail than my discussion.

(Annex A appears on pp. 35–38 of pt. 1 of the printed hearings.)

In order to cope successfully with the new opportunity and challenge offered by the EEC, U.S. trade negotiators could make use of two major authorities contained in this bill.

The first of these—the general authority (sec. 201)—authorizes the President to proclaim, with certain safeguarding exceptions, a 50-percent gradual reduction of U.S. duties existing on July 1, 1962, pursuant to trade agreements with the EEC and other free world nations.

Though the need for trade bargains with the EEC is perhaps the most urgent, we must also seek to secure favorable treatment for our exports to the entire free world. And the general 50-percent authority is equally essential for this purpose, as I will discuss later.

With the EEC the 50-percent authority will certainly be helpful in overcoming the challenges which the common external tariff represents to our exports, which I have just discussed. But this 50-percent authority by itself is not enough to accomplish our objectives concerning the European Common Market. If we were able to reduce our tariffs by no more than 50 percent, the EEC could then be expected to hold down its reductions, still leaving an external tariff wall as a formidable barrier against many particularly important U.S. export products which compete with duty-free rival EEC goods.

Therefore we also need a special authority (sec. 211) for negotiating with the European Economic Community to give us the necessary additional flexibility and bargaining power to remove this handicap on particularly important items. The EEC is moving to internal free trade or zero tariff; we need authority to go to zero on certain items, too.

The special authority would authorize the President to reduce beyond 50 percent or to eliminate gradually—to give ample time to our producers to adjust—all tariff and other trade restrictions on those categories of goods in which the United States and the expanded Common Market together supply 80 percent or more of free world export value and thus together dominate the free world export market in those goods.

Mr. Chairman and gentlemen, there are probably 20 to 30 categories where we and they together manufacture and ship more than 80 percent of the free world total which will be subject to this particular provision.

The exact items included under this authority can only be determined finally at a point closer to the negotiations, but in general they will include a substantial portion of our industrial hard goods—Machinery, transportation equipment, and metal manufactures—and a significant number of consumer hard goods. They will also, to a very large extent, be commodity categories in which we and the Common

Market export more than we import and which in the main are characterized by advanced technology, relatively high capitalization, and relatively low labor input per unit of production.

These categories are, in general, those in which no controlling advantage is gained from the availability of an abundant supply of labor at low wage rates. In accordance with the 80-percent formula, these categories of goods are not now produced and exported in large quantities by third countries.

Indeed they include industries which, in our U.S. economy, pay realtively high wages compared with some of our import-sensitive industries.

The 80-percent formula selects those goods of which the United States and the Common Market are major suppliers to the world. The formula, therefore, contemplates a gradual reduction and possible elimination of U.S. and EEC tariffs on items or categories of goods in which we and they have a common export interest.

Where appropriate, a gradual move to free trade or zero tariff on a common list of categories of goods of major interest to both European and American exporters would have significant advantages. It would also be in keeping with the policy and the techniques of tariff reduction within the Common Market itself.

Past discrepancies in U.S.-EEC tariff levels would tend to be washed out, and industries on each side would have the assurance that their foreign competitors will receive the same tariff treatment.

For example, as part of an overall agreement the 14 percent EEC tariff and the 8½ percent U.S. tariff on parts for trucks and cars might both be brought gradually to zero.

I think it is absolutey essential that our negotiators have this bargaining authority in negotiations with the EEC if we are to have any reasonable expectation of obtaining duty-free treatment from the EEC and of thus eliminating the crippling competitive disadvantage that we would otherwise face.

This authority is consistent with the direction taken by tariff legislations in the past. Twice in the past, U.S. tariff legislation has authorized major cuts of up to 50 percent. In many cases such cuts equal or exceed a reduction to zero from present rates.

One point that I think is worth noting when we talk of reducing tariffs to zero, in many cases this means a reduction of not many percentage points; contrary to normal belief the average U.S. tariff on industrial goods is 11 percent, and many are well below this level.

The step from a tariff of about 11 percent to zero is not as great as many tariff cuts that have been made under past reciprocal trade legislation.

Mr. Chairman, we will have a sheet available for any of you if you want to show the history from 1934 to present to show what has happened.

It is of course important that the system of classification of products by category be drawn up and made public as soon as possible, and the bill provides that this will be done. It is anticipated that the system which will be chosen is the one shown in annex B, which, Mr. Chairman, I will submit for the record showing the classification.

(Annex B referred to appears on pp. 40–43 of pt. 1 of the printed hearings.)

The 80-percent formula list will be calculated just prior to the time negotiations with the EEC are undertaken, and it will be based on the Common Market's membership at that time.

When the United Kingdom joins the EEC, as is confidently expected, 20 or more categories will probably qualify under the special authority.

Attached as annex C for illustrative purposes only, is a tabulation of the categories in which the United States, the EEC and five prospective members, including the United Kingdom, supplied 80 percent or more of "aggregated world export value" in 1960.

(Annex C referred to appears on pp. 44–45 of pt. 1 of the printed hearings.)

I wish to emphasize that the list of commodities to be actually offered in negotiation under this special authority may be shorter than the full list of commodities technically eligible for such treatment. The actual negotiating list would be decided upon only after public hearings have been held by an interagency committee and by the Tariff Commission as required by the bill.

Furthermore, the Tariff Commission and the relevant executive branch departments will have reported to the President their views concerning the probable impact on American employment, productive facilities, and profits that might result from the anticipated tariff reductions on such commodities.

Under the act, the President on the basis of such advice may reserve any item from negotiations and in addition is required to reserve certain others.

I will discuss this reserve list in more detail later when I deal with all the safeguards contained in the bill.

This bill follows the practice of past trade legislation in not stipulating the detailed method of negotiation to be followed, since our negotiating team should have the flexibility to choose whatever method is most appropriate at the time negotiations take place.

Thus, for example, the several tariff-reducing authorities could be used, as appropriate, to negotiate tariff concessions on a product-by-product basis, as has been customary in many tariff negotiations up to now.

Useful as this technique has been in the past, however, a broader basis for the negotiation of tariff reductions under these authorities must also be used if substantial further progress is to be made in the lowering of tariff barriers.

In negotiations of any magnitude, item-by-item treatment tends to create long delays and unnecessary complexity. The last round of negotiating under the 1958 extension of the reciprocal trade program was finally completed just this year.

Moreover, the EEC has itself found it necessary to use a broader basis for negotiation in the reduction of its own tariffs, and wherever appropriate under the special and general authorities, we must be ready to work in the same way in order to have the flexibility and bargaining power to achieve our objectives of bringing down free world tariff barriers.

Further, the technique of broadly based negotiations has the advantage of carrying with it a built-in response to changing trade conditions. A striking feature of our modern world is the rapidity of technological developments, which is constantly creating new products, and from them new trading interests and opportunities.

Our own producers are probably the world's leading innovators. Therefore, it is strongly in our own interest to negotiate on broader groupings of items which would result in tariffs being lowered not only on products in which we now have a strong export interest, but also on products in which we may well develop such an interest in the future through technological innovation.

In recognition of the importance of the EEC area as a market for the exports of American farmers, there is a separate section 212 in the bill dealing with this subject.

Under this section, Mr. Chairman, the President is authorized to exceed the 50-percent limitation on an agricultural commodity, if he determines that such action would tend to assure the maintenance or expansion of U.S. exports of like articles.

Thus, the President would be authorized to reduce the duty by more than 50 percent only if a concession is obtained on the like article; he is not given a general authorization to exceed the limitation on an agricultural product in return for concessions on other products.

This bill sets up a standard list of articles that would qualify as agricultural products under this section; neither forest articles nor textile products are included. And articles on this list would be excluded from tariff reductions based on the dominant supplier, or 80-percent formula.

Secretary Freeman will be able to discuss this section with you in more detail.

Another exception to the basic 50-percent limitation, is the provision authorizing unlimited tariff reductions on articles dutiable at a rate of not more than 5 percent ad valorem or ad valorem equivalent.

In most cases, such duties serve no significant protective function. Tariff concessions on such products as on others, will be granted in trade agreements only where the United States receives commensurate benefits for its export products. Among the articles dutiable at rates in this low bracket are a number of crude products imported into the United States in substantial quantities which are not produced at all or only in limited quantities in the United States and are of particular interest to less-developed countries.

I have discussed trade bargaining with the EEC at length because I believe it is in this area that the need for negotiations and mutual tariff reduction is most urgent. We must remember, however, that the United States has vital trading interests with nations all over the world. Canada and Japan, in that order, are our largest single trading partners. We have had long and fruitful trade relations with Latin America and with the members of British Commonwealth. Our commerce with the emerging countries of Asia and Africa, is expanding.

Japan, for example, bought $1.7 billion from us last year, $700 million more than she sold to us. In the next decade her economy is expected to double and her imports to triple. Here is an attractive and profitable potential business for us.

Latin America, for instance, last year bought $3.4 billion from the United States, and with the Alliance for Progress stimulating the economic growth of the area in the next decade, the opportunities for expanding U.S. exports should be considerable.

Other less developed countries will require extensive imports of equipment and machinery as they move along the path to indus-

trialization and economic growth. Africa and Asia offer the prospect of new and expanding export markets for American consumer goods.

All these areas are important to us. They are in the process of rapid economic expansion, which can be maintained only by tapping world markets and sources of supply. They therefore promise to become still better customers for U.S. farm and factory products than they are today

In some of these countries as well as others certain tariffs and nontariff restrictions are unduly high. They tend to sustain inefficient enterprises, impede economic growth, and deny to the people of these countries and to the United States the mutual advantages of freer trade relations. We recognize the need for protection of so-called infant industries in nations in the early stages of development, but we feel these barriers should not otherwise serve to restrict imports unreasonably.

We therefore look forward to greater trade with these nations outside the EEC by means of the same kinds of trade negotiations as will be conducted with the EEC. The main bargaining tool in the non-EEC negotiations will be the general 50-percent authority, which, as we have seen, will also be helpful in opening up markets of the European Community for U.S. goods

This general authority empowers the President, in negotiating trade agreements with all free world nations, to reduce gradually U.S. tariffs by as much as 50 percent with certain safeguarding exceptions. I might add that the authority to reduce low-rate duties of 5 percent or less will also be available in such negotiations as a helpful bargaining tool.

There is one other tariff-reducing authorization which pertains to the less developed countries. Section 213 contains a special provision under which the President is authorized to exceed the 50-percent limitation on tropical agricultural and forestry commodities not produced in significant quantities in the United States. The 50-percent limitation may be exceeded on these commodities only if the EEC has made a commitment to treat its own imports of such products in a way that is likely to assure comparable access for these articles, substantially without discrimination among free world countries.

This provision is directed particularly to improving the opportunity of less developed countries in Latin America and elsewhere to obtain access to the EEC market on terms substantially equivalent to the terms which the EEC provides for the dependencies and former dependencies of its member states.

For example, it is vitally important to the success of the Alliance for Progress that Latin American coffee receive the same tariff treatment in the EEC that is granted to coffee from Africa.

Because the authority only pertains to products not produced in significant quantities in the United States, it represents no serious competitive threat to any of our domestic producers. It is, nonetheless, an important milestone in U.S. trade legislation, for it affirms in principle our national interest in opening up markets here and in Europe to the products of the lesser developed countries for their sake and our own.

The lesser developed countries need foreign exchange for their own development, and we want them to develop as strong members of the non-Communist trading community. This will reduce their need for

foreign assistance and their heavy reliance on the United States as a market for their goods.

I would like to discuss safeguards, Mr. Chairman.

In our efforts to expand U.S. trade, we must not only obtain trade access for our exports, but, as in the past, we must provide safeguards to prevent or correct such hardships as increased imports to the United States might otherwise bring. We must also make arrangements for guidance of the negotiations themselves.

In the bill before you, we have continued and refined these past safeguards and arrangements, and we have added some new ones. I am convinced that the resulting provisions offer a more comprehensive assurance to American producers that their interests will be protected, and provide more constructive remedies for their possible import problems, than have ever before been available.

A. BEFORE NEGOTIATIONS

During the period before negotiations take place, the same basic procedures will be followed as in the past. The President will announce publicly the list of articles which he proposes to consider for tariff concessions.

The executive branch and the Tariff Commission will hold public hearings at which any interested party can present evidence and its views on any of the items listed. Before tariff concessions are agreed to, the results of the public hearings will be reported to the President.

The interagency Cabinet-level trade organization, provided for in the bill and to be chaired by the Secretary of Commerce, will study and make recommendations on the basic policy issues raised by the trade agreements program.

The views of the executive branch departments themselves will also be presented, as will a thorough Tariff Commission study of the probable domestic economic effects of tariff reductions on all items listed for negotiation.

The Tariff Commission reports to the President will be far more useful and comprehensive than its past practice of fixing so-called peril points below which tariffs supposedly could not be cut without risking some domestic injury.

All the information on which peril points have previously been based would be made available under the new procedure, but the Tariff Commission would not be required to set a specific critical tariff level, in a percentage figure, for example.

The Commission itself, I understand, feels that this latter task requires a precision of economic forecasting which is simply not possible, and that past peril points have often been unavoidably arbitrary.

In fact, in six of the nine cases since 1958 where peril-points have been subjected to thorough analysis and review by the Tariff Commission, they have been found to have been inaccurate. We believe the new bill's provision for thorough Tariff Commission reports taking into account all relevant economic factors, will provide a much more useful and meaningful basis for formulating tariff bargains than would an uncertain, unscientific peril-point figure.

In the light of these reports, the President will draw up a final list of items on which tariff cuts might be offered to other nations on a reciprocal basis, and the President will also reserve from this list any

article or category of goods on which he determines tariff reductions not to be in the national interest.

In addition, the bill requires him to reserve any article for which escape clause or national security action is in force, along with certain other articles under specified conditions.

Thus, for example, crude oil and petroleum products, lead, zinc, and other products for which such actions are now in effect, would be exempted from further tariff cuts under this bill as long as the action remained in force.

Under the bill as passed by the House, our negotiating team will for the first time be headed by a Special Representative for Trade Negotiations appointed by the President with the advice and consent of the Senate.

The negotiator or representative will report directly to the President and will direct the efforts of the various departmental experts who compose the body of the delegation. He will also be an ex-officio member of the interagency trade organization which will make recommendations to the President on basic policy issues raised by the negotiations.

Under the bill the Congress, too, will have its representatives: two Senators and two Representatives drawn from both political parties, will be attached to the American negotiating team as official observers.

The objective of our negotiators will be to maximize our access to foreign markets by means of mutually beneficial tariff reductions. The United States will lower its own tariffs only in return for equivalent reductions from our trading partners, either on the same range of items or on others of importance to U.S. export industries. But in order to achieve this, our bargaining authority must be strong, and our negotiators must have ample time to prepare and conduct the complex, time-consuming negotiations and be able to offer practical bargains. This is why the authority granted by the bill should remain in force for 5 years. This is a vital safeguard which will eliminate the possibility of our negotiators being hurried by the imminent and premature expiration of the negotiating authority into making a bargain which, however good, might have been made still better.

Of great importance to our producers, the bill insures that tariff reductions will not be put into effect overnight on any products except tropical agricultural products not produced here in significant quantity.

Instead tariff cuts will be spaced gradually over a period of at least five annual installments or the equivalent, thus providing ample time to adjust to new competitive conditions.

In this manner the tariff concessions which are put into effect will involve minimum disruption, while at the same time setting the stage for a further expansion of the U.S. economy by providing the most favorable tariff conditions for American exports that may be obtained at the present time.

In this connection, I want to stress that dynamic economic growth and the adaptability of our free enterprise system at home provide our best defense against possible adverse effects of imports from abroad. Our producers have demonstrated this in responding to other sorts of competition. Every day technological, style, wage, and

price changes in our own domestic economy present greater challenges to our American producers than import competition. We not only survive such challenges, we prosper and grow more rapidly because of them.

The best thing we can do to safeguard American industry from import injury is to build and maintain a healthy, dynamic economy at home and abroad through greater production and sales. This is one principal objective of the bill now before you, sir.

But while this is our primary safeguard, it cannot be our only one. If we are realistic, we must face the possibility that despite careful preparation of concession lists, despite prolonged staging of tariff reductions, despite the adaptability of our economy as a whole, the possibility exists that some cases of dislocation may result from tariff cuts.

We must meet this problem. There is no conceivable tariff policy we could adopt that would provide for the requirements of our economy for new markets and at the same time give a flawless guarantee against all possible hardships to all domestic producers and their workers. What we can and must do is to strengthen the remedies available to counteract import injury when it threatens or when it occurs. This is what the new trade adjustment assistance section of this bill would accomplish.

In the past, Mr. Chairman, our safeguards under trade legislation have been limited exclusively to tariffs and import quotas. This bill recognizes that such relief may be the only adequate countermeasure against severe injury from imports in certain cases. And under this bill before you the President could continue to provide such relief when an entire industry has experienced widespread serious injury as the result of increased imports.

The traditional form of relief, however, may be inadequate or inappropriate as a remedy to import competition in a number of cases.

An additional form of assistance has therefore been designed which can either supplement or replace traditional relief, as appropriate. It is aimed at assisting particular firms and groups of workers which have been dislocated by import competition. Under this program, such firms could receive Federal loans or loan guarantees, technical assistance, and tax assistance.

Unemployed workers would be eligible for adjustment allowances, retraining in new skills, and where needed, assistance to facilitate relocation in order to take new jobs.

Assistance of this character will enable firms and workers to get help when none at all would be available to them under existing legislation.

For example, there may be industries where injury is not sufficiently widespread to warrant tariff relief for a whole industry, but where some individual firms may be genuinely injured. Without this new adjustment assistance, such firms and their workers could get no help at all.

Unlike tariff relief, adjustment assistance can be tailored to the particular problems of the firms and workers affected. The forms and amounts of assistance vary according to need. Tariff relief, on the other hand, must be applied indiscriminately to an entire industry, some firms getting less help than they need, while others may already

be in comparatively good shape and enjoy windfall profits as a result of the higher tariffs.

Adjustment assistance directly promotes a constructive response to the challenge of import competition. Firms can be helped to modernize their production and distribution methods and, if need be, to diversify their product lines.

Where necessary, workers can be retrained in new skills to equip them for jobs with better economic prospects and in some cases with higher pay than they held before. Adjustment assistance is designed to encourage both firms and workers to rehabilitate their competitive strength so as to be able to face the competition of imports openly and independently, in the tradition of free enterprise. Tariff relief can insulate an industry from the stimulating effects of free competition. It can prop up an inefficient, stagnant enterprise and lull it into a false sense of security.

Looked at realistically, tariffs are subsidies, established by the Federal Government and paid by the American consumer, since tariffs artificially raise the prices the consumer must pay.

The tariff remedy may also have immediate adverse consequences for sections of our own domestic economy. This factor is often overlooked. Whenever we raise our tariffs above the level established by international agreement, as we recently did, we are required either to offer compensation by reducing U.S. tariffs on other items or else be liable to retaliation by our trading partners in the form of raised tariffs against our own exports. Thus in either case, we increase our tariffs to protect one American industry only at the expense of risking hardship to another American industry.

Either the foreign competitors of another U.S. industry receive easier tariff treatment in this country when we grant compensation, or the exports of some U.S. industry will face more burdensome levies abroad. Adjustment assistance would not harm any domestic industry in this way.

Let me now briefly try to dispel some apprehensions that may have been expressed or felt concerning the adjustment assistance program.

First, and most important, it is not expected to be a large program nor are its benefits expected to be called upon extensively. Under our free enterprise system, the normal forces of the market will tend to draw the less competitive firms and workers into healthier, more efficient lines, without need of Federal assistance.

I think our own past experience in adjusting successfully to reduced tariffs bears out our belief that the adjustment program will not be very large. This is the experience of the EEC nations which also have an adjustment assistance program.

Second, adjustment assistance is not a dole or subsidy. It is directed not at compensation for injury, but at creative ajdustment that will remove the injury. Adjustment aid for firms will only be available where need is clearly shown and where the firm itself is making full use of its own resources to adjust.

Loans of long term will be available as will technical assistance and certain tax assistance. Loans must be repaid in full and will not be made in the first place unless there is a reasonable assurance of repayment. The cost of technical assistance must be borne by the firm to the extent considered feasible and appropriate by the Administrator.

Assistance to workers will focus on creative retraining in needed skills, and no worker will receive readjustment allowances if he refuses to accept and work at a retraining course without adequate reason.

Third, trade adjustment assistance will not be drawn out over a long period of time. Assistance to firms will be aimed at contributing to a specific adjustment project. The firm must indicate at the outset what aid it requires by preparing an adjustment proposal for its own rehabilitation; it cannot keep coming back for more. Assistance to workers will in general be limited to 1 year, with a possible extension if retraining should take a longer time, or in the case of elderly workers.

Fourth, it is a voluntary program. No one is going to be forced by the Government to do anything. Assistance will be given only to those who apply for it and qualify.

Firms will make specific requests, and no rehabilitation proposal will be dictated from a Government office. The program is aimed only at assisting a company to put into operation realistic projects developed on its own or where needed, with advice from governmental or private sources.

Fifth, the adjustment assistance program will not engender a vast new bureaucratic office in the Federal Government, nor will it duplicate existing programs. It will be set up in such a way that maximum use will be made of existing agencies—the Small Business Administration, the Tariff Commission, the Departments of Agriculture, Commerce, Interior, Labor—and it is expected that a great part of the program can be carried out through regular procedures of these departments.

Finally, I know that concern has been expressed over the benefits that workers could receive under this program. Secretary Goldberg will deal with this question thoroughly when he appears before you.

But I want to say this. Both workers and firms may encounter special difficulties when they feel the adverse effects of import competition. This is import competition caused directly by the Federal Government when it lowers tariffs as part of a trade agreement undertaken for the long-term economic good of the country as a whole.

The Federal Government has a special responsibility in this case. When the Government has contributed to economic injuries, it should also contribute to the economic adjustments required to repair them. This is a principle our country has long recognized; the GI bill of rights, the relief offered by the Small Business Administration for establishments displaced by Federal projects, are just two examples of this principle.

Gentlemen, I feel very strongly that the adjustment assistance program is an essential and a helpful part of this bill. Like tariff relief, it would fulfill our responsibility of safeguarding import-injured firms and workers. It offers aid where necessary for firms and workers who may not otherwise be protected.

Moreover, it is not a partisan program. Both the AFL–CIO and the American Bankers Association have specifically supported it. A survey published by a private business research organization reports that more than three-fourths of the companies participating in the survey declared their support for such Government assistance.

Former President Eisenhower has given his personal support. As he said in a recent message:

> Some temporary governmental assistance must be provided for those who suffer dislocation substantially caused by trade effort beneficial to the country as a whole.

That is what trade adjustment assistance would accomplish. It would be counter to the standards of fairness and equal treatment under law, by which our Government has always abided, were we to make a small number of our citizens bear the full cost of a trade policy designed for the welfare of the entire United States. Adjustment assistance is an essential part of the overall trade program contained in this bill. And this is why I recommend it to you so strongly.

During the past months of discussion of this bill, attention has been focused on barriers to international trade that take forms other than tariffs. Quota restrictions, prohibitions, discriminatory tax measures, surcharges, burdensome customs procedures, unwarranted sanitary, food, and drug regulations—all of these can be used to bar or hinder the entry of foreign goods and thus sometimes to vitiate the effect of tariff reductions.

Nontariff restrictions have long been a concern to the United States. I think we have been successful in our efforts to have many restrictions abolished, and the bill before you would give us a new tool for further progress.

Nontariff measures—such as import quotas—may be justifiable when a country is undergoing severe balance-of-payments and exchange problems, as were most of the nondollar countries in the immediate postwar period and some more currently. But economic recovery has now restored prosperity in Europe, and the currencies in which the bulk of world trade is conducted are now convertible. We must recognize that in underdeveloped countries, special problems remain which may require trade restrictions not warranted elsewhere.

In general, the justification for quantitative restrictions on trade has greatly diminished, and the United States has worked hard for their abolition.

These efforts are continuing. We have joined with other countries in setting up a special project within the GATT, designed to identify all remaining restrictions which violate the agreement so that action can be taken to eliminate them.

The United States is now engaged in consultations with several countries applying such restrictions. If these discussions do not result in the elimination of the restrictions involved, and we can demonstrate impairment to our trade, the United States would be authorized under the GATT to withdraw equivalent tariff concessions from these countries.

The bill contains a specific provision which will strengthen our leverage against the nontariff restrictions we seek to eliminate. Under section 252, the President is required to take all appropriate and feasible steps to eliminate such restrictions and, to the extent that such action is consistent with the purposes of the act, to deny application of trade agreements concessions to products of countries that maintain unwarranted nontariff restrictions against our trade, or otherwise discriminate against U.S. commerce.

This bill, therefore, strengthens our hand against both tariff and nontariff barriers.

In conclusion, Mr. Chairman and gentlemen, I view this bill as a vital tool for fostering our country's economic growth. Other areas of the world are just beginning to experience the boom in consumer demand that we have long ago reached, and that is one of the primary reasons for their lively rates of economic expansion.

I see no reason why American producers, who have already developed the techniques and skills and expertise of manufacturing and marketing these products domestically, should not play a major role in supplying the growing markets all over the world, assuming we can get other nations to reduce tariff barriers to our exports.

Our potential advantages in international competition are many. We have the benefit of long experience in enterprises that are often relatively new in foreign countries. Our businessmen have particularly refined the techniques of mass distribution that are vitally important in international trade. On many products we hold a technological lead and on many products our total costs of production and distribution are lower than anywhere else in the world—and this I want to stress.

The best sign of our competitive ability is the wide margin of exports over imports for our products. I have two charts which illustrade this point quite clearly, I think. You notice here U.S. exports exceed imports in competitive commodity groups, particularly machinery. Industrial, office, and printing machinery, $3.1 billion in exports, and $405 million for imports.

Other electrical machinery and apparatus, $630 million in exports and $111 million in imports, down to agricultural machinery where we export $144 million, and import $79 million.

This is also demonstrated in this second chart, selected commodities, as well as machinery. Here we export $1.75 billions of chemicals and related products bringing in $395 millions; steel mill products we ship out more than we bring in, in terms of value.

Paper, $257 million against $74 million. Scientific and professional instruments, $125 million as against $46 million, the last, glass and products $84 million against $80 million.

Last year our exports exceeded our imports by a substantial amount in trade with all nations. With individual countries and trading areas, the record is also strongly favorable. We exported over $3½ billion to the Common Market countries; we imported about $2¼ billion.

With Japan, which many people fear as a low-wage competitor, we earned a substantial margin in our favor in the balance of trade; $700 million out of commercial trade totaling $2¾ billion. With almost every country we had a favorable balance of trade.

We have shown we can compete and if we can reduce trade barriers by means of the Trade Expansion Act we will continue to do so. This is not only my opinion, or that of the executive branch alone. In the House of Representatives 3 weeks ago, 298 Congressmen from both sides of the aisle and from all parts of the Nation voted in favor of this bill; only 125 opposed it. The favorable vote in the Ways and Means Committee was 20 to 5.

Majority support for effective trade legislation has also been reflected in several polls of the business community including a recent questionnaire to which 7,500 business executives responded. And a sampling of over 1,100 editorials on the President's trade proposals in

newspapers across the country shows that of the 900 editorials that expressed an opinion, almost three-quarters were generally in support.

This support, I might add, is bipartisan and cuts squarely across all segments of our economy. Leading advocates of effective trade legislation, as I have mentioned, include former Presidents Eisenhower, Truman, and Hoover, Henry Ford, Walter Reuther, Henry Cabot Lodge, the AFL–CIO, the U.S. Chamber of Commerce, the American Bankers Association, the Committee for Economic Development, and leading national farm organizations.

I am convinced that the vast majority of Americans are united as never before in their belief that the President must be given the needed flexible authority in order to bargain reciprocally and effectively for the retention and expansion of U.S. markets abroad.

By expanding our exports, we can take part, with the rest of the world, in the surge of demand which lies ahead in rapidly developing areas all over the globe. We can fortify our own economic vigor, and contribute to the material progress of our free world friends. We can solidify the resistance of the whole non-Communist world to the encroachments of the Sino-Soviet bloc.

The Trade Expansion Act of 1962 can mean income for our farmers, profits for our businessmen, jobs for our workers, and credits on our balance of payments ledger. I earnestly urge your support. I thank you for your courtesy and attention.

(The charts referred to appear on pp. 56–59 of pt. 1 of the printed hearings.)

ORAL STATEMENT OF ARTHUR J. GOLDBERG, SECRETARY OF LABOR, BEFORE THE SENATE FINANCE COMMITTEE ON H.R. 11970, 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 wage earners 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 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 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, sometimes 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 complement 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 after many months 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 supplement 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 con-

firmed 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 competition 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.

ORAL STATEMENT OF THE SECRETARY OF AGRICULTURE, ORVILLE L. FREEMAN, ON H.R. 11970 (THE TRADE EXPANSION ACT OF 1962) BEFORE THE SENATE COMMITTEE ON FINANCE, WEDNESDAY, AUGUST 15, 1962

Mr. Chairman and members of the committee, I am particularly pleased to meet with you today 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 new 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 figure will be very close to the one at hand today.)

Let me list some 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 $3.6 billion. That exceeded the earlier record of $3.4 billion sold abroad for dollars in fiscal 1961.

Our five best country dollar 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 measures, 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 in 1961. Spain, which used to be a large Public Law 480 customer for our soybean oil, has become exclusively a dollar buyer. 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 number one 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. 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 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 Tariffs 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 agriculture. 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, protectionist 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. 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 already are 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 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 gain, 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 $3.4 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, our foreign markets can expand more rapidly. 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. I thank you for the opportunity to express strong support for this legislation.

Oral Statement of Hon. George W. Ball, Under Secretary of State, Before the Finance Committee, U.S. Senate, in Support of H.R. 11970, August 15, 1962

Mr. Chairman, I appear at the end of a long and comprehensive hearing in which this 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 3 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 goodwill 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, or 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 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 bwtween 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. 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 twenties—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 financed 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 type 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 avenues of persuasion to secure their removal, we are now setting procedures in motion that will enable us to take retaliatory action 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 commercial 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 three 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. At 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 beinning 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 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, 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.

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 than the maintenance and expansion of access to the European market for our agricultural products. The United States has a wonderfully efficient agriculture. 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. 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 continued 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, it is one 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 any where 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 substantively 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 exsiting 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 nations 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.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., August 14, 1962.

WRITTEN STATEMENT OF DAVID E. BELL, DIRECTOR OF THE BUREAU OF THE BUDGET, SUBMITTED TO THE COMMITTEE ON FINANCE, U.S. SENATE, ON THE TRADE EXPANSION ACT OF 1962

Mr. Chairman and members of the committee, I am happy to have this opportunity to support H.R. 11970, the Trade Expansion Act of 1962. The bill would carry out one of the most important recommendations made to the Congress by the President. Indeed, the proposal is undoubtedly one of the most important to be considered by the Congress in recent years.

Representatives of the other executive branch agencies have discussed in detail the benefits the bill will provide—how the new negotiating authority will enable us to obtain expanded foreign markets for our goods and thus stimulate the economic growth of our Nation, and how the bill can foster the strength, unity, and prosperity of the entire free world and thus help counter the drive of Communist nations for world domination. There is nothing I need add on these subjects.

Representatives of other agencies have also explained in detail the safeguards which the bill provides for domestic producers before, during, and after negotiations. These safeguards will assure that the great benefits we expect from the authority provided by the bill will be obtained at the least possible cost. It must be recognized that the bill will result in changed trading patterns; that is, in fact, its purpose. Change in the economic field is essential if our country is to progress. If, in our tradition of free enterprise, we had not been willing to try new products and processes and open up new channels of trade, we would not have achieved our tremendous economic growth. However, probably every change works to someone's disadvantage. New products replace old and somebody's new customer is somebody else's lost customer. When change is the result of the workings of the private sector of the economy, we usually expect people to adjust to it themselves, with such help as may be available under such general Government programs as unemployment compensation and aid to small business. When the Government takes some action to change international trading patterns for the benefit of all, the Congress has provided that the Government, as a matter of policy, should be willing to help those who cannot themselves adjust to the change. At present this help is provided through import restrictions imposed under the escape clause. We are convinced that the assistance provided in this bill will be more selective and in the long run, more effective. If, despite all prenegotiation safeguards and the spreading of tariff reductions over several years, an entire industry is injured by increased imports resulting from tariff concessions, provision is made in the bill for an increase in the tariff rate to give it more time to

adjust. However, it is expected that in the majority of cases where industries, firms, or workers are hurt by increased import competition and cannot by themselves adjust, the other adjustment assistance provided by the bill would be more appropriate and of greater long-range benefit. This assistance is specifically tailored to help them marshal their own resources so they can continue to make a positive contribution to our national economy.

Since other agencies have explained the details and the justification of the adjustment assistance program, I would like to discuss principally its cost and administration. These two aspects are really inseparable—and I would like to emphasize this—for the administrative arrangements have been designed to assure that the cost will be kept to a minimum. A brief description of these arrangements will show what I mean.

Let's consider assistance to workers first. If it has been determined that a group of workers have been adversely affected by increased imports, the individual workers can apply directly to one of the existing 1,800 State employment security offices. As is the case with the unemployment insurance program, these offices will pay the readjustment and relocation allowances, using State employees and generally applying State unemployment compensation law to determine when a person is considered available for work and under what circumstances a person is disqualified from receiving benefits. If retraining is found necessary, that will be provided through the training program already authorized by the Manpower Development and Training Act. Thus, no new organization will be necessary to administer the worker assistance program.

For firms, a different procedure would be followed. If a firm has been found hurt by imports, it can submit a proposal for adjustment to the Secretary of Commerce. This proposal is, in effect, the company's self-help plan for the future, showing how it intends to use its own resources and what help is needed from the Government.

The Secretary will transmit an approved adjustment proposal to the agency or agencies which would be most appropriate to provide the technical and financial assistance which the firm needs from the Government as outlined in the proposal. A farmer might be referred to the Department of Agriculture, and miners and fishermen to the Department of the Interior. Many others would be referred to the Small Business Administration and some perhaps to the Area Redevelopment Administration within the Department of Commerce. If tax assistance is part of the approved adjustment proposal, it will, of course, be referred to the Department of the Treasury. Agencies to which a plan has been referred will examine the relevant parts and determine what assistance the agency can furnish under its existing authority and funds. Such assistance would then be made available through already existing facilities.

Only in those relatively few cases where an agency is not prepared to furnish the required assistance will the proposal be referred back to the Secretary of Commerce. The loan and technical assistance authority provided by the act will then be used. Even for such cases, however, I would like to emphasize that the Secretary of Commerce will not have to establish any substantial new facilities to provide such assistance. While still retaining his responsibility for the program as a whole, the Secretary of Commerce will make maximum use

of the personnel, skills, and facilities which already exist in the various Government agencies and which can contribute to the adjustment program. Thus, most loans and loan guarantees to firms will be made, using funds appropriated to the Department of Commerce, through the Small Business Administration, which has the appropriate staff, experience, and field offices. Loans and loan guarantees in the field of agriculture could be made by the Department of Agriculture; loans and guarantees to fisheries could be made by the Department of the Interior.

Technical assistance to firms will be given by those agencies which have relevant authority, staffs and experience, such as the Departments of the Interior, Agriculture, and Commerce itself and the Small Business Administration. The goal is to keep at a minimum the addition of new organizations or staff to carry out the adjustment assistance program. This is an area of great concern to the Budget Bureau and one which will be closely scrutinized as the program goes into effect.

We are confident that this extensive reliance on existing programs and organizations will keep the cost of the adjustment assistance program to a minimum. At the same time, a unity of administration will be achieved by the assignment of central responsibilities to the Department of Commerce.

Our estimates of expenditure for the adjustment assistance programs necessarily are tentative, depending upon many variables. If there is rapid economic growth in the United States and strong demand for labor and goods, the adjustment problems will be minimal, and expenditures for adjustment assistance low. The reaction of industry to increased imports will also determine how much the Government has to spend. In arriving at our estimates, we have drawn upon the trade adjustment experience of the European Common Market and our own experience over the past 15 years in escape clause proceedings. Each of these sources confirms a judgment that trade adjustment will principally take place through the normal efforts of industry to meet competition from whatever source, and that special assistance will be necessary only in a limited number of special circumstances.

An important aspect of the estimates is the timing of trade agreement negotiations. The Trade Expansion Act makes firms and workers eligible for assistance if they are experiencing injury as a result of a tariff reduction or continuance negotiated in the past. Thus, a small number of firms and workers who have not managed successful adjustments to past tariff actions may be expected to apply for adjustment assistance immediately. It is unlikely that negotiation of an agreement could be completed under the new authority provided in the Trade Expansion Act before the last half of 1964, and tariff reductions under the agreement must be phased over several years. Therefore, the principal need for adjustment assistance as a result of reduced trade barriers with the Common Market and other nations is not anticipated before 1966 and 1967.

The number of firms requiring adjustment assistance, even in this future period, is not expected to be large. Some will be able to secure such assistance as may be necessary to meet adjustment problems, without using the procedure set up in the Trade Expansion Act, by dealing directly with the Small Business Administration, the Area Redevelopment Administration, the Farmers Home Adminis-

tration, or other agencies. Others will have their adjustment proposals referred by the Secretary of Commerce to other agencies and receive loans or other assistance, as a result of this referral, from another agency under its regular authority and appropriation. Only a few will require assistance under the authority provided in the bill.

For planning purposes, we are estimating that assistance to those firms which apply under this act will total from $5 to $10 million in the first year and will not exceed $120 million in total for the first 5 years. However, much of this assistance will not be given under the new authority provided in the Trade Expansion Act, but will be provided by the various agencies under their existing authority when firms are referred to them by the Secretary of Commerce. Therefore, total appropriations under this act will be much less than the figures for total assistance to firms which I have given you.

We also do not believe the number of workers receiving adjustment assistance will be large. Many of those who do lose jobs because of increased imports will be successful in finding new employment almost immediately. Our existing programs to help unemployed workers will absorb much of the cost of helping the readjustment of those who do not immediately find work. In our budget planning, we have estimated that the added expenditures resulting from the adjustment assistance to workers provided in this bill will be from $2 to $3 million in the first year and under $45 million in total for the first 5 years.

In closing, I would like to point out that we regard these Government expenditures for adjustment assistance as a highly efficient technique for minimizing the costs to the economy as a whole of adjusting to new patterns in our foreign trade. And when compared to the advantages which will flow to our Nation as a whole from the increased trade which reduced tariffs will make possible, they can be considered small indeed.

THE SECRETARY OF DEFENSE,
Washington, July 18, 1962.

HON. HARRY FLOOD BYRD,
Chairman, Committee on Finance,
U.S. Senate.

DEAR MR. CHAIRMAN: Reference is made to your request for the views of the Department of Defense with respect to H.R. 11970, the proposed Trade Expansion Act of 1962.

The Department of Defense strongly supports this measure primarily because it would strengthen our own defenses by improving our world trade position. I regard this effect of the act as at least as important as its consequences for the economy of our European allies, enabling them to take a larger share of the burden of free world defense programs.

For some time I have been deeply concerned about the effect of our balance-of-payments deficit on our ability to maintain oversea troop deployments. As you know, we have, at the President's instance, just announced a goal of reducing the balance-of-payments impact of defense expenditures by $1 billion in the current fiscal year. The Trade Expansion Act should go far toward improving our balance of trade in order to offset the remaining balance-of-payments deficit from our defense activities.

We have been advised by the Bureau of the Budget that there is no objection to the submission of this report to the committee and that enactment of H.R. 11970 would be in accord with the program of the President.

Sincerely,

ROBERT S. MCNAMARA.

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., August 1, 1962.

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

DEAR SENATOR BYRD: Your committee is holding hearings on the administration's Trade Expansion Act of 1962, bill H.R. 11970. We do not plan to send witnesses to testify on the bill, but we are enclosing a statement which reflects the views of the Department.

We appreciate the opportunity to submit recommendations on the bill and request that the statement be included in the record.

Sincerely yours,

STEWART L. UDALL,
Secretary of the Interior.

STATEMENT OF STEWART L. UDALL, SECRETARY OF THE INTERIOR, WITH RESPECT TO H.R. 11970

Six months ago President Kennedy presented his new foreign trade program to the Congress.

Since then we have witnesses a historic debate.

Few issues have been more thoroughly explored than the Trade Expansion Act of 1962. The act, as embraced in H.R. 11970, is the product of bipartisan effort. The vote in the House of Representatives clearly shows that the overwhelming majority of Americans favor this bold, clear-cut action for expanding and profitable world trade.

It seems to me, therefore, that but a few brief comments directed to my Department's interests can best advance the work of this committee.

Our Nation is richly endowed with natural resources. But we are far from self-sufficient in this category. In the past 30 years our country consumed more of such raw materials than were used by all the peoples of the world in all of previous history. Twice in those 30 years we doubled the rate of our mineral production. The bill now before you orients us to an international trade arrangement which will continue the overall growth of our economy and thereby provide a climate conducive to continued growth of our mineral production. It would do this while insuring to domestic industries the full spectrum of raw materials essential for the manufacture of products that can be sold competitively throughout the world.

For those who are concerned about our petroleum resources, I would point out that section 232 of the bill before you carries over intact the substance of the national security provision of existing legislation. Significant progress is being made in the administration's study of the petroleum situation. When the results of that study be-

come available, it will be imperative that the avenues for appropriate Presidential action not be unduly restricted. I am convinced that the desired degree of protection is to be found in the national security provision now embraced in the bill.

Enactment of this legislation could have no more than a minor influence on the competitive situation faced by the domestic mining industries since mineral tariffs are already at low levels.

Our Nation is a major exporter, as well as an importer, of raw materials. Ten percent of the 1960 output of American mines, quarries, and oil wells was exported. These direct exports, plus our indirect mineral exports—the consumption of fossil fuels in the manufacturing and transport of export items, and consumption of minerals in the export goods themselves—in 1960 amounted to nearly $2 billion of mine value and 90,000 jobs at the mine.

It is clear that the well-being of American extractive industries depends upon the vigor of our Nation's total economy. The bill will greatly enhance this national economic vigor. Directly, through expanded exports, and indirectly, through expanded industrial activity in general, this bill will lead to a beneficial increased consumption of the mineral commodities of the United States.

Duties on fish and fishery products have also undergone substantial reduction under the reciprocal trade agreements programs. In at least three important areas there has never been a duty on imports. Congress itself provided in the Tariff Act of 1930 for duty-free entry of imports of shrimp and of fresh and frozen tuna. In 1961 such imports of shrimp and tuna amounted to almost a third by value of our total imports of edible fishery products.

I am under no illusion that this bill will directly result in prosperity for all segments of all domestic industries. Indeed some of our domestic industries have already been adversely affected by imports. The procedures we have been following under existing tariff legislation have been useful but not adequate.

The proposed Trade Expansion Act comes to grips with these problems. It embarks us upon a general sharing of the burden of firms, farmers, and workers who suffer damage from increased foreign import competition brought about by tariff reductions negotiated in the national interest. It authorizes assistance to even one company operating a mine or a fishing vessel suffering from import competition. Where the injury is widespread, many resources of the Government can be called upon, including the temporary use of increased import restrictions.

I unequivocally support the Trade Expansion Act of 1962. It represents the new American trade initiative vitally needed in this swiftly changing world. The four separate forms of tariff negotiating authority sought in the bill will cope with the problems we face in world trade. Ample safeguards for the American economy are retained.

If we are to maintain our growth and leadership at home and abroad, we must embark on this new and improved course toward expanding and increasingly profitable world trade with all possible dispatch.

THE SECRETARY OF THE TREASURY,
Washington, August 15, 1962.

HON. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Thank you for your letter of July 2, 1962, requesting a report on H.R. 11970, the Trade Expansion Act of 1962. The Treasury Department strongly favors this proposed legislation and urges its enactment.

I believe it to be vital for the President to have the authority which would be granted by this legislation. It would permit us to adjust our trade policies so as to give maximum support to the political, military, and economic aims of the United States. Expansion of our trade is so important to our balance of payments and also in meeting the need for more rapid economic growth.

I enclose a memorandum which more fully sets forth the reasons for our support of H.R. 11970. I urge prompt and favorable consideration of the proposed legislation.

Sincerely yours,

DOUGLAS DILLON.

MEMORANDUM FOR SENATE FINANCE COMMITTEE ON PROPOSED TRADE EXPANSION ACT OF 1962 (H.R. 11970) BY THE TREASURY DEPARTMENT

The Treasury Department recommends approval of H.R. 11970, the Trade Expansion Act of 1962. It would provide authority which would enable the President to adjust our trade policies so that they can give maximum support to the political, military, and economic aims of the United States. It would contribute greatly to the accomplishment of our national financial objectives, especially to the solution of our balance-of-payments problem.

Although the United States has a large surplus of exports of goods and services over imports, that surplus is not large enough to meet our other payments. The commercial export surplus of goods and services (excluding exports financed with U.S. aid) was at an annual rate of $4.6 billion in the first quarter of 1962 and was $5.1 billion in 1961 and $4.4 billion in 1960. Commercial surpluses of this magnitude, however, have not been large enough to finance all of the foreign undertakings, public and private, of the United States. The largest items for which provision had to be made in 1961 were: almost $3 billion to support U.S. military forces abroad, $2.5 billion for private long-term foreign investment, and $1.3 billion of economic aid, not provided in the form of U.S. goods and services.

It has proved possible, however, by vigorous attention to the problem, to arrange substantial offsetting transactions. Military cash receipts amounted to $400 million in 1961 and to more than $200 million in the first quarter of 1962. Intensive administration efforts are expected to result in further substantial reductions in net dollar outlay for military expenditures abroad and economic assistance. Almost $700 million was received in the form of special debt prepayments to the United States in 1961 and substantial further prepayments are being received in 1962. The basic deficit of the United States, which includes all international transactions except the un-

recorded items and movements of U.S. private short-term capital, was approximately $400 million in 1961 as compared with $1.9 billion in 1960.

Unrecorded transactions, and various types of short-term capital movements, involved additional outflows of $2 billion in 1961. The overall deficit in the U.S. balance of payments was a little less than $2.5 billion, compared with $3.9 billion in 1960. Unrecorded and short-term capital transactions appear to have been more favorable during the first half of 1962. Looking at the data now available, the overall deficit in the first half seems to have been at an annual rate somewhere between $1 and $1.5 billion.

As the domestic economy grows, American demand for imports will become greater. Despite our best efforts, outlays abroad for the national defense, aid and investment will continue to be large. If these payments are to be met, the United States must export more. The necessary expansion of exports can occur only if, through negotiations, the doors to major foreign markets—and especially the new and expanding Common Market of Western Europe—are opened wider for U.S. products.

The six countries which formed the European Economic Community have now established their common external tariff, and are expected to bring it into full effect when their "transitional period" is over, at the latest by the end of 1969. Also, they are rapidly reducing the tariffs which apply to their trade with one another and are committed to eliminate them altogether by the end of 1969. Their common agricultural policy, and the terms of continued association with newly independent countries which were formerly European colonies, are rapidly taking shape. The United Kingdom is expected to join the European Economic Community, and others may well follow. The resulting expanded Common Market will constitute a giant new economic unit within the free world. If U.S. exports are to be expanded to the necessary extent, liberal access to the Common Market is absolutely essential.

Efforts to achieve balance in the international payments of the United States must not be viewed as a battle in which we can win a decisive victory and then relax. This is a campaign which must be waged successfully year after year. To insure favorable conditions for that continuing campaign, we must show, by determined action now, the direction American trade policy is going to take. Then foreign governments will know that the United States is resolved to obtain liberalized access to foreign markets for its products and is prepared to bargain realistically for such access. Moreover, investors can then begin without delay to base their forward planning on the premise that it will be economically feasible to supply European markets with products from American factories and farms.

Trade negotiating authority like that which has recently expired would be completely inadequate for the solution of the problems we face, for several reasons. First, if our negotiating authority continues to be subject to unduly narrow and unrealistic procedures for item-by-item determination of possible injury, the basic intention to create authority for broad negotiations covering a wide range of commodities would be frustrated. The Common Market countries, which have found across-the-board techniques the only practicable method for their own tariff negotiations, cannot be expected to take much interest

in further item-by-item bargaining on narrowly selective lists of commodities.

Second, if American products are to be competitive with European products, all of which are to gain the right to move, free of duty, across European borders, substantial tariff action is needed. If reductions cannot exceed the 20-percent authority under which negotiations have taken place in the past, at best only marginal changes in our trading prospects could be achieved.

Third, tariff reduction by broad categories offers the best way of assuring reciprocity—of obtaining from the Common Market full value in tariff cuts for U.S. reductions.

If broad and substantial mutual tariff reductions by the Common Market and the United States are effected and if American producers, through appropriate tax and other measures, are put on a comparable footing with their European competitors, the resulting expansion of two-way trade can be expected to increase significantly the commercial trade surplus of the United States—with corresponding benefit to the balance-of-payments position.

Commercial merchandise exports of the United States have been $17.7 billion, and imports have averaged about $14.6 billion in each of the last 2 years, giving an annual merchandise trade surplus of about $3 billion for these years.

Exports in 1961 to the Common Market were about $3.5 billion and imports $2.2 billion, giving a surplus of $1.3 billion. A major part of the surplus resulted from the movement of agricultural goods, which Europe does not export in significant amounts. Even for nonagricultural goods, however, our exports in 1961 to the Common Market countries were valued at $2.4 billion, and our imports at $2 billion, giving us a surplus of $400 million.

The trade surplus gives the United States a favorable basis for improvement of its balance of payments through reciprocal reduction of tariffs. The scope for improvement is greatest in trade with European countries, which have surpluses, arising from transactions other than trade, which they could use readily to finance larger U.S. merchandise trade surpluses.

If tariffs on our exports and imports are reduced to a comparable extent, the natural assumption would be that exports and imports would rise by the same percentage. As a result, the American trade surplus would become larger.

Conditions now evident, and likely to persist for a number of years, make it more likely, however, that American exports to Western Europe would rise by a greater percentage than the exports of Western European countries to the United States. European labor resources and productive capacity are being strained to support present rates of production. The rapid rise of real incomes and the high rate of capital formation prevailing in the European economy may be expected to exert strong pressure toward absorption of increases in output in domestic markets. In addition, European demand may be particularly strong and persistent for products which the United States already has the plant capacity and the labor force to supply in quantity. This is particularly true of (1) machinery associated with the advanced laborsaving methods already well established in the United States, (2) equipment resulting from our intensive research and development programs, and (3) consumer goods which have not been

available in Europe, but are coming into use as incomes of ever larger groups rise toward the American level.

The trade expansion bill is also important in meeting the need for more rapid economic growth. Our principal domestic economic problem is how to stimulate increasing production and jobs. A million and a half new jobs must be created every year during the present decade to provide for the expected increase in our labor force. In addition, more than a million jobs are needed if unemployment is to be reduced from its present unacceptable level of more than 5½ percent, to a more tolerable level of 4 percent. Finally, there must be employment opportunities for the millions of workers whose present jobs will be affected by advancing technology in the years ahead.

The proposed trade program is designed to be a key portion of our whole effort to meet the need, both for more employment, and for better employment of all our resources. With new trade legislation we may look forward to substantial increases in a wide range of American exports. These will be in lines of production in which we have now, or in which we can achieve, our greatest competitive strength. These will be branches of industry and of agriculture in which our advanced technology and high skills find their greatest role.

Increases of imports, as well as of exports, will result from the reciprocal reduction of tariffs. In a resilient, expanding economy there will be a minimum of damage from those increased imports. The reduction in tariffs and any resulting increase in imports will be gradual over a period of years. Most of the adjustment to import competition will take place, unnoticed, as part of the dynamic readjustment of our economy which goes on constantly. If the American labor and capital which may have been gradually displaced by imports could be identified, they would not be found idle, but rather, busily engaged in new enterprises, using new methods, furnishing new services, or producing new products, many of them for export markets.

The Treasury Department has particular responsibility for several phases of the administration's general program to stimulate faster application of technical achievements, and to strengthen emphasis upon facing the challenges, and winning the rewards, of more rapid economic growth. While helping to achieve the goals we have set for our domestic economy, these measures will strengthen our ability to meet international competition.

One measure, designed by the Treasury Department to encourage business generally, and to assist it in modernization of machinery and equipment, is the investment credit proposal which the Finance Committee has considered. A second measure is the Treasury Department's recent publication of new guidelines for depreciation in all industries. Substantial reductions in the suggested useful lives of equipment were made, effective immediately.

Revision of depreciation schedules and the investment credit can powerfully assist American manufacturers to modernize and to sell at competitive prices at home and abroad. These tax reforms should be especially valuable to U.S. producers who are, for competitive reasons, forced to speed their replacement of existing equipment with more efficient machinery.

A third tax measure is now proposed. It appears as section 317 of the trade expansion bill. Firms found to be eligible for adjustment assistance as a consequence of increased imports could be given tax

relief in the form of a 5-year carryback of net operating losses, as contrasted with the usual 3-year carryback. The additional carryback provided by the adjustment assistance provisions of the bill would permit a firm suffering a net operating loss resulting from import competition to receive a refund of taxes paid in previous years. The firm, in accordance with its readjustment plan, would be able to use such tax refunds to finance new investments designed to restore profitable operation.

The impact of imports will be gradual enough to allow almost all of the readjustment to be accomplished through normal retirements of workers, through normal writeoffs and abandonment of obsolete production equipment, and the like, just as is the case in response to domestic competition. The adjustment assistance provisions, plus the escape clause, which will be retained, are intended to take care of the cases of hardship that are likely to arise.

The annual expenditure for adjustment assistance to firms would, of course, be very limited in the period before new tariff reductions have been made. Outlays are not expected to exceed $25 million, however, even in the fifth year, by which time the program will be in full operation. As the program is continued over a period of years, any outlays for loans to firms would be offset to an increasing extent by repayments on prior loans. The additional expenditures arising from benefits to workers under the bill are not expected to exceed $20 million annual after 5 years.

If the United States does not press for wider trading opportunities, what developments should be expected? Perhaps our principal trading partners would not, in general, resort to increased tariffs against us, or any other deliberate action to curtail our trade opportunities. But, if internal tariffs in the Common Market disappear, and if we have not been able to bargain down the outside tariff wall of the Common Market, it may well prove impossible for the United States to avoid serious shrinkage of our trade surpluses from levels which are already proving inadequate.

H.R. 11970 has been carefully developed to meet the need for more far-reaching trade negotiations, consistent with our goals for the economy of the United States. The trade adjustment program for which this legislation would provide appears financially sound, and can be expected to furnish, at reasonable cost, justified assistance to firms and their employees encountering unusual difficulty in adjusting to changes in tariff rates. Trade legislation of this scope is essential for the achievement and maintenance of a reliable balance between the foreign payments and receipts of the United States in the years ahead.

WRITTEN STATEMENT OF JOHN E. HORNE, ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION, TO COMMITTEE ON FINANCE, U.S. SENATE, ON H.R. 11970

I am pleased to have this opportunity to urge the adoption of H.R. 11970, the Trade Expansion Act of 1962.

The aim of the small business concern, like that of firms of all sizes, is for an economic climate conducive to prosperity and growth, an opportunity to sell in as large a market as possible on terms no less favorable than those available to competitors. A national trade

policy which achieves such a goal will serve the needs of small as well as large businesses.

SMALL BUSINESS AND EXPORT TRADE

Our foreign trade is an important aspect of the prosperity we enjoy within our own borders. A substantial number of small firms share in the jobs and income deriving directly or indirectly from this trade.

In 1961, exports alone amounted to over $20 billion. An estimated 3.1 million jobs are attributable to this export business.

It is characteristic of our economy that domestic small business owners, whose fortunes are inseparable from those of the whole economy, share in our general prosperity. Small business infuses and contributes to every part of the domestic economy. As various world events affect our national economy, those effects are transmitted to small firms as well as to large. It might be said that, as the whole economy goes, so goes small business.

To achieve the growth necessary to support our future population at living standards at least equal to those of the present, it seems incontrovertible that each sector of the economy must expand. And, since international trade forms one of the significant outlets for the sale of American production, the proportionate scale of that contribution must expand. The Trade Expansion Act provides the kind of economic engineering which is basic to our future growth.

If we elect to stay behind tariff walls which will call forth similar restrictions abroad barring our exports, we may well be erecting barriers to economic growth at home. To meet increases in population and, therefore, in jobs and business opportunities, we must progress to new levels of economic activity. If we do not, we shall see the results in unemployment and business failures.

If the rate of growth in the gross national product (GNP) in the next decade is small, the opportunities for finding employment or entering business will be curtailed. If, on the other hand, the rate of growth is adequate, small business will prosper. In my judgment, H.R. 11970 is a means of fostering this essential growth.

The dynamics of our GNP is a basic consideration in terms of which we must judge everything we do about the economy. Our economic growth in the 1950's averaged 2.4 percent, which was not enough to induce optimum utilization of our resources—human, financial, and material. The rate of increase in the next 10 years should exceed 3 percent per year if we are to absorb most of our growing labor force, if we are to provide sufficient opportunities for those in business and those seeking to enter business. If we are to provide full employment, our growth should be at least 4 percent per year in GNP. And, as the President noted in his Economic Report:

> Increasing our growth rate to 4½ percent per year lies within the range of our capabilities during the 1960's.

If we are to attain this growth rate, it is important that exports continue to contribute at least their present proportion of the total demand for goods and services which makes possible any given level of production. Export sales by 1975, for example, must progress from the present level of $20 billion to the level of $30 billion. Assuming no basic departure in the form of our economy, it is difficult to see any

other structural changes between now and then which could provide $30 billion of demand for domestically produced goods.

To achieve the desired growth we need a trade policy commensurate to the economic dimensions of the 1960's and 1970's. It is in terms of this growth potential, and in terms of the tools needed to fulfill that potential, that the proposed Trade Expansion Act holds so much hope.

The committee has received testimony from those who have daily contact with the development of the European Common Market, with the challenge which that development holds out for us; the growing economic power of the Soviet bloc; and the flow of American investment capital into the countries of the European Economic Community.

I should simply like to point out one aspect of these matters which has a critical impact upon small business. A flow of capital to Europe creates far more jobs and business opportunities in Europe than here. The new inner market has the potential of a powerful economic magnet. It will attract both American dollars and products. If we are to create jobs and business opportunities at home, then we must arrange for our products to gain access abroad; otherwise, only our dollars will. Small firms are suppliers of components and services to large firms. If those large firms locate abroad, it is clear that there results a deterioration in the opportunities and prospects for small business at home.

These matters are peculiarly pertinent to small business and to the work of the Small Business Administration. The services we provide, the loans we make, are to aid small firms to compete more effectively. But there is an obvious limit to what we can do; or what any Federal agency can do; or, indeed, what the small business community itself can do, if there are barriers beyond which all efforts will be unavailing. High foreign tariffs and other restrictions, resulting in the limitation of market opportunities, constitute such barriers. Under such circumstances, the most that any small businessman can do, with or without Federal assistance, is to attempt to increase his share of a market the size of which is finite. In speaking of foreign trade opportunities, therefore, we are talking about the size of the apparatus of competition itself.

From the point of view of the Small Business Administration, a national inability to exploit foreign trade opportunities may well be reflected in our own inability to assist existing small businesses to produce and sell at levels of full capacity or to expand to higher levels of capacity. Similarly, we will be severely hampered in our efforts to assist the man who wishes to go into business, because he will be trying to enter a room which will become increasingly crowded and from which there is no exit save that of business failure.

SBA is endeavoring to keep abreast of foreign trade developments. Within the framework of our existing national trade policy, the Small Business Administration has developed a working arrangement with the Department of Commerce in order to maximize the efforts of both agencies in foreign trade. We have established the nucleus of a Foreign Trade Division, and have also undertaken research on small business opportunities in foreign trade. The objective is to stimulate interest in export trade; to develop means for teaching small businessmen the intricacies of that trade; and to develop information sources

and channels which will make it easier for them not only to find export markets but also to facilitate their entry into such markets.

But we at the Small Business Administration are keenly aware that if foreign tariff walls are erected, or if there is a marked disparity between the conditions imposed upon those who produce within and without those walls, then there is little that we can do to help the small businessman. A large firm possessed of great resources and large production may penetrate foreign tariff barriers, even in some cases at a loss. Generally, a small firm cannot do so, or finds it extremely difficult at best. He can compete only when he can sell a quality product at competitive prices directly to foreign markets and the availability of those markets depends upon our trade policies. This simple fact is at the heart of the small business community's interest in the Trade Expansion Act of 1962.

SMALL BUSINESS AND IMPORT COMPETITION

Traditionally, the fear of adverse effects arising from increased imports has been the ostensible motivation of those who have opposed a liberal trade policy. I am aware of the arguments that small business is being offered up as a sacrifice to free trade; that small business is notoriously inefficient and will therefore be destroyed by foreign competition; that the small businessman is set in his ways and will be unable to adapt himself to a changing trade pattern; that any form of adjustment assistance to affected firms constitutes a Federal subsidy.

These arguments, of course, should be carefully evaluated. I believe, though, that they have been exaggerated.

These contentions are neither fresh nor novel. They recall fears expressed as to the decline of American industry at the time of the adoption in 1934 of the Trade Agreements Act advocated by the late Secretary of State, Cordell Hull.

The intervening years have shown that the fears voiced at the time were groundless. A leading national magazine in 1933 reported that $5 billion would be lost and over 270,000 workers discharged if the Trade Agreements Act were adopted. Early this year, the same magazine endorsed the legislation now being considered.

The dire consequences envisioned in 1933 have simply not materialized. The value of GNP in current dollars has expanded tenfold; even in terms of constant dollars it has more than tripled. At the same time the per capital value of GNP in constant dollars has increased by more than 100 percent. In 1935, we exported $2.4 billion of merchandise and imported the same amount; in 1961 we exported $20 billion, exclusive of military, and imported $15 billion. Here, certainly, is an expression of growth in realized income employment, and business opportunity.

The gloomy predictions of today are, in my opinion, no more valid than those of a generation ago.

There are, for example, those who argue that tariff reductions made possible under this legislation will result in abrupt dislocation of American firms and workers. This cannot be so under this legislation. A number of safeguards written into the legislation insures that no action taken under its authority can be either unexpected or precipitous. Further, to avoid the sudden impact of a surge of imported

products into our economy as a result of substantial tariff reductions, the bill requires that the reductions generally will be put into effect in stages over a period of 5 years or more. This provision is designed to give firms and workers time and opportunity to adjust to the possible effects of such reductions.

The Secretary of Commerce has stated that 60 percent of our imports are noncompetitive; so we are simply talking about the remaining 40 percent. Even with respect to those imports which are competitive, this group covers a wide range of products with a correspondingly wide variation in the degree of competition we can expect.

It is very difficult to be specific about the expected impact of import competition on any single industry or on any particular firm and, therefore, on small business in general. But, even in those situations in which increased imports will require firms to make adjustments, the cause for alarm has been, in my opinion, greatly overstated. Obviously, some firms will be adversely affected. But there are those who argue that tariff reductions will render American industry, and particularly small firms, powerless to cope with problems arising from the introduction of competitive imports. Experience is generally to the contrary. With or without imports, the American economy is one of transition. Our economy has always been marked by constant changes in technology, marketing, and even managerial techniques. Its success has been, to a large degree, a reflection of its flexibility.

For example, with the advent of the automobile, there were whole series of businesses which became obsolete and were displaced. Manufacturers of harnesses, buggies, whips and other such products. In recent years the transition from aircraft to missile manufacturing has led to the disappearance of many small foundries, machine shops, and other product makers tributary to the aircraft complex. But, to compensate for these apparent losses, whole new industrial complexes have started since World War II and are making larger and larger contributions to the gross national product.

Thus, industries and businesses become obsolete, go out of existence, simply as a result of change. New products, new processes, new techniques, new technology, research, and development—all of these bring about the decline of employment in some areas and industries, and growth in others.

If H.R. 11970 is enacted, there will be products imported which may present severe competition to some American producers. At the same time other industries will receive immediate stimulation because of oversea sales, which will be reflected in expanded business opportunities and employment.

Even in the case of domestic firms having to face competition from imports, it will not be simply a case of such firms folding up under price competition from foreign products. Much depends upon the management of the firm involved. Many American firms have already learned to meet foreign competition head on, and to beat it through increased efficiency, better application of management and labor skills, and more aggressive marketing. Our system of free enterprise has become strong because it has been characterized by tough competition. Foreign competition is not a different kind of competition, it is simply more of the same.

Small Business Administration is in business to help the small firm improve its competitive capabilities. We know that small firms, possibly because of their very size, possess a resiliency and flexibility that many a large firm does not.

There is no reason to believe that foreign competition will impair the inventiveness, adaptability, ability to specialize, or the type of personal service in which small business excels. There are many handicaps the small businessman faces, but I feel confident that his ability, supplemented when necessary by Government programs at the State and Federal levels, will assure his continued role as a major factor in our economy.

SMALL BUSINESS AND ADJUSTMENT ASSISTANCE

I would like to emphasize some points about the assistance provisions which are of particular relevance to small business, and briefly advert to SBA's role under the assistance program.

It is generally assumed that small business firms will constitute the majority of those applying for adjustment assistance. Since most small firms are not multiproduct producers, it should be much easier for them to show the degree of actual or threatened loss from foreign competition necessary to meet the criteria of the bill. Hence, such firms would be able to qualify for assistance more easily. The assistance features of the bill are a very significant development, since previously the only recourse of small firms injured by import competition was to apply for relief through tariff increases. For most small firms, the time and expense involved in such a procedure rendered it of little practical value.

The Small Business Administration will play a prominent role not only in administering such programs under the bill, but from the very outset in consultation with the Department of Commerce and other agencies constituting the Adjustment Assistance Advisory Board in determining whether such assistance is feasible under the firm's proposal for its economic readjustment. SBA is well qualified to undertake many of these technical and financial assistance functions since it already renders virtually identical assistance under the authority of the Small Business Act.

Under the provisions of this act, no financial assistance can be extended unless it is shown that such financing is not available from private sources. Small businesses, which even in the best of times have more difficulty in obtaining adequate financing than their larger competitors, are less likely to be excluded by such a provision. As under our current SBA programs, bank participation in loans will be encouraged and no loan or guarantee will be made unless there is a reasonable assurance of repayment.

It is important to note that the assistance program will not be a Government subsidy or handout. Firms able to pay for or defray the cost of technical assistance will be required to do so to the extent of their financial ability. It is equally important that under the bill, assistance will be provided to firms injured by imports to the maximum extent possible through the utilization of the authority, personnel, and facilities of existing agencies. This will serve to cut down administrative costs.

If, and to the extent that, existing agencies are unable to furnish such assistance, the residual authority of the Secretary of Commerce will be utilized.

On the one hand the safeguards which are written into the legislation are carefully designed to prevent the program from degenerating into an automatic disbursement of Government funds to any firm which alleges that it has been injured. On the other hand, the program is not so hedged with qualifications and restrictions as to make any assistance illusory. While there is much to be worked out, and there will undoubtedly be many problems which must be subjected to the tests of time, I believe that the program will be what it was designed to be: an effective method of enabling firms to adjust to the changing patterns of international trade.

CONCLUSION

The purposes that would be served by the Trade Expansion Act of 1962 are in complete accord with the congressional objectives expressed in the Small Busniess Act. Both are designed to improve the conditions of competition. Section 2 of the Small Business Act states—

that the essence of the American economic system of private enterprise is free competition. Only through full and free competition can free markets, free entry into business and opportunities for the expression of growth of personal initiative and individual judgement be assured. The preservation and expansion of such competition is basic not only to the economic well-being, but to the security of this Nation.

Just as the aims of the two pieces of legislation are thoroughly consistent, so too are the benefits to be gained from an implementation of the economic assumptions which underlie both.

The American businessman—

as the President has stated—

once the authority granted by this bill is exercised, will have a unique opportunity to compete on a more equal basis in a rich and rapidly expanding market abroad * * *.

U.S. TARIFF COMMISSION,
Washington, August 10, 1962.

MEMORANDUM ON H.R. 11970, 87TH CONGRESS, 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

INTRODUCTION

H.R. 11970, as passed by the House of Representatives on June 28, 1962, is legislation for the continuance of the trade agreements program initiated in 1934 under the Trade Agreements Act of June 12, 1934. The original act limited to 3 years the authority of the President to enter into trade agreements with foreign countries for the mutual reduction of trade barriers. Further extensions of this authority for varying periods ranging from 1 to 4 years were enacted on 11 occa-

sions. The latest of these extensions of authority, under Public Law 85–686, expired at the close of June 30, 1962. H.R. 11970 would authorize the President to continue the trade agreements program for the reduction of trade barriers by countries of the free world, with special emphasis on securing the lowering of the common external tariff of the European Economic Community (Common Market). The authority of the President to enter into trade agreements under the new legislation would expire at the close of June 30, 1967.

Existing trade agreements legislation consists essentially of two statutes: the Trade Agreements Act of June 12, 1934, as amended, and the Trade Agreements Extension Act of 1951, as amended. The former deals with the authority of the President to enter into trade agreements and to modify U.S. import restrictions to carry out such agreements; the latter has to do primarily with the "safeguarding" provisions, viz, the "peril point" and "escape clause" provisions. H.R. 11970 combines in one act both trade-agreement-making authority and safeguarding provisions, and if enacted would largely supersede the two statutes referred to.

In the discussion of the bill which follows, emphasis will be placed on the functions and duties which the bill would impose on the Tariff Commission, which are many.

TITLE I

Section 101 states the short title of the bill as the Trade Expansion Act of 1962; section 102 sets forth the purposes of the bill.

TITLE II

Title II deals with the authority to enter into trade agreements.

CHAPTER 1

Chapter 1 provides the general authority for the President to enter into trade agreements and to proclaim the modification of U.S. import restrictions (including the elimination of duties where authorized) required or appropriate to carry out such agreements. The authority to enter into trade agreements is to run until July 1, 1967.

The general limitation on changes in U.S. import duties forbids the reduction of any rate of duty to a rate below 50 percent of the rate existing on July 1, 1962 (which by definition later in the bill includes rates of duty which the United States was committed on that date to bring into effect under existing trade agreements), and the increase of any rate of duty to a rate more than 50 percent above the rate existing on July 1, 1934. An exception to the general authority for decreasing rates of duty which is contained in chapter 1 is that the 50-percent limitation will not be applicable to articles for which the rate of duty existing on July 1, 1962, was not in excess of 5 percent ad valorem (or ad valorem equivalent); other exceptions to the 50-percent limitation on the rate-decreasing authority are contained elsewhere in the bill and will be referred to later in this memorandum. These exceptions are the first grant of authority to the President in connection with the trade agreements program to eliminate duties entirely.

CHAPTER 2

Chapter 2 of title II sets forth special provisions concerning trade agreements with the European Economic Community (EEC). Section 211 exempts from the 50-percent limitation on duty reductions articles in any category with respect to which the President determines that in a representative period the United States and all the countries of the EEC together accounted for 80 percent or more of the average aggregated (free) world export value of all the articles in such category.

The President is to select a system of comprehensive classification of articles by category as soon as practicable after the date of enactment of the legislation, and the Tariff Commission is required to determine the articles falling within each category of such system and make its determinations public. Once the Tariff Commission has made its determinations, no change therein may be made except by the Tariff Commission and then only for the purpose of correction. No changes of any kind may be made after the date on which any list of articles is furnished by the President to the Tariff Commission under section 221 (the modified "peril point" provision) which includes any article for which negotiation is contemplated under the special authority contained in section 211.

The function given the Tariff Commission to determine the articles falling within each category of the system of comprehensive classification of articles by category which the President selects will involve a great amount of work and it would have to be accomplished speedily. The Commission assumes that the system which the President will select will be the "Standard International Trade Classification" (SITC), which is a publication of the United Nations. The term "categories" as used in relation to the SITC is understood to refer to the three-digit groups set forth in that document. This is the interpretation the Commission will give to the term "categories" as used in section 211 if the SITC should be a system of classification selected by the President. The current issue of the SITC contains 177 such categories.

Under the recently enacted Tariff Classification Act of 1962 (Public Law 87–456), the revised U.S. tariff schedules (to be known as the tariff schedules of the United States),[1] are to come into effect. This legislation would lighten the burden of the task assigned to the Commission by section 211 of the trade bill. The tariff schedules of the United States will probably become effective on or about January 1, 1963; and the Commission, in carrying out the task of identifying the articles within the categories of the SITC will do so in terms of the classifications provided for in the new revised U.S. tariff schedules.

The bill does not require hearings in connection with the Commission's determination of the articles falling within the categories of the comprehensive classification system to be selected by the President; the Commission believes that such hearings should not be required. The work would involve essentially the application of technical expertise and some arbitrary determinations necessitated by the lack of complete compatibility between the revised tariff schedules and the SITC. Moreover, because expedition would be required in performing this task, hearings would inevitably delay the completion thereof without serving any substantially useful purpose.

[1] These were prepared by the Tariff Commission pursuant to title I of the Customs Simplification Act of 1954, as amended.

Section 211(c) lays down the guidelines for a Presidential determination of aggregated world export value with respect to a category of articles. This determination is to be made (1) on the basis of a representative period in the most recent 5-year period for which statistics are available, (2) on the basis of the dollar value of exports as shown by trade statistics used by the Department of Commerce, and (3) by excluding exports from any country of the EEC to another EEC country and exports to or from Communist-controlled countries. Before the President makes a determination with respect to any category, the Tariff Commission is to make findings with regard to the representative period, the aggregated (free) world export value, and the share of the aggregated world export value of the articles in the category accounted for collectively by the United States and the EEC countries, and to furnish the President with such findings. This task would be costly to perform, but the Tariff Commission does not anticipate any problem that would pose insuperable technical difficulties in carrying out this function.

Section 212 provides another exception to the 50-percent limitation on the rate-decreasing authority with respect to agricultural commodities involved in a trade agreement that includes the EEC. The exception is to apply only if the President determines that the agreement will tend to assure the maintenance or expansion of U.S. exports of the like article. The commodities which are covered by this section are limited to those referred to in Agriculture Handbook No. 143 of the U.S. Department of Agriculture. Although the Tariff Commission is given no functions in connection with this section, attention is called to the fact that many dutiable articles provided for in Agriculture Handbook No. 143 are not produced in the United States. For such articles it would not be possible for the agreement to assure the maintenance or expansion of exports.

Section 213 provides for still another exception to the 50-percent limitation on the rate-reducing authority and applies to tropical agricultural and forestry commodities. Before utilizing this authority with respect to any such commodity, the President must determine that the like article is not produced in significant quantities in the United States and that the EEC has made a commitment with respect to its import restrictions which is likely to assure access for the article to the markets of the EEC comparable to the access which the article will have to U.S. markets. In addition, the President must determine that the EEC will afford such access substantially without differential treatment among free world countries.

The term "tropical agricultural or forestry commodity" is defined in the bill as an agricultural or forestry commodity more than one-half of the world production of which is determined to be in the area lying between latitude 20° N. and latitude 20° S. The Tariff Commission is required to make findings as to whether an article is a tropical agricultural or forestry commodity and whether it is produced in significant quantities in the United States, and to advise the President of its findings.

The Commission questions the feasibility of obtaining the statistical data necessary to determine whether more than half of the world production of the articles provided for in section 213 occurs in the area between latitude 20° N. and latitude 20° S. Data on production of individual commodities in many tropical countries are either

exceedingly sparse or nonexistent. A possible approach, however, might be to use the combined imports into both the United States and the EEC as a basis for such selection; that is, section 213(b) might specify that tropical agricultural and forestry commodities are those for which countries, more than half of whose areas lie between latitude 20° N. and latitude 20° S., supply more than half of the combined U.S. and EEC imports of the article. Statistics on that basis are available. Such a change would not materially alter the composition of the articles that would be covered under section 213; it would, however, contribute substantially to the Commission's effectiveness in making findings under that section.

CHAPTER 3

Chapter 3 of title II deals generally with prenegotiation procedures.

Section 221 represents a continuation, in modified form, of the existing peril-point procedure provided for in sections 3 and 4 of the Trade Agreements Extension Act of 1951, as amended. In connection with any proposed trade agreement, the President would be obliged to publish and transmit to the Commission a list of articles which may be considered for the granting of concessions in the proposed trade agreements. Where it is intended to consider a reduction in duty of more than 50 percent, the list must identify the particular section in the act under which the rate-reducing (or eliminating) authority might be used. Within 6 months after the receipt of such a list the Commission must advise the President with respect to each article of its judgment as to the probable economic effect of modifications of duties or other import restrictions on domestic industries producing like or directly competitive articles. In connection with carrying out its function under this section, the Commission must hold public hearings and give reasonable public notice thereof.

Unlike the present peril-point provision, section 221 does not call for the fixing of particular peril-point rates by the Commission. Nevertheless, the Commission's task in carrying out its functions under section 221 would be more burdensome than it is under the existing peril-point provision. An additional burden would be imposed upon the Commission by reason of the definition of "directly competitive" in section 405(4) of the bill. (This definition will be discussed in detail later in this memorandum.) The definition would require the Commission to appraise the likely competitive impact of increased imports of each listed article. The appraisal would have to be made not only on domestic producers of the comparable articles but also on producers of related articles in an "earlier or later stage of processing" if the listed article would have an economic effect on the producers of the articles in an earlier or later stage of processing comparable to that which would result from the importation of articles in the same stage of processing as the domestic article.

The Commission will, of course, do the best it can to carry out any functions assigned to it under section 221. However, the Commission would not be able, in the time allowed, to furnish the President, in connection with any lengthy list of articles presented to it for findings under section 221, judgments based upon a full and complete economic analysis with respect to each and every article included in such a list. It might be observed that section 221 is more realistic than the peril-point provision of existing law in that it rejects the concept of "pin

pointing" when serious injury to a domestic industry would be likely to occur in the event of the granting of a concession.

Sections 222 and 223 represent a continuation of the requirements of the existing law that the President is to seek information and advice from various key agencies before entering into trade agreements, and to provide for public hearings (separate from those held by the Tariff Commission in connection with the peril-point provision) in connection with proposed trade agreements.

Section 224 precludes the President from making an offer for the modification or binding of any duty or binding of duty-free treatment until he has received the Tariff Commission's advice under section 221 with respect to the article concerned, or until 6 months after the date of the President's request for such advice. This is a continuation of the principle of the existing peril-point provision and implicitly recognizes that the Tariff Commission may not always be able to furnish the President within the 6-month period with advice regarding every article included in a list. In any case where the Commission is unable to furnish the President with advice respecting a particular article within the 6-month period, it would continue the investigation with respect to that article—unless the Commission were advised that the negotiation would have to be concluded without the peril-point finding.

Section 225 requires the President to reserve from negotiation for the granting of trade-agreement concessions any article with respect to which there is in effect at the time of negotiation any action taken under section 232 of the bill or its predecessor provision, or under section 351 of the bill or its predecessor provision. This means that the President would be required to reserve from negotiation for the granting of future trade-agreement concessions any article on which there is in effect action taken under the national security provisions of the bill or under the corresponding provisions of the existing law, or any action taken under the escape-clause provisions of the bill or of the comparable provisions of the existing law.

Section 225 provides, in addition, that during the 4-year period beginning on the date of enactment of the bill, there shall be reserved from negotiation any article which a majority of the members of the Tariff Commission voting in an escape-clause proceeding found was being imported in such increased quantities as to cause or threaten serious injury to a domestic industry even though no remedial action was taken by the President. Such reservation, however, is required only (1) if the item is included in a list referred to in section 221 (and has not been included in a prior list so furnished), (2) if the industry concerned requests (not later than 60 days after the publication of the list) that the Tariff Commission find and advise the President that the economic condition of the industry has not substantially improved since the date of the report of its finding of injury, and (3) if the Tariff Commission so finds and advises the President.

Section 225 also requires the President to reserve any article from negotiation whenever he deems it to be appropriate in the light of Tariff Commission advice under section 221 and the advice of the agencies mentioned in section 222.

Section 226 requires the President to transmit to each House of Congress a copy of each trade agreement that he enters into under the authority of the bill, together with a statement of his reasons for entering into the agreement.

CHAPTER 4

Chapter 4 deals with the treatment of products of Communist countries and with the restriction of imports that threaten to impair the national security.

Section 231 is an extension of the present provisions of section 5 of the Trade Agreements Extension Act of 1951, as amended, and directs the President to deny the benefits of trade-agreement concessions to products of any country or area dominated or controlled by communism. One important difference between the provisions of section 231 and those of section 5 of the 1951 extension act is that the countries or areas to be denied the benefits of trade-agreement concessions under section 231 are those which are "dominated or controlled by communism", whereas under the existing law the countries or areas denied the benefits of trade-agreement concessions are the Union of Soviet Socialist Republics and those nations or areas dominated or controlled "by the foreign government or foreign organization controlling the world Communist movement".

Section 232 is a continuation of the existing provisions of law forbidding the President to grant trade-agreement concessions that would impair the national security and providing for the imposition of import restrictions when determined to be necessary to prevent a threat of impairment of the national security. The Tariff Commission has no functions in connection with this section.

CHAPTER 5

Chapter 5 contains a number of provisions relating to the administration of the trade agreements program.

Section 241 provides for the appointment by the President, by and with the advice and consent of the Senate, of a special representative for trade negotiations who would act as the chief representative of the United States for negotiation of trade agreements. No corresponding office is provided for under existing law.

Section 242 provides for the establishment by the President of an interagency organization at the Cabinet level. This organization would presumably correspond to the Trade Policy Committee which was established by Presidential order in 1957, and which consists of the Secretaries of State, Commerce, Treasury, Defense, Interior, Agriculture, and Labor. The organization would make recommendations to the President on basic policy issues arising in the administration of the trade agreements program, make recommendations to the President on escape-clause reports by the Tariff Commission, advise the President of the results of hearings concerning unjustifiable foreign import restrictions held pursuant to section 252(c) of the bill, and perform such other functions as the President might designate. The organization is required to draw upon the resources of agencies represented in the organization, as well as other agencies, including the Tariff Commission. The President is further authorized to establish committees to assist the organization (including, presumably, a committee such as the Committee for Reciprocity Information established under existing law).

Section 243 requires the President to select, in connection with each trade-agreement negotiation undertaken under the bill, two members of the Committee on Ways and Means and two members of the Com-

mittee on Finance, who are to be accredited as members of the U.S. delegation to the negotiations. The selections are to be made by the President on recommendation of the Speaker of the House of Representatives and the President of the Senate, respectively, and the selected members from each House may not be of the same political party.

CHAPTER 6

Chapter 6 contains general provisions relating to the trade agreements program.

Section 251 continues the most-favored-nation principle contained in existing law. It provides that, subject to exceptions specified in the bill, trade-agreement rates of duty and other import restrictions shall apply to products of all foreign countries.

Section 252 provides that the President shall take all appropriate and feasible steps within his power to eliminate unjustified foreign import restrictions that impair the value of tariff commitments made to the United States, oppress the commerce of the United States, or prevent the expansion of trade on a mutually advantageous basis. Negotiation for the reduction or elimination of any U.S. import restrictions in order to obtain the reduction or elimination of any such unjustifiable foreign import restrictions is prohibited.

Section 252 further provides that the President shall deny the benefits of trade-agreement concessions to the products of countries that maintain nontariff trade restrictions which substantially burden U.S. commerce in a manner inconsistent with trade-agreement provisions, or that engage in discriminatory or other acts and policies unjustifiably restricting U.S. commerce. The President is required to afford opportunity for the presentation of views concerning unjustifiable foreign import restrictions maintained against U.S. commerce, and upon request of any interested person provide for appropriate public hearings.

Section 253 continues the principle established in previous trade agreements legislation of staging rate reductions over a period of years. In general, tariff reductions are to be made in no less than five annual stages. The staging requirement does not apply to concessions on tropical agricultural or forestry commodities made under section 213 of the bill.

Section 254 continues the rounding-of-rates authority contained in past trade agreements legislation. This permits the President, subject to exacting limitations, to "round" complex fractional rates if it will simplify the computation of the amount of duty to be collected.

Section 255 requires that every trade agreement shall be subject to termination or withdrawal at the end of a period not less than 3 years from the date the agreement becomes effective, and if the agreement is not terminated or withdrawn at the end of the period specified in an agreement it is to be subject to termination or withdrawal thereafter upon 6 months' notice. This section also provides that the President may at any time terminate in whole or in part any proclamation made under title II. These provisions are substantially the same as those contained in existing law.

Section 256 sets out definitions of various terms used in title II and requires no special comment.

Section 257 repeals many of the provisions of existing trade agreements legislation, continues certain others without change, and makes

certain changes in others. The section includes a provision to the effect that any escape-clause investigations under the existing escape-clause procedure which are pending at the time of enactment of the bill shall be continued under the escape-clause provisions of the new legislation.

TITLE III

Title III of the bill deals with the escape clause (tariff adjustment) procedure and procedures for other adjustment assistance.

CHAPTER 1

Chapter 1 of title III deals with the procedures for making determinations of eligibility for tariff adjustments and other adjustment assistance.

Section 301 requires the Tariff Commission to make an "industry" investigation; i.e., an investigation to determine whether, as a result of concessions granted under trade agreements, an article is being imported into the United States in such increased quantities as to cause, or threaten to cause, serious injury to the domestic industry producing an article which is like or directly competitive with the imported article—

(*a*) Upon request of the President;

(*b*) Upon resolution of either the Senate Committee on Finance or the House Committee on Ways and Means;

(*c*) Upon the Commission's own motion; or

(*d*) Upon the filing of a petition for tariff adjustment or a petition for determination of eligibility to apply for adjustment assistance other than tariff adjustment.

Thus an "industry" investigation is to be made on petition, whether or not the petition is for tariff adjustment, a single firm's petition for determination of eligibility to apply for adjustment assistance, or a petition by a group of workers for a similar determination.

In making an industry determination, the Tariff Commission is required to take into account "all economic factors which it considers relevant, including idling of productive facilities, inability to operate at a profit, and unemployment or underemployment."

Where a petition is made by a firm for determination of eligibility to apply for adjustment assistance, the Commission is required, in addition to making the industry determination referred to above, to make a determination with respect to the firm similar to that required to be made in an industry determination, and to take into account the same factors which it is required to take into account in connection with an industry determination.[2]

Where petition is by a group of workers for determination of eligibility to apply for adjustment assistance, the Commission, in addition to making the industry determination referred to above, must determine whether, as a result of concessions granted under trade agreements, an article like or directly competitive with an article

[2] Chairman Dorfman is of the opinion that under the existing legislation the task of defining the "domestic industry" producing the articles "like or directly competitive" with the complained-of imports has given rise to considerable difficulty and disagreement. In his view, H.R. 11970 does not provide clear guidelines for identifying the "domestic industry." As in the original escape clause legislation, the language employed in H.R. 11970 is open to two interpretations (1) one identifying the industry with the overall operations of the firms producing the article in question; and (2) the other identifying the industry as being coextensive only with the firms' operations essential to the production of the article itself.

produced by such workers' firm, or an appropriate subdivision thereof, is being imported into the United States in such increased quantities as to cause, or threaten to cause, unemployment or underemployment of a significant number or proportion of workers of such firm or subdivision.

A public hearing must be held in the course of any investigation under section 301.

Industry determinations must be reported to the President not later than 120 days after the date of the filing of a petition, unless the President extends the time for an additional period not exceeding 30 days. Determinations with respect to each firm or group of workers petitioning for adjustment assistance must be reported to the President not later than 60 days after the date on which the petition is filed by the firm or group of workers.

The requirement in section 301(b)(1) that the Commission institute an "industry investigation" whenever a firm or group of workers files a petition for adjustment assistance would impose a severe burden on the Commission. Such requirement would (1) interfere with the expeditious disposition of petitions for adjustment assistance originated by individual firms and groups of workers; and (2) give rise to needless industrywide investigations that would burden unduly the Commission's docket.

Presumably, the ordering of an industrywide investigation pursuant to a petition by a firm or a group of workers for adjustment assistance was intended to provide background information that would assist the Commission in making a determination under section 301(c) (1) and (2). However, inasmuch as the determination for a firm or group of workers requesting adjustment assistance must be reported "not later than 60 days" after receipt of the petition, the "background" information that could be assembled in the industrywide study (to be completed in 120 days) would not be available before the Commission would be obliged to make such a determination. Expending the Commission's energies and burdening its staff at such a time would materially interfere with the expeditious action sought.

Section 301 further provides that if the Commission finds, as a result of an industry investigation, that serious injury or the threat thereof, is due to increased imports resulting from trade agreement rate reduction, elimination, or binding, it shall find the amount of increase in duty or the extent of imposition of duty or other import restriction on the article concerned which is necessary to prevent or remedy the injury, and include such finding in its report to the President. The Commission's report is also to include dissenting or separate views, and the President is to be furnished with a transcript of the hearing and with any briefs which may have been submitted in connection with each investigation. As in the case of escape clause reports under existing law, the Commission is required to promptly make public its report to the President of the results of an industry investigation and cause a summary thereof to be published in the Federal Register.

The time limitations fixed in the bill for making reports to the President under section 301 are a cause of considerable concern to the Commission. The Commission is fully cognizant of the need for expeditious action in the investigations required by that section. Certainly an industry, firm, or group of workers that is in serious difficulty should have the benefit of relief measures as promptly as

possible. On the other hand, neither the trade agreements program nor the national interest would be served if the Commission were obliged to base its decisions either on partial data or on hasty appraisal. If, because of a time limit, the Commission was unable either to obtain adequate data or to appraise it in a deliberative manner, a seriously affected industry, firm, or group of workers might be denied the relief which it would have obtained if more complete information had been carefully analyzed; conversely, relief might be granted that would be unwarranted.

The initial 120-day period to be permitted for industry investigations is materially shorter than the 6-month period allowed for escape-clause investigations under existing law. Originally, 1 year was allowed for an escape-clause investigation; this was reduced to 9 months and then to 6 months; now it is proposed to reduce the time to 120 days. Each successive reduction in the time limit has impaired the Commission's ability to make decisions based on adequate data and full analysis. The Commission has frequently had great difficulty in completing its escape-clause investigations in the 6 months currently allowed. Under the procedure proposed by the bill, moreover, the Commission's attention during the early stages of most industry investigations would inevitably be concentrated on the determinations that it would be obliged to make regarding the petitions of individual firms or groups of workers for adjustment assistance. The Commission believes that the interests of all parties concerned, including those of the U.S. Government in conducting its foreign economic policy, would be better served by allowing a 9-month period for the Commission's industry investigations.

The Commission does not wish to dwell unduly on the difficulty of determining within 60 days the questions of import injury to individual firms and groups of workers owing to increased imports resulting from trade-agreement concessions. Suffice it to say that the Commission anticipates these responsibilities with deep concern.

Section 302(a) deals with the President's functions after receiving from the Commission an affirmative finding of serious injury or threat thereof with respect to an industry. On receiving such a report, the President may adjust the tariff or impose additional import restrictions (quotas) pursuant to section 351; he may provide that the firms in the industry involved may request the Secretary of Commerce for certification of eligibility to apply for adjustment assistance; he may provide that the workers in the industry may request the Secretary of Labor for certification of eligibility to apply for adjustment assistance; or he may take any combination of these actions.

Section 302(b) deals with the certification of firms by the Secretary of Commerce as eligible to apply for adjustment assistance, and with the similar function of the Secretary of Labor in the case of groups of workers. Section 302 deals with the certification by the President of eligibility to apply for adjustment assistance in the cases of firms or groups of workers respecting which the Tariff Commission has made a separate affirmative determination under section 301(c). Section 302(d) provides that certifications of eligibility for groups of workers shall specify the date on which unemployment or underemployment began or threatens to begin. Section 302(e) provides for termination of certificates of eligibility of groups of workers whenever unemployment is no longer attributable to imports.

CHAPTERS 2 AND 3

Chapter 2 sets forth the details of the procedure and authority for granting adjustment assistance to firms which are found to be suffering import injury as a result of tariff concessions. These provisions would be administered by the Secretary of Commerce.

Chapter 3 similarly sets forth the details for granting adjustment assistance to workers of firms adversely affected by increased imports due to tariff concessions. These provisions would be administered by the Secretary of Labor.

The Tariff Commission has no functions to perform under these chapters and has no comment to make thereon.

CHAPTER 4

Chapter 4 deals with action by the President with respect to tariff adjustments after receiving a finding of serious injury or the threat thereof with respect to an industry.

Section 351 authorizes the President to provide tariff adjustment for an industry. As noted above, if the Tariff Commission finds serious injury or the threat thereof to an industry, it must include in its report to the President the increase in duty or imposition of additional import restrictions (quota) that it finds to be necessary to prevent or remedy the injury (sec. 301(c)). However, under chapter 4 the President is not bound by the Tariff Commission's findings either as to the existence of injury or threat thereof or as to the extent of increase in duty or imposition of additional import restrictions. Section 351 provides that the President may proclaim such increase in, or imposition of, any duty or other import restriction "as he determines to be necessary to prevent or remedy serious injury to such industry."

No duty may be increased under the foregoing procedure by more than 50 percent above the rate existing on July 1, 1934. If the article is not subject to duty, the maximum rate that may be imposed is 50 percent ad valorem.

Following in general the provisions of the existing escape-clause procedure—if the President does not, within 60 days after receiving an affirmative finding from the Tariff Commission, proclaim the particular increase in duty or imposition found and reported by the Tariff Commission to be necessary, he must immediately report to the House of Representatives and the Senate stating why he has not proclaimed such increase or imposition. If within 60 days after receiving the President's report the Congress adopts a resolution by a majority of the authorized membership of each House, approving the rate of duty or other import restriction found by the Tariff Commission to be necessary, such rate of duty or imposition must be proclaimed by the President within 15 days after the adoption of the resolution.

Section 351 authorizes the President, in effect, to extend the time within which he must act on a Commission's report for as much as an additional 180 days, by requesting the Tariff Commission to furnish additional information, which it must do in not more than 120 days.

Duties or quotas established pursuant to section 351 may be reduced or terminated by the President whenever he determines that a reduc-

tion or termination is in the national interest. However, before so determining he must first seek the advice of the Tariff Commission as to the probable economic effect on the industry concerned of the reduction or termination, as well as advice from the Secretary of Commerce and the Secretary of Labor.

To enable the Tariff Commission to be in a position to give the President advice with regard to the reduction or termination of escape-clause duty increase or imposition of a quota, the Commission is required to keep under review developments with respect to the industry concerned in an escape-clause action, and to make periodic reports to the President concerning such developments. Escape-clause actions, unless extended as hereafter indicated, are to terminate not later than 4 years after the effective date of the initial proclamation or the date of the enactment of the bill, whichever is later. An escape-clause action may be extended, at any one time, in whole or in part by the President for periods not exceeding 4 years, if he determines that such extension is in the national interest. Before making such a determination he is to seek advice from the Secretary of Commerce and the Secretary of Labor and take into account advice of the Tariff Commission as to the probable economic effect, providing the industry concerned has filed with the Tariff Commission (not earlier than 9 months and not later than 6 months before the termination of the escape-clause action is to occur) a petition for an investigation, including a hearing, to determine the probable effect on the industry of the termination of the escape-clause action.

Section 351(e) recognizes the need (as does the existing law) for reconciling a trade agreement with the authority to increase tariffs or impose additional import restrictions on articles covered by trade-agreement concessions. Accordingly, the President is instructed to take, as soon as practicable, such action as he determines to be necessary to bring past trade agreements into conformity with the provisions of this section and to require that all new trade agreements shall permit action in conformity with the provisions of section 351.

CHAPTER 5

Chapter 5 of title III creates an Adjustment Assistance Advisory Board, to consist of the Secretary of Commerce as Chairman; and the Secretaries of Treasury; Agriculture; Labor; Interior; and Health, Education, and Welfare; the Administrator of the Small Business Administration; and such other officers as the President deems appropriate. The Board is to advise the President and the agencies furnishing adjustment assistance to firms and workers on the development of coordinated programs for such assistance.

TITLE IV

Title IV contains provisions of a general nature.

Section 401 grants authority to heads of agencies performing functions under the act to delegate functions, prescribe rules and regulations, and secure, without regard to the civil service classification laws, temporary or intermittent services of experts or consultants.

Section 402 requires the President to submit an annual report to the Congress concerning the trade agreements program and the tariff adjustment and other adjustment assistance under the bill. Certain

information to be included in the report is specified. Section 402 also requires the Tariff Commission to submit to Congress at least once a year a factual report on the operation of the trade agreements program. The foregoing requirements of section 402 continue similar requirements under existing trade agreements legislation.

To afford time for the formulation and promulgation of the necessary rules and regulations, it would be highly desirable that the effective date of the provisions dealing with tariff-adjustment and other adjustment-assistance investigations be fixed at some time subsequent to the enactment of the legislation—say 2 months. The conduct of investigations under title III requires that the Commission promulgate reasonable rules and regulations, particularly with regard to the form and content of petitions for tariff adjustment and for adjustment assistance for firms and groups of workers. The formulation of such rules and regulations would require considerable time, and, of course, they could not be framed until after enactment of the legislation.

Presumably, postponement of the effective date of the tariff-adjustment and other adjustment-assistance provisions would probably require that pending investigations be either completed under the existing escape clause provisions or terminated altogether. The bill now provides that pending investigations shall be continued under section 301 as though the application were a petition for tariff adjustment under section 351. The Commission now has underway four investigations of considerable proportions (those on chinaware, earthenware, hatters' fur, and softwood lumber); probably none of them will be completed before the new legislation is enacted. They would, therefore, be continued under the new legislation, and new hearings would have to be held in at least two cases on which the Commission has just completed hearings. Thus, at the outset, even if no petitions were immediately filed under the new law, the Commission would almost certainly have at least four investigations in process. Since any number of firms and workers in the industries concerned may file for adjustment assistance under the proposed legislation, the Commission must consider the possibility of heavy concentrations of applications at least periodically. One of the industries currently under investigation (the softwood lumber industry) embraces about 25,000 firms.

Another provision in section 402, similar to one contained in existing law, is that the Commission shall at all times keep informed concerning the operation and effect of provisions relating to duties and other import restrictions of the United States contained in trade agreements entered into under the trade agreements program.

Section 403 contains certain special provisions relating to the Tariff Commission. It authorizes the Commission, in order to expedite the performance of its functions, to conduct preliminary investigations, to determine the scope and manner of its proceedings, and to consolidate proceedings before it. It also extends to the Commission the right to exercise any authority granted to it under any other act (such as the Tariff Act of 1930).

Section 404 contains the typical separability clause.

Section 405 contains definitions of various terms used in the bill. The Commission is of the view that if the definition of "directly competitive" in section 405(4) is retained in the legislation it would give rise to many difficult problems of interpretation and application.

Such discussion as has already been had within the Commission as to the interpretation to be given the definition has resulted in no such harmony of views as would enable the Commission to indicate how it will interpret the provision if it is used in the enacted legislation.

Section 405(4) defines "directly competitive" as follows:

> 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. For the purposes of this paragraph, the unprocessed article is at an earlier stage of processing.

In the report of the Committee on Ways and Means on H.R. 11970 (H. Rept. 1818), it is stated (p. 24):

> The term "earlier or later stage of processing" contemplates that the article remains substantially the same during such stages of processing, and is not wholly transformed into a different article. Thus, for example, zinc oxide would be zinc ore in a later stage of processing, since it can be processed directly from zinc ore. For the same reason, a raw cherry would be a glace cherry in an earlier stage of processing, and the same is true of a live lamb and dressed lamb meat.

In the committee's technical explanation of the bill, the first sentence of the above-quoted material is repeated (pp. 68–69). However, the other two sentences are omitted.

The definition contained in section 405(4) of the bill is stated in the Ways and Means Committee report (p. 68) to have been included with the intention "to suggest a somewhat broader interpretation of 'directly competitive with' than has been applied to like words in existing law." The term "like or directly competitive" is a term that originated in the escape clause of the General Agreement on Tariffs and Trade (GATT—art. XIX).[3] The GATT escape clause permits a contracting party to withdraw or modify a concession on an article if, as a result of the concession, the article is being imported in such increased quantities as to cause or threaten serious injury to the domestic producers of the "like or directly competitive" product.

When the Trade Agreements Extension Act of 1951 was enacted (June 1951), procedure for administering trade agreement escape clauses, including article XIX of the GATT, was set forth in paragraph 13 of Executive Order 10082 of October 5, 1949. Under this procedure the Tariff Commission was to make investigations on application of interested parties, to determine whether a basis for invoking the trade agreement escape clause existed; that is, whether or not an article on which a concession was granted in the trade agreement containing an appropriate escape clause is being imported in such increased quantities as to cause or threaten serious injury to the domestic industry producing like or directly competitive products. In substituting a statutory escape clause procedure for the procedure established under Executive Order 10082, Congress, in section 7 of the Trade Agreements Extension Act of 1951, closely followed the key language of paragraph 13 of Executive Order 10082, including the adoption of the term "like or directly competitive." These same words were used in similar context in sections 3 and 4 of the 1951

[3] Art. XIX of GATT represents what is referred to as the "standard escape clause." Comparable escape clauses were included in the 1943 trade agreement with Mexico (art. XI) and in the 1946 trade agreement with Paraguay (art. XII). The words in the Mexican and Paraguayan agreements, however, were "like or similar" rather than "like or directly competitive."

Extension Act (peril point provision) and in section 6 of that act (the statement of escape clause policy).

The term "like or directly competitive" is carried forward in H.R. 11970 in the modified peril point and in the adjustment-assistance provisions of the bill (secs. 221 and 301, respectively). Wherever this term is used there is involved a need for determining what domestic articles are like or directly competitive with a described imported article. It has apparently been considered that the word "like" has not presented a question that requires legislative definition. This word has been interpreted by the Commission to refer to an article of the same description; that is, a domestic article is like a described imported article if it is of the same description. The term "like" is used alone in this sense in several places in the bill (for example, secs. 212 and 213).[4]

The meaning of the term "directly competitive" has been involved in a number of escape-clause cases in which the question was whether an imported article was "directly competitive" with a domestic raw material from which articles such as the imported article in question are made. The principal case in which this question was considered was the case relating to lamb, mutton, sheep, and lambs. In that case it was held that live lambs and sheep are not "like" the meat of these animals, but that the live animals and the meat thereof are different products; that for different products to compete "directly" they must be wholly or completely competitive; and to be wholly or completely competitive they must at least be in the same or substantially the same condition of readiness for the same use at the point of competitive impact.

The definition in section 405(4) of the bill apparently is an attempt to overcome the above-mentioned interpretation of "directly competitive"—particularly that part of the interpretation that holds that the products "must at least be in the same or substantially the same condition of readiness for use at the point of competitive impact". Under section 405(4) articles that are not "in the same condition", i.e., "in different stages of processing" (treating unprocessed articles as being in an early stage of processing) would be treated as directly competitive "if the importation of the imported article has an economic effect on the domestic article comparable to the effect of the importation of articles in the same stage of processing as the domestic article".

In both places where this definition is adverted to in the Ways and Means Committee report, it is stated that "the term 'earlier or later stage of processing' contemplates that the article remains substantially the same during such stages of processing, and is not wholly transformed into a different article". This attempt at a guide to the interpretation of the term in question is made ambiguous by the examples cited on page 24 of the committee report. The examples are stated as follows:

> * * * zinc oxide would be zinc ore in a later stage of processing, since it can be processed directly from zinc ore. For the same reason, a raw cherry would be a glace cherry in an earlier stage of processing, and the same is true of a live lamb and dressed lamb meat.

[4] Chairman Dorfman is not in accord with the observations made in either this paragraph or the following one with reference to the Commission's interpretation of the terms "like" and "directly competitive." He observes that over the years the Commission has not been clear in the basic differentiation between the terms and that neither the Commission nor individual Commissioners have consistently adhered to the principle alluded to above for making such distinction.

In the zinc oxide example, the "reason" stated for zinc oxide being zinc ore in a later stage of processing is that the zinc oxide can be processed directly from zinc ore. The Commission assumes that the word "directly" denotes "by a single process." But does it follow from the fact that zinc oxide is produced directly from zinc ore that the zinc oxide is substantially zinc ore, when it is in fact zinc oxide, and that the zinc oxide is not zinc ore "wholly transformed into a different article"? It seems clear to the Commission that when zinc ore is converted into zinc oxide the ore has completely lost its identity as zinc ore; the ore has been "wholly transformed into a different article." Comparably, the question arises whether a glace cherry is a raw cherry that remains substantially the same after being processed into a glace cherry. Here it might be held with some reason that in converting a raw cherry into a glace cherry there has been no substantial change in the cherry. However, glace cherries are not processed "directly" from raw cherries; raw cherries go through a separate sulfuring process before they are glazed. Is dressed lamb a live lamb that remains substantially the same after being processed into dressed lamb? There is much room here for disagreement.

In whatever way the definition in question may ultimately be interpreted, it will, if it remains in the legislation, increase considerably the burden on the Commission in administering the modified "peril point" and "escape clause" provisions—particularly the "peril point" provision. To make judgments of the probable effect of the reduction or elimination of the duty on each of hundreds of articles included in a Presidential list upon industries producing "like or directly competitive" products (however interpreted) would be difficult enough. However, if the Commission is to look not only into the probable effect of trade-agreement concessions upon the domestic producers of both the "like" articles and the "directly competitive" articles, but also into the probable effect on domestic producers of articles in different stages of processing (from the raw state to the finished-product state), both the magnitude and the complexity of the task will be increased. Where products in different stages of processing need to be considered, the Commission would have to determine in each instance whether the imported article in one stage of processing has an economic effect on producers of the domestic article in different stages of processing "comparable to the effect of importation of articles in the same stage of processing as the domestic article."

PART II

BRIEF ANALYSES OF TESTIMONY AND WRITTEN STATEMENTS BY INDUSTRY REPRESENTATIVES

George Meany, AFL-CIO
(Hearings, pt. 1, p. 239.)

Supports bill. Trade expansion essential, even under escape clause, some injury does occur so adjustment assistance is necessary. Such assistance will reduce opposition to trade and expand employment.

However assistance section should be strengthened. Allowance of $60 week not enough. Earlier retirement should be written in. Loans should be easier, interest rates less.

Charles B. Shuman, president, American Farm Bureau Federation
(Hearings, pt. 1, p. 281.)

U.S. farmer needs an effective foreign trade program. Must be realistic; must be a firm policy of obtaining access to foreign markets and should include a concerted program of promotion and sales for U.S. agricultural products.

Former concessions to United States are constantly being impaired by various types of restrictions.

Suggests a chief negotiator and Interagency Trade Council.

Oppose adjustment assistance sections of the bill. A number of programs are already in use and are available. Strongly oppose giving more to some than to others.

Carl J. Gilbert, chairman, Committee for a National Trade Policy
(Hearings, pt. 1, p. 315.)

Favors bill but urges various amendments to strengthen it.

Special Representative for Trade Negotiations should have Cabinet rank.

Nation security section should be revised to instruct the President to try to solve problems without restricting imports.

Tariff cutting authority should be extended to permit reductions of not less than 1 percent to avoid fractions.

Congress should establish procedures to review more carefully the operations of the program.

Robert J. Brightman, National Council of American Importers, Inc.
(Hearings, pt. 1, p. 345.)

Specifically endorse the five methods by which the President can reduce or eliminate traiffs.

Tariff Commission should prepare a preliminary list for reductions and allow interested parties to submit views.

Strongly object to President being allowed to increase duties up to 50 percent above 1934 rates.

All proclamations under the bill should be effective 90 days later rather than the 30 days in bill.

Submits a list of items which should be duty free.

Thomas O. Toon, chairman, Trade Policy Congress, membership from 30 of 50 States, opposes bill.
(Hearings, pt. 1 p. 353.)

It would break with our past trade policies. It misleads, is not understood, and gives more power to the "State Department bureaucrats." "It will speed victory for the One Worlders" and "remove the rights of our elected Representatives and Senators to represent their electorate:

Sidney Zagri, legislative counsel, Brotherhood of Teamsters.
(Hearings, pt. 1, p. 362.)

Bill grants unprecedented power. Must have several amendments to make it palatable. Congress should formulate the policy and we should move with greater caution. Danger of dissipating what is left of our bargaining power in this one move. Once we do this there is nothing left for future negotiations.

Five major defects are—

1. Congress is abdicating its basic function.
2. Removes basic safeguards by eliminating peril points and emasculating escape clause.
3. Destroys regulatory mechanisms for equalizing costs of production.
4. Does not require other countries to extend benefits of reductions to Japan.
5. A major shift in policy to allow trade agreements to cause serious injury.

Proposes amendments to counter these weaknesses.

Mrs. John D. Briscoe, League of Women Voters
(Hearings, pt. 1, p. 383.)

Supports a "flexible, effective, and efficient trade policy."

Quotes from a number of chapters of the league indicating acceptance of the bill although some suggest amendments (such as deletion of adjustment assistance section, although the witness states "It seems to us just to provide assistance to workers and to enterprises in order that they may adjust to new conditions caused by increased trade.")

Robert W. Frase, director, Washington office. American Book Publishers Council and American Textbook Publishers Institute
(Hearings, pt. 1, p. 390.)

Supports the bill on behalf of 200 book-publishing houses. It would probably "result in the virtual elimination of all U.S. duties on books." Have little protective value, and their elimination would simplify and facilitate imports.

Wants implementation of Florence agreement.

Mrs. Alison Bell, American Association of University Women
(Hearings, pt. 1, p. 393.)

Past trade-agreement program served economic interests of the country for 28 years. Time has come for a new program tailored to the needs of the present.

Support the bill—

To counter the Common Market;
To counteract trade offensive of Sino-Soviet bloc;
To expand our own markets.

Jack T. Jennings, director, Cooperative League of the United States. (Hearings, pt. 1, p. 385.)

Supports bill. A force for good. Encourages a closer relationship with European Common Market. Delegation to the President is an "important management tool at this time."

Adoption would be a forward step by the United States.

David J. Winton, chairman, The Winton Co., Minneapolis. (Hearings, pt. 1, p. 396.)

Manufacturers lumber and plywood, about 75 million feet of U.S. logs, about 10 million from British Columbia to Canadian plant.

Favors bill, but would prefer "to see the escape clause and the reserve list treated with less emphasis on trade restriction".

"If it is in the national interest for us to use concessions to bargain our way into the expanding Common Market then it would seem a logical obligation of the U.S. Government to help businesses and workers adjust to the new conditions."

O. R. Strackbein, Nationwide Committee on Import-Export Policy. (Hearings, pt. 1, p. 409.)

Opposed to bill.

We have very little bargaining power left.

Emasculation of escape clause "would sever the last string through which control by Congress could be exercised." Under the bill the status of the Tariff Commission would be reduced to a mere statistical agency.

Common Market restrictions on imports of agricultural products based on same reasons why we do. How can we expect them to relax when we cannot. "Untold industrial distress might be expected" if, as the bill allows, we go halfway to free trade within 5 years.

Bill is sharp break with past trade policy under Cordell Hull. Cannot justify giving injurious concessions on industrial products in the hope that the Common Market will not shut off our agricultural exports.

Homer L. Brinkley, executive vice president, National Council of Farmer Cooperatives. (Hearings, pt. 1, p. 435.)

"No segment of our economy is in greater need of strong and effective measures to retain and expand our foreign markets than is agriculture."

Basis of bargaining must be one of true reciprocity.

"It would be an exercise in futility to merely pit agricultural commodities against each other in the negotiation of trade agreements."

Recognition that many countries can and do effect tariff concessions with more restrictive measures is encouraging.

Other countries have established the equivalent of "peril points." "We also strongly support the judicious use of 'escape clauses.' "

"If we are to maintain agriculture as a strong contender for expanding markets * * * we must have on our side the bargaining strength of industrial commodities for which we are willing to make concessions."

Herschel D. Newsom, National Grange.
(Hearings, pt. 1, p. 452).

Emphasizes that the purpose of the act is to expand trade multilaterally. Such policy should operate for agriculture as well as for industrial sector.

Urges Government to continue by every means to eliminate existing barriers abroad for agricultural products and prevent new ones. Because of Common Market "protectionism" we should make no concessions until the issue involving American agricultural exports is resolved.

Urge amendment to the bill to give President the power to improve increased duties and equalization fees to be available when restrictive devices are employed against U.S. agriculture. Liberalization of trade must be balanced.

Vernon L. Ferwerda, National Council of Churches.
(Hearings, pt. 1, p. 466.)

Has responsibility to adopt and make known a position on international trade policy. However, they "do not presume to speak for the 40 million individual church members" belonging to the various churches involved.

World peace and world trade are related.

Council has consistently advocated the elimination of excessive trade barriers.

Advocates balanced, expanding programs of international aid and trade.

John Hooker, Catholic Association for International Peace.
(Hearings, pt. 1, p. 469.)

"The emergence of the European Common Market makes congressional consideration of new U.S. foreign policy imperatively important." Believes the proposed act will redound to the benefit of the participating nations.

If Europe establishes restrictions on trade the United States would be at a serious disadvantage. A liberal trading attitude offers positive opportunities.

Oliver Williams, personal statement
(Hearings, pt. 1, p. 472.)

Favors the bill. It is "a timid first step toward realism in national economic policy, and should be passed without weakening amendments."

"We can indulge in tariff crutches to pay price-escalator billions to industrial invalids * * * but we have no right to make liberty an impossible thing in the world. * * * Friends for freedom overseas are the only safety and our most valuable possession."

Aaron Schoen, American Fur Merchants Association and Fur Brokers Association of America
(Hearings, pt. 1, p. 475.)

Urges free trade with all countries, including Communist nations, except where economic interests dictate otherwise.

Strongly opposes embargo on Russian furs. It serves no purpose whatsoever. Asks that section 257 be stricken from the bill. It is silly, useless, and harmful.

"We trust and pray that Congress will find a way to balance the budget."

"We must eliminate as fast as possible all escape clauses" and give only temporary help to dislocated industries and workers.

Joseph A. Sinclair, Commerce & Industry Association of New York. (Hearings, pt. 1, p. 481.)

Three thousand five hundred firms in association. Endorses objectives and favors enactment with certain amendments.

Cannot understand why the President should not offer reductions in order to obtain reduction of "unjustifiable" foreign nontariff restrictions (sec. 252(a)). These are the very areas where we need to negotiate.

Section 332 should be amended to conform training allowances to those in Manpower Development and Training Act of 1962. Readjustment allowances in bill are discriminatory and without logical basis.

Ray R. Eppert, president of Burroughs Corp., for Greater Detroit Board of Commerce.
(Hearings, pt. 1, p. 484.)

"We * * * believe in free trade as an ultimate objective."

Recommends adoption of titles I, II, and IV, and chapter 4 of title III but reject chapters 1, 2, 3, 4, 5 of title III. In other words, object to trade adjustment provision. Present manpower laws provide sufficient machinery.

The staging provision (sec. 253) reducing tariffs on a gradual basis will assure gradual impact.

Together, trade and tax bills constitute a new foreign economic policy. Foreign tax provisions in latest tax amendments would not change the fundamental weakness of the bill.

Michael M. Mora, American Association of Port Authorities, North Atlantic Ports Association, Norfolk Port and Industrial Authority. (Hearings, pt. 1, p. 488.)

All three bodies approve and support the bill. Experienced Senators, however, may find it possible to improve it in some details. A given unit of manufactured imports will employ four Americans and displace one. A similar unit of exports will employ five Americans. "If foreign trade were to increase by 20 percent, a net gain of some 900,000 jobs would likely result." "The oxygen tent of Federal benevolence should not be spread over sick industries under the pretext that imports are the cause of their ailment."

Austin J. Tobin, executive director, Port of New York Authority. (Hearings, pt. 1, p. 490.)

Four hundred and thirty thousand people in the port district employed in activities that result from foreign trade.

Industry of employment heavily dependent upon two-way flow of foreign trade.

Supports the bill. The port of New York has a vital interest in promoting foreign trade activities.

Francis A. Adams, Stuart, Fla., personal.
(Hearings, pt. 1, p. 493)

"Some measure of tariff has always been our insurance of American prosperity since we became a nation."

"Let Congress recapture its constitutional power to regulate trade."

The Senate should exercise especial care in seeing that the pending legislation does not give unwarranted power to the Executive to alter or amend our basic tax law at his discretion.

Robert A. Hornby, president, California State Chamber of Commerce.
(Hearings, pt. 2, p. 511.)

"We urge that Congress make clear its intent that a type of agricultural or industrial production occurring in only one or a few States shall not justify the sacrifice of * * * such agricultural production * * *."

Due process for the protection of citizens rights must be assured.

"Reciprocity must in fact be reciprocal."

"Nontariff restrictions must not be imposed."

"Effective peril point and escape clause mechanism must be implemented when required."

Favor objectives of legislation but the bill leaves many questions.

Unalterably opposed to adjustment assistance section.

James A. Cavanaugh for Edward M. Carey, Independent Fuel Oil Marketers of America, Inc.
(Hearings, pt. 2, p. 521.)

We need more fuel oil imports, not less. Urge the passage of the bill and reject any amendment which would limit imports. Domestic production of fuel oil is insufficient to meet the demand.

Limitation of imports has had serious consequences. It has concentrated 60 percent of imports in the hands of four companies; brought about higher prices; and distorted marketing patterns creating shortages in some areas.

Heinz Rollman, Waynesville, N.C., for himself.
(Hearings, pt. 2, p. 528.)

"As Europe increases its standard of living, it cannot produce goods cheaper than they are produced in America.

"We cannot forever consider as exports goods for which the American taxpayers pay."

Discusses value of a "Union of the Americas."

Urges a "Free World Commonwealth."

Douglas S. Steinberg, National Confectioners Association.
(Hearings, pt. 2, p. 545.)

Convinced H.R. 11970 is not in the best interests of the United States. It moves in the wrong direction. Would be better to extend the current program until June 30, 1963, and permit Members of Congress to determine what would be in best interests of the country.

If the bill must be adopted it must—

1. Strengthen peril point.
2. Strengthen escape clause.
3. Require full reciprocity from Common Market.
4. Limit tariff reductions to 20 percent.

5. Eliminate "most favored nation" principle.
6. Eliminate adjustment assistance provisions.
7. Limit extension to 2 years.
8. Prohibit cuts in duties where injury would result.

L. Russell Cook, Chocolate Manufacturers Association of the United States.
(Hearings, pt. 2, p. 553.)

Not at odds with objective of stimulating trade, but do object to H.R. 11970 as a means of reaching the goals.

It would be discriminatory to some segments of industry and represents an abdication of the responsibilities of Congress.

The industry needs more protection, not less.

The adjustment assistance program is evidence of expected failure within the bill itself. "If we accept assistance our business will very obviously be under the control of the Federal Government."

John H. Mahoney, Seaboard World Airlines, Inc.
(Hearings, pt. 2, p. 524.)

Airfreight is bound to become an increasingly more important element in international trade.

If artificial barriers to trade are removed—

1. There will be a greater flow of two-way traffic.
2. U.S. industry will have a greater opportunity to compete in world markets.
3. The outflow of U.S. trade will be curbed.
4. The economics of all the free world nations will be strengthened.

Therefore supports passage of H.R. 11970.

Robert S. Eckley, Caterpillar Tractor Co.
(Hearings, pt. 2, p. 558.)

There are many benefits to freer trade. Caterpillar has 31,000 employees in the United States, about 12,000 work to meet foreign orders. The proposed bill would hold out the possibility of eventual elimination of European tariffs on construction machinery.

Trade restrictions have a deleterious effect on our balance-of-payments position. Trade barriers add to the cost of essential supplies.

Favors principal features of H.R. 11970 but trade legislation is not a proper vehicle for the introduction of a basic change in unemployment compensation.

John H. Lichtblau, research director of Petroleum Industry Research Foundation, Inc.
(Hearings, pt. 2, p. 565)

Most members deal in imported products.

Grant some justification in principle for the restriction of crude oil imports. However, restrictions, if we must have them, should be both liberal and flexible.

It is in the public interest to keep oil prices reasonably low. Must permit a reasonable volume of controlled imports.

The coal industry is not in dire straights.

Urges passage of the bill without any amendments restricting imports of oil.

Wm. J. Barnhard, American Chamber of Commerce for Trade With Italy; American Importers of Brass and Copper Mill Products; Imported Unit Section of Food Distributors; etc.
(Hearings, pt. 2, p. 570.)

Has a strong belief in this Nation's urgent need for trade expansion. The bill is a sound and sensible one because:

Trade expansion is in the national interest. Where it requires economic adjustment it is better to make adjusting companies competitive rather than to eliminate competition.

One glaring weakness in the bill. It gives the President too much power. Not too much power to cut tariffs, but too much power not to cut tariffs.

Carl A. Gerstacker, president, Synthetic Organic Chemical Manufacturers Association.
(Hearings, pt. 2, p. 603.)

The organic chemical industry has been a key factor in American economic growth and is essential to the national defense. The industry will be seriously hurt by imports from Europe and Japan if U.S. tariffs are removed or significantly lowered. Foreign producers can already substantially undercut U.S. producers. Reduction or elimination of Common Market tariffs would not appreciably increase U.S. chemical exports.

If the bill is passed exports will decrease, with a resultant aggravation of the balance-of-payments problem. Minimum safeguards essential to preservation of the U.S. organic chemical industry are—

1. Establishment of safe tariff limits.
2. Any tariff adjustment should be on a product or article basis and not on categories.
3. National security items should not be negotiated on.
4. Concessions to one country should not automatically be extended to all other countries.
5. The escape clause provision should be retained and the adjustment assistance provisions should be eliminated.

C. Kenneth Egeler, Dry Color Manufacturers Association.
(Hearings, pt. 2, p. 614.)

Includes 23 U.S. producers, $100 million business, and a payroll of $30 million.

Support the desire to expand international trade but view with alarm many of the bill's provisions. Object to elimination of product-by-product hearings and negotiation and to a "zero list" of items upon which duties may be entirely removed.

Should include mandatory consultations with qualified industry experts before negotiation.

Section on aid and assistance to workers in the industry would be ineffective and unworkable and would aggravate the problem. The real solution would be the retention and strengthening of the escape clause.

Reuben L. Johnson, National Farmers Union
(Hearings, pt. 2, p. 624.)

Desirous of maintaining exports of agricultural products at high levels. These exports are very important. Foreign trade is crucial.

If we are to have exports we must have imports. Three efforts should be made—

1. Move on a transitional basis toward ultimate integration into an Atlantic Economic Community.
2. Face up to our hemispheric responsibilities.
3. Build responsible and far freer trade with the democratic nations of the far Pacific.

Every major agricultural nation in the free world has some kind of a price support program.

Domestic price patterns should enable farmers a fair economic return and at the same time enable transitions to proceed on an equitable basis.

John Marshall, executive vice president, National Association of Dairy Equipment Manufacturers
(Hearings, pt. 2, p. 647.)

H.R. 11970 is far from an acceptable bill. Built around the basic plan of authorizing the President to lower tariffs without requiring that concessions be obtained in return.

Agricultural equipment exports from the United States are restricted in most countries; the United States has no duties or restrictions on imports.

The assistance section is illusory and unhelpful. It should be deleted. It is a "crutch for a possibly lame job of negotiating to lean upon."

It is important that the bill include mandatory requirements that foreign trade restraints be eased or removed before we reduce or remove any tariffs on imports from any particular country.

Paul A. DuBrul, United Furniture Workers of America (AFL-CIO).
(Hearings, pt. 2, p. 652.)

Is fully in accord with the purposes of the bill, but several provisions give inadequate consideration to jobs threatened by increases in flow of low-wage foreign goods.

Concerned about the impact of increased imports in furniture field as well as in plywood, toys, bicycles, and veneers.

The impact of imports of pianos has been especially severe.

Work force is skilled and a much older force than usual. The bill should be revised to declare a moratorium of tariff reductions on products whose increased importation will adversely affect our unemployment problem.

Amend the bill to negotiate on individual items not on categories.

Escape clause should be expanded.

A. E. Mercker, National Potato Council
(Hearings, pt. 2, p. 656.)

Oppose renewal of trade agreements in present form.

Supports sections 252 and 241.

Potato processing has grown rapidly and about 26 percent of the crop is now processed.

Foreign countries are placing increasing restrictions on imports.

Switzerland, Sweden, Canada, and others countries are drastically reducing imports from the United States.

I. J. Silverman, W. F. Schrafft & Sons Co., Boston
(Hearings, pt. 2, p. 657.)

H.R. 11970 would have an extremely adverse effect on this company and its workers. Favors hard, but fair, competition. Pays duties on raw materials such as sugar, almonds, and so forth. If duty is further reduced much candy manufacturing in the United States will be eliminated. If this bill is passed, "we do not plan to go forward in an attempt to increase production and expand sales."

Imports are increasing tremendously even now.

Nelson A. Stitt, United States-Japan Trade Council
(Hearings, pt. 2, p. 661.)

Strongly endorse H.R. 11970.

Japan is our second greatest customer, accounts for 11 percent of total U.S. farm exports. Favors a reduction of Japan tariffs as well as United States tariffs. Fears authority in the bill to remove duties on trade with EEC will be discriminatory.

Do not abandon most-favored-nation principle. Other countries, however, must also be willing to take calculated risks by opening their markets to world competition.

Joseph E. Moody, president, National Coal Policy Conference, Inc.
(Hearings, pt. 2, p. 685.)

Pleads for legislative relief imposed by excessive importation of residual fuel oil. Imports equivalent of 44.4 million tons of coal. Costs full-time jobs for more than 16,000 miners, with $91 million in wages. Coal companies would receive $210 million in revenue and railroads would be paid another $112 million.

Too much oil now being imported and price has dropped as a result.

Would like to see European barriers broken down, but the real problem has been precluding the industry from maintaining its competitive position.

Asks that the bill include a sound and fair program to control oil imports.

Victor Pringle, Poultry Industry-International Trade Development Commission
(Hearings, pt. 2, p. 699.)

Represents entire egg and poultry industry. Supports enactment of H.R. 11970, but believes additional bargaining tools aimed at a stronger and more effective bargaining should be adopted.

The impact of supply and demand hits this industry full and immediately. Have been able to compete in foreign markets; United States is now largest exporter. However, the Common Market is today erecting a new host of trade barriers of various sorts.

This is exactly contrary to the concept of liberalized trade in the bill. We must adopt counter provisions, and authority should be put in the bill for their use.

G. J. Ticoulat, American Paper & Pulp Association and National Paperboard Association
(Hearings, pt. 2, p. 710.)

Support legislation to assure U.S. producers be given equal opportunities in world markets. Wants assurance that devices such as licensing and exchange restrictions will not offset concessions.

Wood pulp and newsprint imports in 1961 were in excess of a billion dollars on a duty-free basis. They should be duty-free in the rest of the world. Exports to Western Europe were $165 million in 1961, but serious restrictions are now being established.

Favors sections 241, 243, and 253 of the bill.

Do not favor section 202. Other sections should be amended.

Opposed to adjustment assistance sections.

Opposed to section 251.

Robert B. Semple, Manufacturing Chemists Association, Inc.
(Hearings, pt. 2, p. 718.)

Account for 90 percent of U.S. production; sales of $30 billion; exports $1.7, or 6 percent.

Favor President's goals but cannot support H.R. 11970 as written.

Should have qualified industry advisers in actual negotiations.

Should assure true reciprocity, and trading should be on like products or categories. Any categories must be narrow.

Should eliminate all reference to adjustment assistance.

Should include some answer to the problem of foreign nonrecognition of our patents and trademarks.

Should include a requirement for a more definitive and responsive report by the President.

David M. Crawford, Abbot Laboratories, Chicago
(Hearings, pt. 2, p. 724.)

Employ 9,000, sales $130 million. Has been in international business for 30 years.

Favor stated purposes of the bill, but have several basic reservations.

Find tariff and other barriers abroad are severe.

Find inconsistencies between H.R. 11970 and H.R. 10650 (the tax bill). If both should become law, one would prevent the other from accomplishing its purposes.

"We cannot live and prosper in a situation where the hands of U.S. companies are bound and our foreign competitors are given a free hand to enter any and all markets."

Oppose adjustment assistance sections.

H.R. 11970 will not, in and of itself, bring about trade expansion for this Nation.

Thomas H. Morris, president, American Mirror Co., Galax, Va.
(Hearings, pt. 2, p. 727.)

Opposed to H.R. 11970 for a number of reasons. It would give power to eliminate entirely the duty on mirrors.

Foreign value of mirrors has declined gradually from 82 cents per square foot in 1952 to 60 cents in 1961. Under this depressed condition the duty on mirrors is the only salvation of the domestic industry.

If our negotiations do not do far better than they have in the past the United States will be far better off if we do not negotiate.

Strengthen peril point provision.

Prohibit reductions on many commodities.

Adjustment assistance section is shocking and should be eliminated.

Tariff-cutting authority much too broad.

Albert Taraborelli, Braided Rug Manufacturers Association of the United States.
(Hearings, Pt. 2, p. 735.)

Have been exposed to the disruptive influence of excessive imports since 1957. Imports increased from 1.7 million square feet in 1957 to over 60 million square feet in 1961.

Assistance provided in the bill so inadequate that liquidation would follow tariff cuts. Part of the labor force is already idle.

Past experience indicates that the proposed drastic tariff reduction will in no way be matched by Common Market countries.

A 25-percent increase in overall exports would only increase employment by 1 percent and this would be offset by the imports.

Harold Decker, president, Independent Petroleum Association, Houston, Tex.
(Hearings, pt. 2, p. 751.)

Represents 6,000 oil and gas producers.

Industry is now in serious economic difficulties, declining continuously since 1956. It is vital to national security. While U.S. industry has stagnated, Russia has increased 100 percent. Urges the committee to initiate further action to strengthen national security section by providing more specific legislative direction such as limitations on imports.

"We have had an administrative program for 5 years, yet both the level and relationship have increased steadily. The law should provide legislative guidelines which will assure that the domestic industry will grow in keeping with national needs."

Edward S. Martin, chairman, liaison committee of Cooperating Oil & Gas Associations, Washington, Pa.
(Hearings, pt. 2, p. 791.)

Represents 25 State and national oil and gas associations. Purpose is to present the "grassroots" position.

Endorses statement of the Independent Petroleum Association.

It is important to have written into the law at least a continuation of present controls. Under the controls initiated in 1957 imports have continued to increase and production has kept on declining.

R. L. Force, Texas Independent Producers & Royalty Owners Association
(Hearings, pt. 2, p. 795.)

Failure of the present program (oil) to accomplish intended objectives is apparent in several ways. Oil imports under the program have absorbed virtually the total growth in our domestic market.

Congressional action is needed. The avowed intentions of two administrations to use authority under the national security section have not been fulfilled.

Ask that the National Security section state that in cases where the President has found that security is being threatened by imports, those imports shall be allowed to increase only as domestic production increases, with an escape hatch for emergencies.

Losses in skills, capacity, research, exploration, and so forth, are serious and could threaten our security.

Walter A. Stilley, Jr., Hardwood Plywood & Veneer Manufacturers. (Hearings, pt. 2, p. 818.)

Industry employs 35,000; payroll over $125 million. Labor costs 25 to 30 percent of total cost. Imports have exceeded 1 billion square feet annually for 3 years. In 1960 and 1961 imports took 55 percent of all U.S. sales; Japan main source. There is not an adequate peril point or escape clause in the bill.

Unrestricted authority to reduce tariffs on commodity categories seems to be an absolute power over American industry and there is no recourse if errors are made. "There is no possibility for a firm to obtain relief as this (adjustment assistance section) is written.

Urge elimination if assistance provisions; are adequate peril point and escape clause; and a reservation on products where imports exceed 10 percent of U.S. sales.

Tyre Taylor, Southern States industrial counsel, Ponte Vedra, Fla. (Hearings, pt. 2, p. 830.)

The giving of the President such unlimited authority is clearly unconstitutional and should be rejected. Recommends instead:

1. Reduce foreign aid.
2. Restore congressional authority over tariffs.
3. An immediate review of entire program with a view to adequate protection for American producers and workers.
4. Precise, self-enforcing relief provisions.
5. Elimination of GATT.
6. Rejection of Government subsidies for injured industries.
7. Establishment of a joint watchdog committee to keep constant watch over U.S. employment, profits, prices, etc.

Robert L. McCormick, McCormick Associates. (Hearings, pt. 2, p. 833.)

Britain is still far from membership in the EEC. Injury should not become a national policy.

H.R. 11970 has no true reciprocity provisions.

There should be sensible congressional control over escape-clause decisions.

Peril points should be restored and escape clause strengthened.

No case has been established for the urgency of this measure.

The adjustment assistance section sets a most dangerous precedent.

The bill would have serious detrimental effects on the public revenue.

Harold O. Toor, U.S. shoe manufacturing industry. (Hearings, pt. 2, p. 856.)

Represents 500 producers and 90 percent of U.S. output; 1,300 factories in 38 States, up to 400,000 employees.

Recognizes necessity of trade with nations.

Would like to support H.R. 11970 but "have grave doubts 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."

Further encouragement to imports is not needed. U.S. shoe tariffs are already the lowest of any trading nations.

Want peril points restored and urge a provision giving for low-wage nations a fair share of growth in U.S. consumption but prevent unfair competitive advantages.

John Andrew Kennedy, for Noel Hemmendinger, Japanese Chambers of Commerce and Japan Export Footwear Manufacturers Association.
(Hearings, pt. 2, p. 871.)

Endorse H.R. 11970 and favor all measures that may tend to lower barriers to trade.

Ask the bill be amended to repeal section 336 of the Tariff Act which permits some goods to be made dutiable on the American selling price. Abolish the section and set new rates on items now effected.

Section 337 of the Tariff Act should also be abolished. This has to do with embargoes on imports if unfair methods are used in competition of imports.

Myron Solter, Imported Hardwood Plywood Association.
(Hearings, pt. 2, p. 877.)

Support the bill with one suggested change in the language of the escape clause.

The term "like or directly competitive" in the escape clause has caused serious problems of interpretation. Suggest it be cleared up by addition of the following:

"A domestic article is 'like' an imported article if the domestic article is substantially identical in components, or in appearance and end use, or in substitutability with the imported article."

Hans Rie, president, the Hat Institute, Philadelphia, Pa.
(Hearings, pt. 2, p. 921.)

Concerned over passage of the bill in present form as it can result in drastically increased competition from foreign-made hats.

Importation of hats is increasing. Domestic production has declined from over 1 million dozen in 1955 to less than 672,000 dozen in 1961.

Supports the principle of expanded foreign trade and the industry imports much of its raw materials.

The bill should be amended to—

1. Eliminate trade adjustment provisions.
2. Strengthen the escape clause.
3. Have Congress remove articles from trading list where the Tariff Commission finds a reduction would be a serious threat to industry.
4. Insert true peril-point provisions.

Kenneth M. Plaisted, National Board of Fur Farm Organizations, Inc., Milwaukee, Wis.
(Hearings, pt. 2, p. 928.)

Represents 49 associations with 6,000 members. Produce about 7 million mink pelts valued at about $125 million.

Emphasizes the importance of retaining the provision which embargoes imports of U.S.S.R. or Communist China furs. To remove this would have a most serious effect on the current delicate condition of the industry. Asks that it be retained.

Alan D. Hutchison, Belgian Carpet Association; Board of Scandinavian Fur Farm Organizations; and the Swedish Wallboard Association
(Hearings, pt. 2, p. 935.)

Clients support H.R. 11970. The U.S. President must have new broad power to negotiate trade agreements and increase the position of the United States in the field of international trade.

No question that some U.S. firms will be adversely affected, but they will be able to make the necessary adjustments.

Makes suggestions for redefining "industry" and "serious injury" in the escape clause.

Patrick M. Boarman, Economists' National Committee on Foreign Trade Policy.
(Hearings, pt. 2, p. 944.)

This committee opposes the enactment of H.R. 11970.

Oppose protectionism in principle, but free trade is not supposed to operate in a vacuum, but only in the context of certain conditions. Competition is good but foreign comeptition should not continue to be dominant.

Object to the sweeping powers granted to the President with no review or supervision by Congress. Any legislation should include adequate review by Congress.

Opposed to structural dislocations and unemployment which would result from operation of the bill.

"It is a 'grand illusion' to believe that, by knocking down a few already low tariffs, we are going to solve all the problems of the U.S. economy at home and abroad."

Gerald R. Coleman, United Hatters, Cap & Millinery Workers International Union, AFL-CIO
(Hearings, pt. 2, p. 970.)

Industry already seriously injured and is in a precarious position.

The bill requires ameliorative amendments to protect the domestic industry.

Production workers in fur felt branch, has dropped from 14,515 to 5,000. It has been caused by unscrupulous competition from abroad.

What is required is quota restrictions in addition to any relief by duty increases.

David K. Jahnke, American Wire Weavers Protective Association
(Hearings, pt. 2, p. 974.)

Constitute a small group of about 600 workers with output valued at about $35 million.

Cannot cope with the "suicidal tariff proposition in H.R. 11970." It has many high-sounding features, but it could and would bring an economic death to the wire-weaving industry. "Please do not say we can seek relief next month or next year by appealing to the Tariff Commission. By then it will be too late."

Mike M. Masaoka, on behalf of the Association on Japanese Textile Imports, Japan Traders Club of Los Angeles, and various Japanese chambers of commerce.
(Hearings, pt. 2, p. 982.)

The trade expansion program is urgently needed now.

Present bill better than original but it still needs revision. The United States has quotas and other nontariff restrictions and on these

a lowering of tariffs means nothing. There should be no reserve list; every item should be subject to negotiation.

Recent actions to restrict cotton textiles do not contribute to liberalizing our expanding trade among free nations. Hopes that future negotiations will not be frustrated by conflicting measures.

"Reverse" authority should be granted to importers to appeal to the Tariff Commission for an investigation to lower duties or remove import restrictions.

James H. Casey, Jr., National Association of Glove Manufacturers, Inc., Gloversville, N.Y.
(Hearings, pt. 3, p. 1037.)

Members in 22 States include 95 percent of domestic output.

No export trade. Our market has always been open to foreign gloves.

Italy, France, and Germany supply 75 percent of leather gloves and could supply more but for material and labor shortages. U.S. suppliers only fill orders when shortages occur abroad.

"In pursuing a goal of reciprocity, we must make certain American workers and industry are not called on to underwrite the exploitation of workers in other parts of the world."

"Many of us will feel no pain if you let the bill die."

George M. Parker, American Flint Glass Workers Union of North America.
(Hearings, pt. 3, p. 1046.)

There are relatively few of the workers in this industry left. It is apparently the philosophy of H.R. 11970 to sacrifice industries to stimulate foreign trade in others. It would seem this industry is marked for extinction.

Labor costs account for 65 percent of total costs. Wage rate in United States is $2.30 per hour; West Germany, 58 cents; France, 43 cents; Italy, 39 cents; Sweden, 75 cents.

Average age of workers is 55. They cannot get new jobs.

Unless U.S. products are given protection against low-wage imports, H.R. 11970 will destroy this whole industry.

In 1950 there were 44 plants employing 10,000 workers; 19 of these plants have closed their doors and now there are only 4,900 workers.

Robert C. Sprague, Electronics Industries Association.
(Hearings, pt. 1, p. 498.)

Electronics industry is the fifth largest in the United States. Production is in excess of $10 billion annually. About two-thirds of members qualify as small businesses. Exports exceed imports, but last year 70 percent of sales of transistor radios was of Japanese orgin and over half the market for home and portable radios came from abroad.

H.R. 11970—

(1) Gives unprecedented authority to the President without the guidance of peril points;

(2) Contains no assurance of reciprocity;

(3) Weakens the escape clause;

(4) Provides subsidies to make up for weaknesses in escape clause;

(5) Extends most-favored-nation principle too widely; and

(6) Includes no provision to protect domestic industries from the dumping of foreign goods.

These weaknesses must be corrected.

J. Raymond Price, the American Handmade Glassware Industry.
(Hearings, pt. 3, p. 1057.)

Companies produce 90 to 95 percent of all U.S. handmade glassware.

All companies are unanimously opposed to H.R. 11970.

Even at present rates, U.S. duties are no obstacle to a foreign manufacturer.

Labor accounts for 65 to 70 percent of total cost. An overwhelming advantage exists abroad because of the very low wage rates.

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

Our industries should not be sacrificed on the altar of international politics.

C. Frank Dale for E. L. Wheatley, president, International Brotherhood of Operative Potters.
(Hearings, pt. 3, p. 1074.)

Labor accounts for 60 percent of total cost. Automation is causing displacement of 25,000 workers per day in the U.S. pottery production is not being automated, but imports are causing unemployment.

Foreign worker has the same output per hour as U.S. worker. Pay is one-third to one-fourth or one-eighth that of U.S. worker.

The bill would very soon result in a solid ceiling over wages. The workers in this industry are fervently opposed to the bill and are opposed to Congress delegating or giving away to anyone any of the established authority under the Constitution.

Carl W. Gustkey, president, Imperial Glass Corp., Bellaire, Ohio.
(Hearings, pt. 3, p. 1081.)

Since the so-called reciprocal agreements began, the companies' export business has been cut from a quarter million dollars per year to $50,000 per year, a loss of 80 percent.

It has not been reciprocal for this industry.

Imports are hurting very seriously. Wages account for 56 cents of each income dollar.

Employees, management, and 800 stockholders are against passage of H.R. 11970.

Strongly against adjustment assistance sections.

It is finally time to safeguard American trade and welfare. We should legislate to prevent loss of jobs not for just token assistance after the damage happens.

Joseph Coors, Coors Porcelain Co., Golden, Colo.
(Hearings, pt. 3, p. 1085.)

This is the only company manufacturing chemical porcelain in the Western Hemisphere. It has been a steadily growing business and sales amount to about $1½ million per year.

Typical prices have only increased by 21½ percent since 1950.

There is a large amount of hand labor and with wage rates of $2.41 per hour, low wage countries have a distinct advantage.

There is no question that if the tariff is removed this business would be destroyed. Employees know no other skills—many have been making porcelain for 25 years or longer.

It would be extremely poor judgment to pass laws which would destroy an industry vital to chemical and physical laboratories.

E. C. Coleman, Long Manufacturing Co., Petersburg, Va., for the Luggage & Leathergoods Lock Manufacturers Association.
(Hearings, pt. 3, p. 1105.)

Firm produces luggage hardware.

The administration is asking for the abandonment of the policy of not injuring domestic industry.

The pending bill makes it difficult, if not impossible, to make a case for relief under the escape clause. Nothing less than complete economic disaster, as the test for the escape clause.

The bill does not require that we get reciprocal concessions.

Opposed to the bill—endorse the Bush amendments.

Burnham B. Holmes, Rolled Zinc Manufacturers Association.
(Hearings, pt. 3, p. 1109.)

Import competition was negligible 10 years ago—now they are 44 percent of domestic production.

Oppose the bill—if it is to be adopted it should be amended and extended for only 2 years. Most severe competition comes from Yugoslavia.

The bill grants too much tariff-cutting authority. The peril-point provision should be restored and made binding on the President. Most-favored-nation principle should be changed.

The bill should include some provision for increasing the duty on lead and zinc and a compensatory duty on zinc sheet and zinc wire.

Eugene L. Stewart, Man-made Fiber Producers Association, Inc.
(Hearings, pt. 3, p. 1115.)

"We oppose the enactment of H.R. 11970 in its present form." Endorses the amendments introduced by Senator Bush and others.

The bill is based on fallacies.

"It would be foolhardy to assume that undiscriminating use of the powers in H.R. 11970 would benefit the U.S. economy."

Nothing in the bill supplies the necessary guidelines or safeguards.

The specific defects in the bill are numerous.

It should be amended to insert guidelines and principles for the conduct of our negotiations attuned to the realities of present competition. The amendments should reinstate the guiding principle of a selective use of authority to avoid injury to domestic industry.

Thomas C. Keeling, Jr., Koppers Co., Inc.
(Hearings, pt. 3, p. 1218.)

How can a businessman support this bill and at the same time keep faith with his stockholders and the employees of his company?

The bill gives too broad powers to the President and too little consideration for the drastic effects on industries, companies, or plants.

The bill offers no peril point procedure.

The escape clause is still too weak and cumbersome to be of real value.

It calls for reductions in tariffs by categories and this would be highly injurious to the chemical industry.

Provisions for adjustment assistance should be stricken from the bill.

Concessions should be restricted to nations which have given us concessions.

Winthrop K. Coolidge, president, Chicago Copper & Chemical Co.
(Hearings, pt. 3, p. 1222.)

"We anticipate absolute ruin of ourselves and our industry if the present law is changed in the direction of H.R. 11970."

If the act is to be renewed it is recommended that—

The peril point provision should be restored and stiffened so that the President cannot go beyond the peril point.

Escape clause relief should be mandatory.

The President already has too great a load and Congress should not delegate any more power or responsibility to him.

Clark L. Wilson, Emergency Lead-Zinc Committee.
(Hearings, pt. 3, p. 1225.)

The committee members account for 90 percent of domestic mine production of lead and 80 percent of zinc.

Every single procedure has been followed in seeking a solution to problems caused by unneeded and excessive imports.

The quotas assessed have been ineffective.

The bill would increase the discretionary power of the President when it should be less.

It would make more difficult for an injured industry to obtain relief.

Adjustment assistance sections should be eliminated.

Peril-point provisions should be restored.

Better guidelines should be established.

T. E. Veltfort, Copper & Brass Research Association.
(Hearings, pt. 3, p. 1231.)

Represents 37 companies in 15 States.

"The brass mill industry opposes H.R. 11970."

Mills operate in an extremely efficient manner with capacity more than adequate to meet demands, but labor rates in foreign mills are much lower and continue to widen. The mills have already lost their export markets and a substantial portion of the domestic market.

The responsibility for protecting and promoting domestic industries rests with the Congress and if delegated should be accompanied by strong and explicit standards.

Peril point and escape clause procedures now in the law should be retained and strengthened.

Adjustment assistance should be stricken from the bill.

H. Sturgis Potter, tool and fine steel committee.
(Hearings, pt. 3, p. 1247.)

This industry is already threatened by imports.

The bill "cloaks the executive branch with unprecedented authority to reduce tariffs and diminishes the powers of Congress in the trade area to an alltime low." If adopted the bill should include the following:

The national security clause should be strengthened.

Congressional review of negotiated agreements should be provided.
The escape clause should be put more in line with the present law.
The peril point provisions should be retained.
The subsidy involved in the adjustment assistance provisions should be stricken.

Hon. Jacob K. Javits, Senator from New York.
(Hearings, pt. 3, p. 1277.)

Strongly supports the objectives of the bill, but suggests several amendments which will improve it.

A. The most substantial concessions to be made on the products of the strongest U.S. industries.

B. Shape negotiations so that concessions for less developed countries or areas will be granted to less developed areas.

C. The United States should enter into agreements for the submission of annual reports on progress in wage and living standards.

D. Specify that infringement of U.S. patents, copyrights, and trademarks shall be the cause for retaliatory measures by the United States.

E. Terminate adjustment assistance on June 30, 1974.

F. Require a detailed report on expenditures under adjustment assistance program.

G. Require publication of "Summaries of Tariff Information" every 5 years.

H. Establish a council of advisers from agriculture, industry, and labor.

Hon. John G. Tower, Senator from Texas
(Hearing, pt. 3, p. 1299.)

Supports amendments submitted by Senator Bush and others including himself.

Asks for a strong peril point provision. It has been proved to be workable and no hindrance to negotiations.

The escape clause has been seriously weakened in the bill. It should be made even stronger than it is now. Texas has suffered because of a growing trend in imports of the products made there, while at the same time exports have declined.

National security section should be strengthened so as to limit imports of petroleum and products thereof. Texas has been heavily cut back while foreign producers have expanded rapidly. Texas wells operate only 8 days a month.

Proposes congressional review of agreements. This very great delegation of power should have some review and checks. A joint congressional oversight committee should be established.

Ernest Falk, U.S. National Fruit Export Council.
(Hearings, pt. 3, p. 1308.)

About $250 million of U.S. fruit is exported. However, most European countries have serious restrictions on fruit imports.

"Most European countries have violated their GATT commitments; many are still not living up to their obligations."

The fruit industry has supported trade acts but concludes it cannot support the 1962 act solely on the hope that abuses will be corrected. It should be amended to—

A. Withdraw concessions and make no new ones where countries have nullified or impaired concessions granted the United States.

B. Require limitation of most-favored-nation treatment to countries which extend similar treatment to the United States.

C. One phase of the industry suggests a stronger peril point and escape clause and the elimination of the adjustment assistance section.

Robert T. Stevens, president, J. P. Stevens & Co., Inc., New York, N.Y.

(Hearings, pt. 3, p. 1324.)

If the 7 point programs already initiated were fully implemented it would be of considerable help. However, it does not show signs of full operation yet. Someone, somewhere, is delaying the accomplishment of the goals of the programs.

The United States is today one of the least protected industrial nations in the world. Duties have been reduced by 75 percent; at the same time we tolerated increased barriers abroad.

The effect of heavy imports is felt in other vital industries. The United States can be jeoparpizing its national security by allowing its vital industries to be injured.

There is no known reason why the Tariff Commission should continue to withhold its decision on the cotton textile study it began 9 months ago.

C. W. McMillan, American National Cattleman's Association
(Hearings, pt. 3, p. 1351.)

Congress should take back the tariff-making power as its prerogative and duty. It should not enact those sections of H.R. 11970 which give the executive branch additional importance.

Imports of beef and veal in 1961 totaled well over 1 billion pounds, or over 8 percent of domestic production. In 1962 imports are running 56 percent ahead of the same period in 1961. Projected through 1962 imports will be 15 to 16 percent of domestic production.

Tariffs and other protective devices are essential to the progress of our economy.

The "subsidies" of adjustment assistance are opposed.

Clayton F. van Pelt, Tanners Council of America, Inc.
(Hearings, pt. 3, p. 1363.)

"We do not believe that the bill before you meets the crucial foreign trade problems of our time. We believe it requires great and constructive amendment."

Shoes are being imported at the rate of 68 million pairs annually, 10 percent of domestic production. It requires leather to make shoes.

The tannery and shoe industries employ 290,000 workers, which means imports have taken over 25,000 jobs.

Any trade bill must provide for

1. True reciprocity.
2. Peril point and escape clause actions.
3. Adequate safeguards and congressional review of delegated power.
4. A reasonable limitation on delegated authority.

Don F. Magdanz, National Livestock Feeders Association.
(Hearings, pt. 3, p. 1370.)

"The position of the National Livestock Feeders Association is one of firm opposition to the bill in its present form."

Under such legislation imports would definitely increase and cause even greater injury than is the case today.

It is fundamentally wrong for Congress to continue surrendering its authority to the executive branch.

The emphasis on the welfare and relief sections of the bill is evidence of an intention to allow injury to result from tariff concessions. The adjustment assistance provisions should be stricken completely.

Adequate safeguards should be retained.

Jack R. Grey, Pennsylvania Canners Association, Mushroom Canners Committee.
(Hearings, pt. 3, p. 1377.)

The committee is opposed to the passage of H.R. 11970 because it promotes and provides for wholesale reduction of tariffs and the elimination of safeguards.

Substantial reductions in the tariffs on mushrooms have resulted in great increases in imports. In 1961 imports were 11½ percent of total U.S. consumption, or 4.7 million canned pounds. In 1962 over 8 million canned pounds have been imported already and will account for over 25 percent of consumption.

If the bill must be passed it should include strong peril point and escape clause procedures and the adjustment assistance provisions stricken out.

Richard A. Tilden, the Domestic Producers of Wooden Spring Clothespins.
(Hearings, pt. 3, p. 1383.)

The Congress has historically affirmed its determination that trade agreements should not injure domestic industries.

The clothespin industry has had experience with the escape clause provision of present law and even the present one is grossly inadequate.

Congress should retain final control over the granting of concessions below peril points set by the Tariff Commission. It should also provide for effectuating the Commission's recommendations for escape clause relief.

Virginius R. Shackelford, Jr., American Silk Council, Inc.
(Hearings, pt. 3, p. 1441.)

The industry is located primarily in small towns. It supports the concept of the bill as a means for increased trade but feel that additional safeguards for domestic industries should be written in.

Every industry in the country will be effected by the bill but some have problems that are unique.

Present ratio of imports of woven silk products to domestic production is 125 percent. The Japanese, because of low wages, may at any time sell in this country below cost of production here.

Urges careful consideration of both Muskie and Bush amendments.

Wm. R. Brown, member, State chambers of the Council of State Chambers of Commerce
(Hearings, pt. 3, p. 1465.)

The business community is sharply divided on the merits of the bill.

One point however, is generally agreed upon. The enactment of the trade adjustment allowance program will set a precedent that threatens the integrity and autonomy of State unemployment programs.

State laws will have to be changed before they could participate in this program. It goes far beyond the benefits of even the most generous States. It is special legislation for a special class of people.

It would be best to strike the whole adjustment assistance provision.

Robert A. Ewens, Conference of State Manufacturers Associations. (Hearings, pt. 3, p. 1471.)

We in the various States * * * consider that chapter 3 of title III of H.R. 11970 is a harbinger of federlization as well as a needless expedient that will saddle all industry and taxpayers with unnecessary costs."

The individual States have discharged their respective stewardships most commendably. They can continue to do so. There are enough statutes on the books to deal with any problem H.R. 11970 may produce.

There is no reason for the bill to go into the field of compensation.

E. Russell Bartley, Illinois Manufacturers' Association. (Hearings, pt. 3, p. 1479.)

The IMA registers objection to chapter 3 of the bill, assistance to workers.

Under the provisions of the bill unemployed workers could, in many cases, draw benefits which are higher than their weekly wages.

Enactment of the bill would open the door to federalization of the whole unemployment compensation system. They have been and should be the function of the legislatures of the individual States.

The bill, if adopted, would violate State laws. Chapter 3 should be eliminated.

Asks also that the peril point section be restored and the escape clause of present law be retained; that an extension be made for only 3 years.

Bertram S. Collins, Associated Industries of Massachusetts (Hearings, pt. 3, p. 1484.)

Represents about 2,000 manufacturers. A majority are in the small business category.

The AIM is not, by inference or otherwise, expressing itself on any aspects of the legislation except on title III.

The AIM is firmly opposed to the usurpation of the inherent right of the States to modify and maintain State employment security systems.

It is recommended-

1. The deletion of title III.
2. That no action be taken in this area until such a time as anticipated unemployment is proved to be unmet by the States.

Wm. C. Babbitt, National Association of Photographic Manufacturers (Hearings, pt. 3, p. 1493.)

The idea of reciprocal agreements has much to commend it but it has been absent in our past negotiations. We "have swapped elephants for mice." The industry is dissatisfied and distressed.

The duties on imports of photographic goods have been reduced by as much as 75 percent and have received no important concessions from major foreign producing countries.

The peril point and escape clause provisions should be retained and strengthened.

Reciprocity should be insisted upon and nontariff barriers not allowed to offset concessions.

The so-called 80 percent EEC–U.S. to zero provision is dangerous and should be stricken.

Curtis Dall, Liberty Lobby--Washington, D.C.
(Hearings, pt. 3, p. 1511.)

Liberty Lobby has about 25,000 supporters, but do not represent any special interest group.

"Our combined opposition to H.R. 11970 stems primarily from our strong belief that the bill is flagrantly unconstitutional.

"Aside from the false claims of some economic advantages the proponents claim will accrue, the Constitution simply cannot be bypassed in this manner.

"If the President should also request the power, in the name of 'public interest' to coin money, declare war, et cetera, will you also acquiesce?"

Carl H. Wilkin, National Foundation for Economic Stability, Washington, D.C.
(Hearings, pt. 3, p. 1522.)

An analysis of the economy of the United States in the period 1946–50 compared to the period 1951–61 is given.

In period 1 total wages and interest averaged 79.6 percent more than in period 2.

National income was short about $31½ billion per year.

Other evidence was introduced to indicate that the economy was down in period 2 compared with period 1.

If H.R. 11970 is passed, the economic situation will worsen considerably.

Donald Hiss, 15 domestic cement producers.
(Hearings, pt. 3, p. 1535.)

Cement is a fungible product, and premium pricing is impossible. A difference of 1 cent per barrel will determine who sells in a given market. The availability of low-priced cement does not increase the demand.

Producers would object to any further lowering of tariffs on cement.

There has been considerable dumping of cement in the U.S. market, and the cases have been appealed to the Treasury. Many months' delay has occurred in most of these cases.

Five cases are still pending, and more will likely become necessary soon. Something should be done to speed up action.

Request that a time limit be placed on antidumping cases, and that the right of appeal be granted.

Craig D. Munson, Stainless Steel Flatware Manufacturers Association, Sterling Silversmiths Guild of America, and Silverplated Flatware & Holloware Manufacturers Association.
(Hearings, pt. 2, p. 490.)

These 16 companies in 7 States with 15,000 employees produce 85 to 90 percent of the eating tools made in America.

One of the few industries having received help under the escape clause in the form of a global quota. It is working and could work

for other injured industries. This kind of relief should be written into H.R. 11970.

However, imports still have 30 percent of the domestic market and efforts are constantly being made to revise or do away with the quotas.

The bill should be amended to—

(1) eliminate adjustment assistance provisions;
(2) restore and strengthen peril points;
(3) strengthen the escape clause; and
(4) make the Tariff Commission's recommendations final both as to peril points and escape clause.

A. B. Sparboe, Chamber of Commerce of the United States.
(Hearings, pt. 2, p. 691.)

"The national chamber favors the principles of this legislation with the exception of certain provisions as hereafter discussed"

The question is not whether this authority should be delegated, but rather the establishment of appropriate guidelines. Most guidelines in the bill are adequate, but there are exceptions:

(1) It should be provided in the law itself that reciprocity be assured.

(2) The 80 percent EEC-U.S. category may well be reduced.

(3) The committee should look closely at the section barring concessions to Yugoslavia and Poland.

(4) The base period for raising rates should be July 1, 1945, rather than July 1, 1934.

(5) Retain a good, workable escape clause.

(6) Adjustment assistance provisions are unnecessary and unjustified.

Charles K. Lovejoy, Fountain Pen & Mechanical Pencil Manufacturers Association, Inc.
(Hearings, pt. 2, p. 825.)

The bill H.R. 11970 does not fully respond to the needs of industry in general and this industry in particular.

The Trade Act should not be considered a panacea to domestic and international problems. To transfer strength from any one facet to another would destroy the balance in our economy.

Foreign nontariff barriers must be eliminated.

The term "unjustifiable" with reference to foreign restrictions kills the whole proposal and should be taken out.

Adjustment assistance "sounds as though we are going to be revived after burial." Special assistance should not be necessary.

Taxes of various kinds make it much more difficult to compete; some should be abolished.

David W. Kendall, the cornstarch industry, General Time Corp., and Book Manufacturers Institute.
(Hearings, pt. 2, p. 931.)

On one hand these industries have hoped for legislation to broaden the executive power with regard to tariffs and customs. On the other hand they caution care and farsightedness in the drafting. The situation in August is quite different than it was in March and June. (The cotton textile agreement turns out to be "no agreement" and the relationship of the United Kingdom to the EEC has altered.)

H.R. 11970 leaves a great deal to be desired:

(1) It lacks appropriate and well-planned guidelines;

(2) It does not provide for true reciprocity;

(3) It overlooks the time-honored machinery of peril point and adequate escape clause;

(4) It ties the United States to most-favored-nation responsibilities without requiring them of others; and

(5) It contains adjustment measures open to doubt.

A. K. Scribner, president, Virginia Chemicals & Smelting Co.
(Hearings, pt. 3, p. 1054.)

The bill, "as written carries with it the threat of serious injury to the hydrosulfite industry."

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

Recommend that

(1) Peril points be established by the Tariff Commission;

(2) Industry sources supply advice and information during negotiations;

(3) Negotiations should be on a product-by-product basis and reciprocal concessions should be made on like products;

(4) The adjustment assistance chapters be eliminated; and

(5) The escape-clause procedures in present law should be restored and strengthened.

John H. Zwicker, president, American Knit Glove Association, Inc., for the American knit handwear industry.
(Hearings, pt. 3, p. 1051.)

Imports have taken over about 75 percent of the American market. We must oppose the radical about-face policy in H.R. 11970. If adopted, it should be amended as follows:

A. Eliminate all adjustment provisions.

B. Make reductions on a selective basis and avoid injury or the threat of it.

C. Strengthen the escape clause.

D. Eliminate the proposed preliminaries to negotiations and restore the peril-point provisions of present law.

Gordon Laughead, National Piano Manufacturers Association of America, Inc.
(Hearings, pt. 3, p. 1445.)

The U.S. producers are not alarmed over imported pianos from countries other than Japan.

"We depend on the good judgment and commonsense of Congress not to cause the progressive destruction of our industry."

American manufacturers have done everything possible by way of technological improvements, but the production of pianos cannot be automated. Labor costs are high.

Fifty years ago there were 300 piano manufacturers; by 1959 only 22 were left.

The industry would be destroyed if duties were cut.

Walter W. Maule, American Mushroom Institute, Kennett Square, Pa.
(Hearings, pt. 3, p. 1381.)

The mushroom industry opposes the enactment of the bill.

Only by Senate amendments incorporating safeguards can protection be assured.

The first tariff reduction on mushrooms was made to France in 1935. Now Japan and Taiwan have industries that can ruin the industry and its 10,000 workers.

The existing "escape clause" in the bill is weak and should be strengthened.

The adjustment assistance provisions indicate an intent to injure industries.

The mushroom growing and canning industry should not become the victim of ill-advised legislation.

Peter M. Miranda, Industrial Wire Cloth Institute.
(Hearings, pt. 4, p. —.)

It is sincerely urged that the committee strengthen and implement the present escape-clause and peril-point procedures 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."

Since 1952 the domestic weavers share of the U.S. market has declined from 75 percent in 1952 to only 20 percent. In the first 6 months of 1962 imports increased their share of the U.S. market to 80 percent.

J. Eldred Hill, Jr., Virginia Employment Commission.
(Hearings, pt. 4, p. —.)

He is not appearing in favor of or opposition to the general objectives of the tariff provisions of the bill.

The provision for trade readjustment allowances should be eliminated.

It creates a new Federal unemployment compensation program, more liberal than any existing State programs and designed to favor a small segment of the Nation's unemployed.

One displaced worker is no less unemployed than another.

Paul A. Raushenbush, the Industrial Commission of Wisconsin.
(Hearings, pt. 4, p. —.)

Testimony directed solely to trade adjustment sections of the bill.

The Federal "supplement" device would —

(*a*) Have a serious "federalizing" impact on State unemployment compensation systems.

(*b*) Mean that Wisconsin could not, under its present State law, agree to operate the proposed trade adjustment program.

If the proposed payments are not really unemployment compensation, as some argue, then 100 percent Federal financing of these unique payments would be appropriate.

Marion Williamson, Employment Security Agency, Georgia Department of Labor.
(Hearings, pt. 4, p. —.)

The Assistance to Workers' portion of the bill is opposed for the following reasons:

1. The law of Georgia and other States prohibits payments for the same week from different sources.

2. The proposed new concept of giving special treatment to selected unemployed is unjustified and unfair.

3. It would establish a preferred class of unemployed.

4. Administration would be costly, complicated, and cumbersome.

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

Christian A. Herter, Washington, D.C.
(Hearings, pt. 4, p. ——.)

Mr. Herter urges the committee "to hold fast to this minimum proposal." "I urge you to reject any effort to compromise its principles."

There are many ways the bill could be improved in the direction of greater flexibility in the discretionary authority of the President.

"In today's world it would be national folly to revert to the restrictive policies of the past."

Recommends that the Congress establish a select joint committee to study the progress of the new policy and recommend to Congress on the program.

Charles P. Taft, Cincinnati, Ohio
(Hearings, pt. 4, p. ——.)

Mr. Taft endorses the bill. However, he endorses the nine amendments recommended by Mr. Gilbert of the Committee for a National Trade Policy.

These amendments relate to the staging requirements; reserve lists; national security; Tariff Commission investigations and reports; the Interagency Trade Organization; the special representative for negotiations; trade adjustment authority; and broaden reports by the President.

Charles H. Percy, Bell & Howell, Chicago, Ill.
(Hearings, pt. 4, p. ——.)

"I have long advocated a freer trade policy for the United States and for the entire free world."

"The Nation is no longer debating whether we should or should not expand imports and exports but rather how it should be accomplished."

The United States should enlist the ablest talent possible to do our negotiating. We have every moral and economic right to bargain hard. We are now, for the most part, a low-tariff country.

Government assistance can only be extended to small minorities. Even then it should be only a temporary last resort. Without guidelines the adjustment assistance provision could end up a political boondoggle.

James M. Ashley, president, Trade Relations Council
(Hearings, pt. 4, p. ——.)

Membership in the council represents about 140 major industrial categories interested in imports and exports as well as domestic production.

The question of the United Kingdom membership in the Common Market and the effect on some categories of the bill's tariff reduction proposals, it would seem prudent and wise to extend for a period the

present act. If there must be a new act the following amendments should be adopted.

1. Retain the definition of "industry" in the present act.
2. Retain the peril point and escape clause procedures of the present act.
3. Delete title III, eliminating adjustment assistance subsidies for labor and business.

"If the workers in a factory lose their jobs because of imports, are service workers who are displaced less deserving of consideration?"

Henry Bahr, National Lumber Manufacturers Association
(Hearings, pt. 4, p. ——.)

The industry, once a significant export industry, is now on an importing basis. Exports are less than one-third the former level while imports are four times the 1935 level. Imports of Canadian softwood lumber are increasing at an alarming rate and domestic production has declined. Thousands of American workers have been thrown out of jobs.

Canada is helping the industry there, while the United States is imposing higher taxes, repressive regulations, and other regulations across the board which hamper economic growth and opportunity.

The trade bill should include provisions to protect American industries, strengthen the escape clause, and give the President authority to move immediately without a prior requirement of a long investigation.

H. J. Arnot, Reading Tube Co., Reading, Pa.
(Hearings, pt. 4, p. ——.)

The firm has operated for 2 years without a profit. Research has been cut back and employment has been reduced by 16 percent in an effort to pare losses to a minimum.

The foreign labor cost advantage has been growing, not decreasing.

The industry needs the safeguards the bill would destroy.

The peril point and escape clause procedures should be strengthened as in H.R. 8850.

Adjustment assistance sections are only of theoretical and give about as much sustenance as one would derive from the promise of an inspiring epitaph on one's tombstone.

Hon. Prescott Bush, Senator from Connecticut
(Hearings, pt. 4, p. ——.)

"It was my conviction (on January 7, 1962) that there was no need for hasty action or for a radical revision of our existing trade policy."

The facts considered in December have not changed in August. Common Market conditions and, in general, the whole situation calls for a more adequate appraisal before we outline and make public our plans.

Our import-sensitive industries have lost some 305,000 workers largely as a result of foreign competition, while the growth industries seem to have gained only 90,000 due to foreign trade. The net loss 215,000 jobs.

The amendments proposed would reinstate the escape clause and peril points, make the injury criteria more specific, make peril points binding on the President, give more legislative oversight to Congress, secure true reciprocity, secure equal treatment for Japan, protect the integrity of concessions made to the United States.

Hon. Henry S. Reuss, Congressman from the Fifth District of Wisconsin
(Hearings, pt. 4, p. ——.)

The main section of the bill, section 211, is meaningless unless the United Kingdom does not join the Common Market.

Common Market duties are high on many of our exports and constitute an insurmountable barrier.

The bill should be amended to include the European Free Trade Association as well as the Common Market, so section 211 would be meaningful and negotiations could begin whether the United Kingdom entered the European Economic Community or not.

Donald F. White, the American Retail Federation.
(Hearings, pt. 4, p. ——.)

A federation of 31 national retail associations and 43 statewide associations of retailers. It represents 800,000 retail establishments employing nearly 5 million persons and handles over 70 percent of all retail sales in the United States.

The goal of the proposed legislation is endorsed but the provisions for adjustment allowances for industry or labor are strongly opposed.

The development of the EEC requires new approaches to our tariff policies.

Hon. Edmund S. Muskie, Senator from Maine.
(Hearings, pt. 4, p. ——.)

The Senator has introduced an amendment which would give the President specific authority to enter into orderly marketing agreements with foreign countries in order to protect domestic manufacturers from disastrous increases in imports from countries having substandard wages and working conditions.

"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.

"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."

Hon. Claiborne Pell, Senator from Rhode Island.
(Hearings, pt. 4, p. ——.)

Wisely negotiated agreements offer many opportunities for expanded trade. However, we "cannot sweep under the rug the problems which an expanded trade program can cause."

The Senator proposes an amendment which directs the Secretary of Labor to compile a comparative real wage index contrasting the wages or earnings (in terms of purchasing power) for a worker in American industry with those of a worker in the foreign country with which we are negotiating. This index would be used as a guide to our negotiators, with the intent that tariff modifications be directly related to a comparison of the respective indexes.

The amendment provides for a review in 2 years to see whether legislation may be needed to implement the idea.

Also proposes amendments to strengthen the adjustment assistance provisions of the bill.

Seymour Graubard, American Institute for Imported Steel, Inc.
(Hearings, pt. 1, p. 505.)

Opposes the Buy American Act.

It creates irritations where there should be cooperation. The balance of trade is in favor of our Nation so we should do all we can to encourage the widest purchase of goods in international commerce.

There are other forms of discrimination and trade restrictions. Many States and local governments have, in recent years taken on the congressional prerogative of regulating our foreign commerce. These are unconstitutional and contrary to GATT.

Urge the adoption of the bill, but ask that amendments to take care of these restrictions be adopted.

Everett R. Jones, the Division of Peace and World Order of the General Board of Christian Social Concerns of the Methodist Church
(Hearings, pt. 2, p. 557.)

The Methodist Church supports reciprocal trade agreements. Extension should be for 5 years.

The proposed adjustment assistance section represents an important step forward. Its principles are morally sound.

Supports the discretionary authority to eliminate low-duty rates and the giving of "greater latitude in the negotiation of trade agreements."

E. M. Norton, National Milk Producers Federation.
(Hearings, pt. 3, p. 1459.)

"We believe that every effort should be made to develop beneficial foreign trade, but that imports should not be admitted which are destructive in character."

It is extremely important that Congress retain within its hands its constitutional power to regulate foreign trade.

"We are concerned that import controls under section 22 will be imperiled by H.R. 11970."

"The Common Market does not offer opportunities for increased agricultural exports."

Reducing U.S. tariffs on agricultural products will not solve the Common Market problem.

There are many reasons why the bill should not be adopted.

R.H. Wilcox, president, Agricultural Council of Oregon.
(Hearings, pt. 2, p. 585.)

A need to protect domestic market of agricultural producers against excessive imports.

A growing list of agricultural commodities in Oregon are being threatened by imports. Farmers confronted with rising costs and loss of markets.

Ask that greater consideration be given to domestic agriculture and guard against further tariff reductions. Retain and strengthen peril points and escape clause.

John Bauer, vice president, Business International Sales Corp.
(Hearings, pt. 2, p. 745.)

Favor granting President new trade powers but emphasize that they must be used to open Common Market. Export of poultry now threatened and trading powers should prevent the closing of this important market.

Draw attention to the new protectionism of the Common Market countries and this must be opposed in every possible manner. New agricultural restrictions already announced will mean sentence of death to U.S. poultry exports.

John E. Carroll, president, American Hoist & Derrick Co. (letter to Senator Hartke).
(Hearings, pt. 3, p. 1614.)

Firm is exporting machinery, to Common Market area. Taxing foreign-based subsidiaries is not in the interest of the export expansion program.

Foreign competition does endanger U.S. business even under present tariff barriers but will take chances in a free trade atmosphere. Some loss in domestic sales, perhaps, if the President cuts tariffs but total business may be better off.

On the other hand, they do not want legislative powers subordinated to the executive branch. Do not wish to take production out of the United States and build a factory abroad, but wish to continue exporting.

J. C. Lanier, Leaf Tobacco Exporters Association.
(Hearings, pt. 2, p. 595.)

Export trade in tobacco is vital to the economy of a large section of the country. Exports will be adversely affected unless a new reciprocal trade agreement is enacted by June 30, 1962.

Essential to delegate powers to someone to negotiate trade agreements in order to protect the tobacco export business.

Give the bill favorable consideration.

W. E. Benson, National Sports Co., Wisconsin. (Letter to Senator Wiley.)
(Hearings, pt. 2, p. 684.)

Protest conditions which have encouraged tremendous growth of imports of sporting goods.

Concern is with huge amounts of all kinds of athletic and sporting goods imported to sell at a fraction of American costs.

Quotas should be set on imports and such a program should be promoted.

J. Hanes Lassiter, vice president, Riegal Paper Corp., New York, N.Y.
(Hearings, pt. 2, p. 745.)

Company ships thousands of tons of pulp to Europe. If Sweden, Norway, and Finland enter the Common Market, a tariff of 6 percent will be applied and this European market would be lost.

It would be a poor bargain to reduce our own tariffs in exchange for a reduction in Common Market tariffs which have never been in effect.

Favor giving President authority to bargain, but bargaining should begin on present duty status, not on rates set for bargaining purposes.

J. Stewart Gillies Overseas Automotive Club, New York, N.Y.
(Hearings, pt. 3, p. 1614.)

Endorses purposes of proposed act.

Believes that the reduction of trade barriers, achieved through truly reciprocal agreements with other free world countries and accompanied by necessary safeguards for American industry and labor, is essential to the economic progress and security of the United States.

Urges the United States to seek vigorously to eliminate discriminations against automotive products abroad.

Homer Davison, American Meat Institute.
(Hearings, pt. 3, p. 1402.)

Much more needs to be done to eliminate foreign discriminations against U.S. livestock products. A number of serious foreign restrictions are in effect. The Government should insist that these be removed. Discriminations and countries using them against the United States are named.

Policy of the Institute not to take a position on tariff matters but would appreciate efforts toward reduction in obstacles which threaten U.S. export markets.

Daniel M. Dalrymple, New York State Department of Agriculture and Markets
(Hearings, pt. 3, p. 1401.)

"I cannot see that the United States has been very successful in its negotiations with France and Italy or the Common Market to agree to reciprocate."

"In the case of sweet cherries and apples we are not getting a square deal under the proposed law."

If the tariff is sharply reduced a great number of sweet cherry producers in New York, Michigan, and on the Pacific coast are going to suffer severe and lasting hardship.

R. L. Cushing, executive vice president, Pineapple Growers Association of Hawaii.
(Hearings, pt. 3, p. 1399.)

U.S. production represents 56 percent of world production of canned pineapple and 81 percent of pineapple juice.

The broad powers of the bill, the policy of the EEC toward its agriculture and the history of recent negotiations are reason for belief that the economy may be hurt rather than helped.

Announced EEC tariff on canned pineapple is 25 percent; the U.S. tariff is approximately 6 percent. Australia, Guinea, Ivory Coast, and others will have free entry to EEC.

In this case, instead of expanding our market the Government could restrict it by fostering competition from other areas.

Strengthen Tariff Commission procedures, retain peril point.

Guarantee reciprocity.

Eliminate concessions negated by other devices.

Have congressional review and veto power.

Have industry advisors on negotiating team.

George Hannaum, Aerospace Industries Association.
(Hearings, pt. 3, p. 1613.)

Member companies account for over 90 percent of U.S. production of aeronautical and space equipment and support orderly methods of reciprocal tariff reductions. In the last 2 years exports have averaged over $1 billion.

It is essential that our Government have greater flexibility in tariff negotiations. Favor the legislation but it should provide taking into account the competitive export disadvantages of products produced under the free enterprise system.

Bruce F. Failing, Beacon Feeds-Textron Corp., Cayuga, N.Y.
(Hearings, pt. 2, p. 743.)

The bill will provide the best means for preventing or obtaining removal of unfair restrictive measures. However, "It is impossible for us to understand and accept a principle which advocates reducing U.S. import duties on European goods so they may enter our market on a competitive basis and at the same time agree to higher import duties by European countries on U.S. poultry so that we cannot compete."

The act should include:

1. A prohibition on concessions to countries which impose restrictions against U.S. poultry products.
2. Terminate concessions to countries which set up measures to exclude or make U.S. poultry and eggs noncompetitive.

Robert L. Gibson, Jr., president, Libby, McNeil & Libby, Chicago.
(Hearings, pt. 2, p. 592.)

One of world's largest exporters of canned and frozen foods. Expanded trade will be encouraged by H.R. 11970, but are opposed to the concept of relief provided in chapters 2 and 3 of title III.

Also point out that freeing trade would be fruitless if American industry is rendered impotent or made noncompetitive by reason of foreign income being subject to the taxation contemplated under H.R. 10650.

Urge that H.R. 11970 receive favorable consideration.

Harold A. Slane, attorney, Los Angeles, Calif.
(Hearings, pt. 2, p. 681.)

The bill is very good but needs amendments in order to make it acceptable to the American businessman. "To the extent that safeguards have been included in the present bill and to that extent only, the present bill is tenable." However, certain additional yardsticks and administrative machinery should be added. U.S. firms cannot engage in double-pricing nor can they allocate markets, as is done abroad. Some foreign firms are given rebates on products exported.

American firms are at a great disadvantage in the heavy tax burdens they must assume and wage level differences compound the disadvantage.

The bill is good but much work remains to be done.

Carl J. Carlson, president, Cigar Manufacturers Association of America, Inc., New York, N.Y.
(Hearings, pt. 2, p. 593.)

"We are unqualifiedly in favor of the objectives of H.R. 11970, and we urge that the bill be reported favorably."

Agriculture Department has estimated that domestically grown cigar tobaccos could be drawn upon only to the extent of 9 million pounds per year, leaving a gap of 21 million pounds which must be filled from foreign sources.

Passage of H.R. 11970 presents the United States with a unique opportunity for mutually advantageous trade agreements.

Interested also in expanding exports which would be facilitated by the provisions of the bill.

Paul W. Walter, president, United World Federalists, Washington, D.C.
(Hearings, pt. 3, p. 1612.)

Has long favored stimulation of freer world trade. The bill is an important step.

It will strengthen our economic and political relations with the EEC, will assist the less developed countries, and will counter economic penetration by the Communist bloc.

Hope the measure will be reported favorably.

Howard P. Chester, president, Window Glass Cutters League of America, Columbus, Ohio.
(Hearings, pt. 3, p. 1096.)

Seriously oppose H.R. 11970.

Peril point and escape clause should be included in any legislation and give adequate protection to domestic industry and labor. "We cannot hope to confront the Russian menace with a broken back."

The $15 billion in goods we imported in 1960 would have been valued at $30 billion had they been produced in this country.

The work of 2,145 workers would be required to make $28 million worth of window sheet glass at American prices, but the displacement created by imports valued at $28 million would be 3,217 workers.

Urges that the bill be not reported.

H. E. McCulloch, Monarch Tile Manufacturing, Inc., San Angelo, Tex.

(Hearings, pt. 3, p. 1095.)

Ceramic tile manufacturers are sorely pressed to survive the present flood of imports. Japan labor is 17 cents per hour—the average in the United States is $1.87 per hour.

Tariff Commission found injury under the escape clause in 1961 but the President refused to ratify it.

This type of legislation tends to destroy incentive. Oppose any legislation that will weaken domestic industry, large or small.

John N. Thurman, Pacific American Steamship Association.
(Hearings, pt. 4, p. — .)

Supports the principle of wider authority to meet changing conditions.

"In our view, however, we are being asked to pay an exorbitant price for the liberal handling of tariffs by the President by reason of

the drastic unemployment features of the Trade Expansion Act of 1962."

"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."

Unemployment already costs many California employers in excess of 3½ percent of their payroll and this is only for 26 weeks of coverage.

Any unemployment compensation should be handled under separate legislation.

R. G. Follis, Standard Oil Co. of California
(Hearings, pt. 2, p. 884.)

Understand various oil-producing interests advocate increasingly severe restrictions on imports of petroleum be frozen into law by amending this bill.

Congress should continue to delegate to the President the responsibility for an adequate control program.

National security does not require more stringent restrictions on imports. Such would be merely an unnecessary obstacle to international trade.

"We do not think it proper that we, or any other group, urge legislative action when, in the main, the program is accomplishing its purpose."

Robert S. Nickoloff, attorney, Hibbing, Minn.
(Hearings, pt. 4, p. ——.)

The Trade Expansion Act has been oversold. Its adoption would not be any great step forward. Because of propaganda, the average citizen believes we are a protectionist nation with high tariffs. This is not true.

Proposes a "Tax Credit for Exports." 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.

R. C. Brown, president, Champion Aircraft Corp., Osceola, Wis.
(Letter to Senator Wiley.)
(Hearings, pt. 3, p. 1616.)

A tariff reduction by foreign countries would be most helpful, but the Trade Expansion Act could be harmful to U.S. domestic sales.

This is based on comparison of foreign and domestic labor rates.

The problem is compounded by the fact that foreign governments subsidize their aircraft industries.

Not only confronted by foreign tariff rates but by a serious need for a finance plan allowing up to 36 months for reimbursement.

Honorable Kenneth B. Keating, Senator from New York, Letter to Chairman Byrd with enclosures
(Hearings, pt. 2, p. 739.)

Concerned about the relative powers of the Congress and the President in the trade field.

Proposes that Congress be given a veto over trade agreements. Generally speaking, it would require a two-thirds vote by both Senate and House within 60 days.

This veto power is not severe, and may be exercised only rarely, but it would encourage the executive branch to consult more seriously and more conscientiously with the Congress.

W. Harnischfeger, Milwaukee, Wis.
(Hearing, pt. 3, p. 1611.)

It is most unrealistic to reduce tariffs under prevailing conditions. The most sensible thing would be to reenact the existing bill for another year. It is serious when our negotiators are "horse trading" our tariffs on the basis of averages without due consideration to our industries.

A horizontal reduction will bring about more imports and further dislocate industry.

Giving the President powers of life and death over an industry are unwarranted, and are already being used for political purposes.

Paul Bakewell, Jr., St. Louis, Mo.
(Hearings, pt. 3, p. 1610.)

"How can our Government advocate free world trade when our domestic trade is subject to such controls by the Government?"

If one accepts the theory of free trade he assumes that the currency of all nations will be freely convertible into gold; that all artificial internal controls, as well as tariffs will be removed.

Contrary to the policy of the Employment Act of 1946 to foster and promote private employment the proposed bill implicitly asserts that its operation will cause unemployment.

If the bill passes, and we remain on a paper currency standard and the Common Market on the gold standard, it means economic suicide for us.

P. G. Winnett, Bullocks Inc., Los Angeles, Calif.
(Hearings, pt. 2, p. 592.)

United States will further its own interests through passage of H.R. 11970.

It will strengthen the domestic economy by guaranteeing our share in the expanding EEC market.

It can be particularly effective in expanding U.S. activity throughout the world.

It means more domestic jobs.

Robert J. McGorrin, International Trade Club of Chicago.
(Hearings, pt. 3, p. 1609.)

The 700 members believe the enactment of the bill is imperative now.

The national security demands our trade policy support our foreign policy.

If we shrink from this competitive challenge Mr. Khrushchev will make good his boast to bury us.

Passage will inevitably cause dislocation in some few industries but the bill provides ample adjustment assistance.

B. R. McNulty, The Dia-Log Co., Houston, Tex.
(Hearing, pt. 4, p. ——.)

Certain results of title III (adjustment assistance) would be more liberal State programs which would cost employers millions more in taxes.

This section should be amended.

Favors trade expansion but this bill would have critically important effects. Each of the proposals should be studied in perspective.

Mrs. Michael Ingerman, Women's International League for Peace and Freedom.
(Hearings, pt. 4, p. [illegible].)

Endorses in principle H.R. 11970 it makes possible the lowering of tariff barriers.

World trade should be unhampered by trade restrictions.

Commend provision for welfare of industries and workers displaced by imports.

Eric Johnston, president, Motion Picture Association of America.
(Hearings, pt. 3, p. 1608.)

Favors enactment of H.R. 11970 for two reasons. It sets up machinery that will give American business the chance to compete and access to world markets. It also recognizes that a healthy mutually beneficial freer world trade is essential to America's prospects for economic growth.

We cannot lead a changing world if we do not keep changing with it.

Important step in promoting Atlantic partnership and strengthening Western alliance.

R. C. Rolfing, president, Wurlitzer Co., Chicago.
(Hearings, pt. 4, p. [illegible].)

Opposes the bill.

It would have a long-lasting deleterious effect on the American economy. Tariff reductions have already caused unemployment and economic suffering.

Benefits are entirely speculative, whereas injury is outside the area of conjecture.

Loss of sales, skills, and channels of supply and distribution would result in inefficiency.

Delegates too much power without effective limitations.

Opposes "dole" sections. It is not consistent with a healthful and workable economy.

Stuart G. Tipton, president, Air Transport Association
(Hearings, pt. 3, p. 1612.)

Supports the principle of the bill.

Policy to work for the freer flow of persons and property in international commerce.

The bill would provide opportunity and incentive to increase sales abroad.

Long-range aircraft have overcome geographic and other natural barriers, but it is necessary to overcome artificial barriers that restrict international trade.

J. B. Hutson, president, Tobacco Associates
(Hearings, pt. 2, p. 594.)

A total of 800,000 tobacco farmers depend on foreign markets for 30 percent of their sales.

About three-fourths of oversea trade is with members or potential members of the Common Market.

The EEC has presented new challenges and new opportunities.

The bill has the association's unqualified endorsement.

John Akin, president, National Foreign Trade Council, New York, N.Y.

(Hearings, pt. 3, p. 1617.)

Endorses the stated purposes of the bill.

Reduction of trade barriers through truly reciprocal agreements is essential to the economic progress and security of the United States.

Should press for the most-favored-nation principle and oppose preferential relationships.

The grant of increased bargaining authority is essential if American exporters are to remain competitive in the European Common Market and other trading areas.

M. A. Clevenger, Canners League of California.

(Hearings, pt. 2, p. 588.)

Includes 80 percent of canned fruit and vegetable production in California.

In the past have unequivocally supported trade policies and extensions of the Trade Act. Changes are essential in H.R. 11970 before it can be supported.

Have misgivings about the broad authority of the bill without checks or assurance of reciprocity. Section 212 would permit reductions to zero and this is of vital concern.

Are greatly concerned over failure to include a "peril point" provision.

Cannot envisage how "adjustment assistance" part of the bill can be of any help to the canning industry or to the farmers who supply the crops.

Ask for a congressional review and veto power as prenegotiation safeguards.

Donald S. Beattie, Railway Labor Executives Association, Washington, D.C.

(Hearings, pt. 3, p. 1607.)

Support H.R. 11970.

Estimate in 1961 some 1,600,000 carloadings could be attributed to exports and imports.

Recognize problem involved in Common Market and power to bargain down their high tariffs is needed.

Burris C. Jackson, president, National Cotton Council of America, Memphis, Tenn.

(Hearings, pt. 3, p. 1398.)

Has supported past trade agreements program and does so now.

A high level of international trade contributes to peace and prosperity.

Concessions should be truly reciprocated by foreign countries.

Are aware of the tremendous increase in imports of cotton yarn, cloth, and apparel and the seriousness of market descriptions and join in seeking action to provide reasonable protection against excessive imports of textile products.

William E. Black, Florida Citrus Commission, Lakeland, Fla.
(Hearings, pt. 3, p. 1395.)

Florida has much interest in an export market. Have not been happy with exports to European markets. Present growth in production exceeds potential domestic consumption and export markets must be found.

Exports are subject to discriminatory restrictions abroad and the pattern of trade gets more discouraging.

Request ample safeguards in the bill to assure that arbitrary restrictions will be eliminated.

We must not bargain away our strength. Agreements must be truly reciprocal.

Frederick V. Geier, the Cincinnati Milling Machine Co.
(Hearings, pt. 3, p. 1604.)

The administration's announced intent to put machine tools on the free list will certainly undermine the defense potential and the industrial productivity of the Nation.

Toolbuilders constitute the keystone of the security procurement structure.

Expansion and progress of the metalworking equipment industries in Europe and Japan, with their much lower wage costs will increasingly affect U.S. builders.

A strong machine tool industry is a critical necessity for national security.

Helen P. Lasell, the U.S. Flag Committee, Long Island, N.Y.
(Hearings, pt. 3, p. 1618.)

Registers strong opposition to the passing of H.R. 11970. Dangerous to national sovereignty; aims at "world federation."

Could result in the destruction of our constitutional form of government.

Opposed to granting unprecedented power to the President and transfer of congressional responsibility to one man.

Steele Holman, San Francisco, Calif.
(Hearings, pt. 3, p. 1606.)

Believe H.R. 11970 will increase the individual profit squeeze but will improve the total business health of the Nation.

Endorses the bill.

Rolf J. Thal, president, Lead Pencil Manufacturing Association, Inc., New York, N.Y.
(Hearings, pt. 2, p. 881.)

Urge that the basic objectives of the bill be accomplished without injury to American industry.

Proposes an amendment which would reserve from negotiations: (*a*) Any article which had dollar exports in 1960 of one-third or less of exports in 1950; (*b*) any article where the Tariff Commission finds production capacity twice that of current volume of sales.

Duty on pencils has already been reduced by 50 percent. A further influx of imports would be fatal. Facilities cannot be converted to other products.

David J. McDonald, president, United Steelworkers of America (Hearings, pt. 3, p. 1619.)

Favors the bill.

A vigorous foreign trade policy is indispensable to a majority of the American people.

The country as a whole should alleviate the harm to the few occurring because of imports.

U.S. steel industry is far ahead of the rest of the world in productivity, hourly earnings, and employment costs. Combined these result in total employment or labor costs which are only marginally lower in other countries.

Stuart J. Swensson, Aluminum Wares Association, Pittsburgh, Pa. (Hearings, pt. 2, p. 1014.)

Industry has annual sales of over $125 million.

Tariffs on these products have already been reduced by 60 percent. Imports increased from less than $3 million in 1954 to almost $6 million in 1961.

The bill places tremendous power in the hands of the executive branch. This industry, under the 80-percent category of the bill, could be completely eliminated.

Adjustment assistance section is extremely dangerous and would not be of help, as applicants would be out of business before "assistance" could be granted.

New legislation should provide adequate safeguards for American industry.

E. G. Cauble, Jr., president, Texas Sheep & Goat Raisers' Association, San Angelo, Tex.
(Hearings, pt. 3, p. 1394.)

Fully realize importance of trade and admit that we must adjust to EEC competition. "However we are deeply concerned to see Congress pass a trade bill which would divest itself of authority over commerce and place such power in the executive branch."

Restrictions against U.S. livestock and products in Canada, New Zealand, and Ireland greatly discourage imports.

A healthy livestock industry is essential.

Request that the trade bill be not passed.

George L. Prichard, National Soybean Processors Association (Hearings, pt. 2, p. 587.)

Process 435 million bushels of soybeans.

Favor free trade in oilseeds, oils, and fats, and protein meals on a truly reciprocal basis.

The Common Market proposals would double import duties and U.S. oils are already shut out by other Government controls.

Urges enactment of legislation that will attain equitable treatment with oilseed processors abroad.

John S. McGowan, Bumble Bee Seafoods, Inc., Astoria, Oreg. (Hearings, pt. 2, p. 586.)

At the very least, H.R. 11970 should be amended to include strong peril point and escape clause features.

Imports are already being so generously treated that there is no sound basis for further reduction. The United States is by far the

largest market for canned tuna. At present nearly 50 percent of U.S. demand is being supplied by imports of raw and canned tuna.

Mindful of the need for balanced international trade but passage of the bill in its present form may have a disastrous effect on U.S. seafood canning industries.

C. T. Nissen, Builders Hardware Manufacturers Association, New York, N.Y.
(Hearings, pt. 2, p. 1008.)

In general, favor the broad purposes of the bill. Urge these be adopted without serious and needless injury to American industry. Proper safeguards must be included.

Concessions should be predicated on foreign removal of various types of restrictions on U.S. goods. The export market for builders' hardware is declining. Foreign restrictions are growing, not declining.

Kenneth W. Marriner, president, Marriner & Co., Inc., Lawrence, Mass.
(Hearings, pt. 2, p. 1008.)

Firm makes wool tops. Visits to Europe indicate industries there are well managed and efficient. "How can we hope, without compensating tariff protection, to compete when their wages are one-third or less than ours?"

Much is said about exports creating new jobs; little is said about the jobs lost because of imports.

Many U.S. plants do not try to meet the competition, but move abroad.

United States should encourage not discourage domestic producers.

S. P. Smith, president, Automotive Exporters Club, Chicago, Ill.
(Hearings, pt. 3, p. 1627.)

Represents 40 members with export volume of $25 million annually.

Favors enactment of the bill.

Growth of export volume imperative to a sound economy.

Only 4 percent of our gross national product is exported, this is far below other nations.

Changes in tariffs may result in dislocations but will be outweighed by the advantages.

Provisions of the act are adequate to reduce damages that may occur.

Robert E. Jones, The Unitarian Fellowship for Social Justice
(Hearings, pt. 3, p. 1628.)

Supports the bill. One of the important keystones of international peace and order is healthy, multilateral trade.

The act will strengthen the U.S. economy and act as a stimulant to its growth.

Strongly support the adjustment assistance provisions. They are essential if the act is to be successfully administered.

Carl H. Donner, president, the Hatters' Fur Cutters Association of the U.S.A., Newark, N.J.
(Hearings, pt. 2, p. 926.)

The industry has long been faced with severe foreign competition. Was granted some relief in 1952 under the escape clause but this was rescinded in 1958 and the industry has since suffered great losses and

is in jeopardy now. Any further reductions would spell the end of the entire industry.

The bill is a dangerous gamble and the harm it will do will be difficult to overcome. It would be better to extend the present act until some sound plan can be prepared.

Lester W. Benoit, The Pipe Fittings Manufacturers Association, New York, N.Y.
(Hearings, pt. 3, p. 1255.)

Are very much opposed to the bill.

Duties have already been reduced 50 percent; this with foreign labor costs 85 percent below domestic and labor constituting 75 percent of total cost, makes competition almost impossible.

Sixty-one percent of the market has already been lost.

Eighty-five percent of the export market has also been taken.

This disastrous experience is typical of a broad segment of the economy.

A suggested trade policy more in the national interest would include adequate protection for home industries and a firmer stand on foreign barriers.

Joseph Kolodny, National Association of Tobacco Distributors.
(Hearings, pt. 2, p. 585.)

Accounts for 85 percent of domestic tobacco sales, purveying nearly $7 billion of consumer soft goods annually.

Are eager to participate in the vigorous competition that will result from the rise of another great market. We need to strengthen our Nations' economic relations with the EEC. The association gives its unqualified support to the Trade Expansion Act of 1962.

Adolph P. Schuman, president, Lilli Ann Corp. and chairman, San Francisco World Trade Center Authority.
(Hearings, pt. 3, p. 1094.)

The bill, or similar legislation must be approved. However, attention is called to woolen textiles which present a unique problem. American producers of higher priced woolen textiles must pay more duty on cloth than competitors pay on finished goods.

Is not seeking protection, just equality of treatment. Asks for lower tariffs on high-priced woolen textiles.

Also, domestic consumers should be protected by prohibiting the importation of inferior woolens.

R. C. McConnell, president, Ohio Oil & Gas Association, Newark, Ohio
(Hearings, pt. 2, p. 900.)

Composed of 881 members, mostly small independent users of oil and gas. Concur with Independent Petroleum Association in request to strengthen the security clause of the act. The bill should definitely limit imports of oil and its derivatives.

Assurances by the executive branch that this would be taken care of administratively prevented such a proposal from being put in the bill by the House of Representatives.

Ohio has suffered greatly by the shutting down of wells, abandonment of pipelines, and loss of revenue. It is urged that a limiting amendment be adopted.

R. T. Compton, National Association of Manufacturers
(Hearings, pt. 3, p. 1629.)

This association does not attempt to speak for its members on tariff matters. Hopes the committee will consider carefully the respective members' testimonies.

Pleased to note that safeguards were inserted but are disturbed that the Labor Secretary's determinations are not subject to review. The actions of both the Secretary of Labor and Secretary of Commerce should be open to court test.

Trade liberalization would not, on balance, improve the competitive position of American producers. It gives greater scope to the operation of international competitive forces. The bill is not the answer to the balance-of-payment problems.

The association is firmly opposed to the adjustment assistance features of the bill. It is futile, arbitrary, discriminatory, unnecessary, and expensive. It will tend to compound the problems.

Emilio G. Collado, Standard Oil Co. (New Jersey)
(Hearings, pt. 2, p. 902.)

The company endorses the basic principles underlying the bill. It is essential as a response to altered economic conditions at home and abroad.

The company supports the need for continuing a national security provision, but at the same time believes quotas on fuel oil cannot be justified on national security grounds. Urges the rejection of any amendments which would specify precisely the level of permissible imports.

Mrs. Charles Hymes, president, National Council of Jewish Women, Inc.
(Hearings, pt. 3, p. 1634.)

Organization has 123,000 members in 329 communities. Supports a liberal trade policy as an indispensable aspect of social and economic progress.

With the advent of the EEC, the Trade Expansion Act of 1962 is urgently needed.

Freer trade as envisioned in this act would lead to the greater economic good of all concerned. A reduction in tariffs would lead to lower prices and a wider range of goods.

It is also a tool to complement the foreign aid program.

C. R. Morris, certain manufacturers of barley malt, Milwaukee, Wis.
(Hearings, pt. 2, p. 581.)

We advocate the following:

1. The reduction of duties on a product-by-product basis instead of on a broad category basis;
2. The restoration of the peril point as provided in the Trade Agreements Extension Act of 1951, as amended;
3. Changes which will restore the escape clause with its definition of industry as provided for above;
4. The removal of the adjustment assistance provisions; and
5. The removal of section 212 providing for elimination of duties equivalent to 5 percent or less.

This industry buys $100 million worth of barley from the farmers each year. It is vulnerable to imports and facilities cannot be converted to other uses.

James L. Williams, American St. Gobain Corp., Kingsport, Tenn.
Curtis G. Shake, Blackford Window Glass Co., Vincennes, Ind.
George P. MacNichol, Jr., Libbey-Owens-Ford Glass Co., Toledo, Ohio.
R. F. Barker, Pittsburgh Plate Glass Co., Pittsburgh, Pa.
(Hearings, pt. 3, p. 1089.)

These firms account for 80 percent of the domestic production of flat glass. Recognize need for flexibility in foreign trade and need for some authority to be delegated to the President. However, adequate limitations and safeguards must be established. Amend the bill to:

1. Negotiate on individual products.
2. In the 80-percent EEC category should be dropped.
3. Reinstate peril point provision.
4. Maintain full escape clause rather than the weak substitute in H.R. 11970.
5. Redefine "industry" to apply to a segment or subdivision.
6. Adjustment assistance section affords no adequate alternative to tariff relief.

W. A. Penrose, Soft Fibre Manufacturers Institute.
(Hearings, pt. 4, p. ——.)

Members manufacture products from jute, flax, and hemp, the fibers commonly known as soft fibers.

The power to remove or cut duties in half is the power to destroy this industry completely.

The raw materials are equally available to all countries. The American wage level is much higher and the machinery is the same in most areas. This means that foreign producers have a distinct advantage.

The bill has greatly weakened the safeguarding features of the act and this must be corrected. Adequate safeguards must be included.

The "adjustment" proposals are artificial, inefficient, and unsuitable and should be deleted.

R. W. Elder, Fine & Specialty Wire Manufacturers Association
(Hearings, pt. 4, p. ——.)

The 17 members produce about 70 percent of the fine and specialty wire made in the United States.

In the last 3 years imports have exceeded exports. A large labor content is involved and low-wage countries have a heavy advantage.

In addition foreign plants are newer and more modern through the help of American foreign aid.

Foreign producers have much more rapid depreciation rates and have various other tax concessions.

Many foreign manufacturers get their research free by using U.S. developed methods.

U.S. tariffs on these products are much lower than the tariffs in other countries.

The "category" approach is unfair. Negotiations should be item by item.

The adjustment assistance provisions are not a practical solution to the problem of increased imports.

Geraldine Earlin, West Englewood Legislative Study Club
(Hearings, pt. 3, p. 1604.)

"We strenuously object to the sweeping powers the bill would grant to any President to reduce or eliminate, at his discretion, any or all remaining tariffs on U.S. imports.

"Under this arrangement we could end up with a dictatorship.

"Since our gross national product is twice that of the EEC, we would be opening our entire market in return for their opening one-half as big. How could this increase our exports?"

The committee is requested to reject the proposed legislation.

George J.Burger, National Federation of Independent Business.
(Hearings, pt. 3, p. 1602.)

"On behalf of the 182,000 individual independents in business and the professions from all 50 States we urge you reject the administration's request for expanded powers to reduce tariffs."

If the bill must be adopted, then the strongest possible safeguards against its overuse must be included.

Opposition to the bill increased as the propaganda for it developed. There is no confidence in the direction of the proposed assistance to injured firms and employees.

Retain and strengthen peril point and escape clause. Give greater powers to the Congress to override or veto injurious agreements.

If an assistance program must be set up, delegate responsibility for it to the Small Business Administration.

A. R. Gale, Studebaker International.
(Hearings, pt. 3, p. 1601.)

"I believe that 'protectionist' is an expression best suited to those persons, like myself, who vigorously support H.R. 9900. Its enactment will protect and improve our living standards, U.S. employment levels, and protect and strengthen our ability to provide economic and military aid to those critical areas overseas urgently in need of support."

"I support those who urge that before the bill is enacted the Congress insure that adjustment assistance be fully adequate unto the need."

Current programs have to be reinforced and expanded.

H. L. Hampton, Jr., Sporting Arms & Ammunition Manufacturers Institute
(Hearings, pt. 3, p. 1598.)

The industry is essential to national defense as the major responsibility for firearms rests upon it.

Imports of firearms under existing tariffs have increased from $5.8 million in 1956 to $9.5 million in 1961. On a unit basis imports have tripled.

Section 225(a) of the bill should be drafted to preclude any negotiating on items while an escape clause or national security investigation is pending. The antidumping law should be strengthened and a limit in time should be set on security investigations. No concessions should be made on national security items.

The adjustment assistance provisions should be eliminated.

Otis H. Ellis, National Oil Jobbers Council, Inc.
(Hearings, pt. 2, p. 893.)

This is a trade group composed of 33 State and regional associations of jobbers and distributors of petroleum products.

The advent of the Common Market, along with other factors, means that the United States must make some changes in its trade and tariff policies.

Jobbers have traditionally opposed legislation which would specifically restrict imports of oil or its products. Favor keeping the escape clause and feel it is adequate.

Restrictions on residual imports imposed dire and extreme hardship on eastern seaboard terminal operators and distributors.

Recommends that the national security provision be eliminated or modified so as to assure it be used only to preserve our national security.

Hon. James C. Davis, Representative in Congress from Georgia.
(Hearings, pt. 2, pt. 596.)

The passage of this bill, as now before the Finance Committee, would not be in the best interests of the Fifth District of Georgia.

Several features of the bill are objectionable. The most objectionable is the delegation of almost unlimited authority to the President. The guidelines are few and dim.

No list of farm products nor of industrial products is available so neither farm and factory owners nor workers know whether they are to be sacrificed. Few could compete on a free trade basis.

The extension should not exceed 3 years. It would be imprudent to legislate until we know what Europe and the Common Market will look like. We do not need a bill now.

Peril-point and escape-clause features are essential.

Emile Benoit, Friends Committee on National Legislation.
(Hearings, pt. 3, p. 1596.)

The Friends Committee supports liberalized U.S. trade policy. Not only for economic reasons, the Common Market formulation makes it essential to have a new policy and new powers in the field of trade.

We must be able to make large concessions, but the Government must be ready to help persons and industries injured by tariff concessions.

However, highest priority should be given to trade with underdeveloped countries and the bill gives special emphasis to trade with Europe.

Section 231 should be eliminated so the President may trade with Communist areas if he desires.

Walter A. Renz, American Railway Car Institute.
(Hearings, pt. 3, p. 1583.)

"We respectfully submit that 'Railway Vehicles' do not properly belong on the 'Zero' list. The purpose of said list is to develop a world market beneficial to the E.E.C. and the United States. To permit railway vehicles to remain on said zero list would result in a one-way street advantage, totally in favor of the E.E.C. group which already enjoys at least 90 percent of the world market under the 80-percent formula."

Evidence is presented that railway vehicles should not be on "the 80-percent list."

George Bronz, American Association of Aluminum Importers and Warehouse Distributors.
(Hearings, pt. 4, p. ---.)

The association endorses and asks for the enactment of H.R. 11970.

The existing rate of duty on aluminum sheets, rods, coils, circles, and bars is moderate and has not proved a major obstalce to trade. The duty is higher on foil but there is some importation. The mebers are not handicapped by existing rates of duty.

The endorsement of the bill is for broader purposes than the mere increasing of imports.

Full hearings before the Tariff Commission on prospective negotiations, tariff adjustment, and adjustment assistance should be retained, and more time given for decisions to be made.

The 60-day limit on adjustment assistance is much too short.

George Bronz, Pin Import Group of the National Council of Importers.
(Hearings, pt. 3, p. 1102.)

The Pin Import Group endorses H.R. 11970 and the testimony of the National Council of Importers.

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

Section 225(b) should be deleted.

Paul A. Fabry, International House, New Orleans, La.
(Hearings, pt. 2, p. 598.)

"The creation of the EEC has presented us with an urgency and recognition that a more effective, liberalized trade policy must be enacted.

An important psychological impact will be felt by our allies if we adopt the bill.

A return to protectionism would set off a chain of reprisals by foreign nations.

Our relationship with Europe must not be based on Federal or political personality but on the realities of economic interdependence.

Edward Atkins of National Association of Shoe Chain Stores.
(Hearings, pt. 3, p. 1103.)

International trade must be expanded.

The European Common Market constitutes a great and powerful economic force requiring immediate and positive action.

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

The shoe manufacturing industry should be considered essential to national security and should be preserved.

The board continues endorsement and support of the objectives of this legislation.

Gardner S. Caverly, the New England Council for Economic Development, Boston, Mass.
(Hearings, pt. 3, p. 1551.)

The council represents all aspects of the New England economy.

"We feel that the long-range objective should be the inclusion of all industries under liberalized and nondiscriminatory policies."

Conferring increased authority is not alone sufficient to achieve trade expansion. There must be actions in the fields of wages, prices, taxes, and monetary and fiscal policy.

The council "anticipates continued exercise of governmental authority to insure that the burden of adjusting to the impacts arising from liberalized trade agreements do not fall unduly on specific industries, or on their employees, or on geographic areas."

N. E. Phillips, Tile Council of America, Inc.
(Hearings, pt. 3, p. 1099.)

Members produce about 85 percent of the ceramic floor and wall tile made in the United States.

The legislation, as passed by the House, is not in the best interests of the industry nor of the Nation. Are appalled that it cold-bloodedly anticipates the disruption and destruction of American companies and industries.

The Tariff Commission unanimously found the ceramic mosaic industry was being injured but the President ruled they were not. The industry is in serious condition.

The escape clause should be strengthened, at present it "is something of a game of Russian roulette."

The elimination or reduction of tariffs will not stimulate trade; they will only add to present injury.

The "assistance" provisions will not cure any ills, but will create a set of deplorable conditions.

Stephen F. Dunn, president, National Coal Association, Washington, D.C.
(Hearings, pt. 2, p. 746.)

The industry is sympathetic to the principles which underly trade expansion legislation.

Hopes that the fuels industries will be able to participate in economic improvement.

Heavy fuel oil imports cause much cutback and hardship in the coal industry.

Recommends the Senate include an amendment to the national security section in the nature of "a continuing and definite stabilizing formula" which will limit imports of petroleum to a representative and reasonable base period level.

Harold P. Green, Tapioca Importers Association
(Hearings, pt. 2, p. 1020.)

The association is in agreement with the objectives of the bill and urges its enactment.

Tapioca flour has been imported free of duty since 1883 despite numerous efforts to alter that status.

The domestic potato starch industry has problems of its own which are in no way attributable to tapioca.

Requests that the duty-free status of tapioca flour be continued .

D. R. Starrett, president, L. S. Starrett Co., Athol, Mass.
(Hearings, pt. 3, p. 1578.)

The bill contains some very grave dangers to the economy and to the business of the Starrett Co. in particular. It should not be enacted.

Adjustment assistance accounts for over half of the bill, this is evidence that injury is intended.

Monroe Leigh, Aluminum Association.
(Hearings, pt. 4, p. ——.)

The association has 44 members and other aluminum industry trade associations join with them in support of the President's new foreign trade program. However, they strongly recommend several strengthening amendments be added.

1. Amend section 102 to state clearly the purpose to achieve for American companies access to world markets on equal terms with other countries.
2. Assure that the President has full power to raise as well as lower tariffs.
3. Assure the authority to appoint industry advisers on trade policy and the carrying out of the policy decided upon.

The industry urges the establishment of machinery for trade expansion through the removal of trade barriers and the development of new and bigger markets.

John M. Fox, United Fruit Co., Boston, Mass.
(Hearings, pt. 3, p. 1269.)

"It will be self-evident that international trade is our lifeblood."

The future course of international trade will, in large part, determine the future of the United States and its economy.

Endorse H.R. 11970 and its basic objectives wholeheartedly.

Section 213 makes much-needed authority to open up great new markets for Latin American products.

The bill is an urgently needed and constructive effort to benefit our economy, our foreign policy, and our national security.

Morris L. Hirsh, president, Textile Fibers Institute.
(Hearings, pt. 3, p. 1270.)

Favors enactment of H.R. 11970 with one very important amendment.

American wool products are required to have labels indicating type of wool, etc., while foreign producers may ship reused wool in as a part of finished products with no marking requirement. This is outright discrimination. The end result is that American textile products containing wool are subject to unfair competition.

Suggest an amendment to abolish the marking requirement.

Hon. Francis E. Walter, Congressman from the 15th District of Pennsylvania.
(Hearings, pt. 3, p. 1534.)

The cement companies are in favor of expanding trade and support the President's proposal for new powers. They do, however, propose amendments which are wholly consistent with the program. The amendments would "strengthen economic relations with foreign nations through the development of open and nondiscriminatory trading in the free world."

The amendments, pertaining to antidumping, were presented by Mr. Donald Hiss, a witness who appeared before the committee.

George W. Anderson, Jr., North Texas Oil & Gas Association, Wichita Falls, Tex.
(Hearings, pt. 2, pp. 793, 892.)

Unanimously recommend an amendment imposing an overall limitation on the importation of crude oil and petroleum products; such imports not to exceed the relationship of 14 percent to domestic crude oil, production.

The administration gave assurances to certain Congressmen just before the vote on the Trade Act in the House that certain protective actions would be taken. These assurances were accompanied by recognition that the level of domestic production is too low.

These assurances are in the right direction. The surest way to accomplish the objectives is for the committee to amend the bill and spell out that imports should not exceed the 14-percent ratio.

R. E. Hollowell, Jr., president, Fine Hardwoods Association, Chicago, Ill.
(Hearings, pt. 2, p. 888.)

Account for about 90 percent of U.S. production of hardwood face veneers. The industry has been seriously injured by the tremendous increase in plywood imports. Imports rose from 7 percent of the U.S. market in 1951 to 55 percent in 1960 and 1961. U.S. plants are operating at substantially less than capacity.

Would like a staff to be appointed to establish a list of all items where imports exceed 10 percent of domestic market sales. The committee should then determine which items should not be used in negotiating trade agreements.

The section on adjustment assistance should be eliminated.

An adequate peril point provision should be written in.

Crawford H. Greenewalt, president, E. I. du Pont de Nemours & Co.
(Hearings, pt. 3, p. 1272.)

The company has 88,000 employees, 229,000 stockholders, 78 plants in 27 States and sales of $2.2 billion.

"While the stated purposes of the bill are praiseworthy, we must conclude that these purposes will not be achieved without modification of the proposed legislation."

"Our support is contingent upon the enactment of at least four important amendments.

"1. Require and provide qualified advisers from industry during negotiations.

"2. Assurance of true reciprocity.

"3. Retention and strengthening of peril point and escape clause procedures.

"4. Elimination of adjustment assistance.

"We urge extreme caution and moderation in trade legislation."

Wm. A. Barlocker, National Turkey Federation.
(Hearings, pt. 2, p. 748.)

The EEC has just put into effect severe restrictions on agricultural imports. Positive action as outlined in H.R. 11970 is needed.

The exporting of poultry, especially turkeys, has grown rapidly. The EEC will impose duties, variable fees and levies, as well as gate price restrictions which are most unfair.

Some affirmative U.S. action is needed. It may come, in part, from the operation of H.R. 11970.

We should aim to bring the Common Market to a level where serious negotiations can take place.

Joseph Roby, Jr., the Wall Paper Institute.
(Hearings, pt. 2, p. 749.)

Most aspects of the trade situation such as wage differentials, unlimited delegation of power, decimation of domestic industries, and so forth, have been covered.

Two areas which have not been covered are important.

If duties are mostly eliminated, as seems the intention of the bill, the loss of revenue will be $1.1 billion. How is this going to be replaced?

It has not been adequately explained that the United States already ranks third or fourth among major countries in respect to low duties on imports. Should we go lower before other countries get down to an honest bargaining level?

No domestic manufacturer believes that existing duties should be further reduced or eliminated.

Glen Boxell, Cycle Parts & Accessories Association
(Hearings, pt. 3, p. 1567.)

The association has 52 members with sales of about $24.2 million. Exports are under 1 percent of output. Further concessions will not expand exports as costs of production prevent competition.

Association is violently opposed to any program which could destroy any part of the industry. The imports increased to $11 million in 1960 for parts and $4 million for accessories.

The peril points provisions should be restored in a form to remove absolutely the authority of the President to exceed them.

The escape clause has been weakened to the extent that it would be useless by requiring that the tariff cut be the sole cause of the injury. It should be greatly strengthened.

Hon. Otto Kerner, Governor of the State of Illinois.
(Hearings, pt. 2, p. 890.)

Governor Kerner urges the strengthening of the oil imports program of the national security section of the bill.

It is difficult to evaluate the impact of imports control program, but the present health of the Illinois industry is deteriorating.

Employment is declining; fewer wells are being completed, and many rigs are being retired.

This is cause for concern. To stabilize the relationship between oil imports and domestic oil by the Congress would be a step in the right direction.

Edwin C. Broderson, Button Division of the Society of the Plastics Industry, Inc.
(Hearings, pt. 3, p. 1263.)

The button division supports the expressed purpose of stimulating economic growth and of enlarging foreign markets through trade agreements.

However, there is little evidence in the bill of congressional intent that the President should strive for truly reciprocal agreements.

It would also appear reasonable and prudent to include language to prevent drastic cuts where import levels are already high and increasing.

Prevention of injury should replace and prevent need for adjustment assistance.

Jerome H. Heckman, Society of the Plastics Industry, Inc.
(Hearings, pt. 3, p. 1267.)

Society has about 2,500 members and covers about 90 percent of the dollar volume of the plastics industry. The society endorses the broad principles implied in H.R. 11970 but notes with concern that the stated purpose differs considerably from the principle of exchanging reciprocal benefits. References to reciprocity are conspicuously vague.

The unprecedented grant of authority carries with it few guidelines to indicate the will of Congress.

The stipulations under the adjustment assistance proposals are such as to discourage aggressive enterprise and encourage abuses. The erasure of this portion of the bill will encourage more careful administration of the practically unlimited potentials in its tariff cutting provisions.

Robert C. Clifton, Wool Hat Manufacturers Association, Philadelphia, Pa.
(Hearings, pt. 2, p. 924.)

The industry is seriously concerned over the probable effect of the bill if it results in lower tariffs than are currently in effect. It faces a declining production dropping from about 2.9 million dozens in 1947 to 829,000 dozens in 1961. Ten plants have closed.

Advocates peril point restoration and a stronger escape clause. Urges the elimination of the adjustment assistance provisions.

It cannot be the intention of Congress to legislate entire domestic industries out of existence.

Irving J. Fain, Apex Tire & Rubber Co., Pawtucket, R.I.
(Hearings, pt. 3, p. 1576.)

Passage of the bill will give the administration a new power to negotiate new relationships with other nations and groups.

It will be a declaration that the United States is ready to expand its practice of "cartographic equality of opportunity."

At this period in the affairs of nations there can be no postponement of decision.

Cedor B. Aronow, Shelby, Mont. (letter to Senators Mansfield and Metcalf)
(Hearings, pt. 2, p. 886.)

It is understood that the President has made the following assurances with regard to oil imports:

1. Created the President's Study Committee.
2. A system of limitation on oil imports will be retained.
3. Imports will be related to domestic production.
4. Efforts will be made to solve the problems of increasing imports from Canada.

It is hoped that the Senate will take some steps to write into the bill the necessary protection.

Wm. T. Cruse, the Society of the Plastics Industry, Inc.
(Hearings, pt. 3, p. 1570.)

The society is unalterably opposed to the provisions of H.R. 11970 which would allow further tariff cuts on imports of vinyl film, sheeting, and resin or products thereof.

The weakening of peril point and escape clause provisions make the bill still more objectionable.

Additional protection is essential and to consider any further tariff restrictions is unthinkable.

Opposition to the bill will continue until appropriate safeguarding measures are included.

D. G. MacLennan, Pittsburgh Chemical Co.
(Hearings, pt. 2, p. 1264.)

Passage of the bill in its present form represents future economic threat against the existence of the Pennsylvania organic chemical business.

The bill should be amended to

1. Establish safe tariff limits by the Tariff Commission.
2. Negotiate on an article basis not on categories.
3. Concessions should not automatically be extended to all countries.
4. Retain escape clause provisions of existing law and eliminate adjustment assistance provisions.

Stefan H. Baum, Reichold Chemicals, Inc., White Plains, N.Y.
(Hearings, pt. 3, p. 1264.)

The firm has domestic sales of $110 million per annum, with licensees and affiliates all over the world.

Would like "to see the 'one world' idea gain momentum."

"We realize that even some segments of U.S. manufacture may have to be sacrificed to the cause of 'one Western World.'"

Have found it is cheaper to import some chemicals as production costs are higher in the United States.

John A. Field, Darien, Conn.
(Hearings, pt. 3, p. 1571.)

Foreign competition will become increasingly severe and safeguards must be included in the bill if it is to operate successfully.

(1) Concessions should be made to individual countries, not across the board.

(2) Peril points should be set and any executive action beyond them should be referred to Congress.

(3) The escape clause in existing law should be kept.

(4) Negotiations should be on an item-by-item basis.

(5) The Defense Department should make a list of security items to be exempt from tariff cuts.

Mrs. Archie D. Marvel, president, National Board of YWCA of the United States, New York, N.Y.
(Hearings, pt. 3, p. 1576.)

"We believe that H.R. 11970 embodies the principles included in our statement and we therefore urge your favorable consideration of the bill as passed by the House."

The YWCA supports measures that will

(1) Make adjustments to meet the EEC pattern;

(2) Use the most-favored-nation policy;

(3) Possess long-range procedures for economic planning;

(4) Provide flexibility such as dealing with categories instead of item by item; and

(5) Assist in adjustment of labor and industry and facilitate the transfer of capital and manpower.

Joseph V. Falcon, president, Savage Arms Corp., Westfield, Mass. (Hearings, pt. 3, p. 1573.)

In behalf of over 700 employees and officers asks that H.R. 11970 be defeated. It holds dangerous implications for our future economic well-being.

There is no important foreign market for U.S. firearms. Imports have increased 300 percent since 1956.

An appeal to the Office of Emergency Planning to prevent dumping of surplus foreign arms took 3 years for a decision and then it was negative. The bill would invite the endless repetition of this discrimination. Amend the national security section to allow only 6 months for review.

The adjustment assistance section is very weak and would tend to defeat initiative.

E. J. McCurdy, Jr., president, East Texas Oil Association, Tyler, Tex. (Hearings, pt. 2, p. 906.)

"The East Texas Oil Association strongly urges that the Trade Act be amended to accomplish the objectives of the Steed-Moore bill. This association will further go on record as endorsing the oral testimony presented by the Independent Petroleum Association of America."

Hon. Bert Combs, Governor of Kentucky.
(Hearings, pt. 2, p. 906.)

The oil import program should be strengthened so "restrictions can be invoked by the President to bring about a vigorous economic climate that will be an incentive for the vital domestic fuels industries of oil and coal to explore, find, and produce new reserves."

We need incentive to educate and train personnel replacements.

Something should be done about the unhealthy condition of the domestic oil industry.

Hon. Matthew E. Welsh, Governor of Indiana.
(Hearings, pt. 2, p. 905.)

There is concern about the growing impact of petroleum imports on the oil industry of Indiana. The daily average in Indiana is about 6 barrels; the total yearly amount is about 12 million barrels.

There is much waste because of the premature abandonement of producing wells. Conservation does not mean nonuse.

Indiana has a 489,000-barrel daily refining capacity; about 178½ million barrels annually.

Safeguards should be written into H.R. 11970 so that the President may restrict imports of any commodity for national security purposes.

Richard O. Gibbs, president, Greater New Haven Chamber of Commerce
(Hearings, pt. 3, p. 1575.)

The chamber suggests several modifications to the trade bill:

(1) Insist on truly reciprocal concessions and police it afterward to see that it is not nullified.

(2) Negotiate on an item basis so that the United States has an equal chance in competition.

(3) The escape clause should operate, and in 6 months.

(4) Eliminate the adjustment assistance provisions.

(5) Require the negotiating teams to have industry advisors when tariff reductions are being discussed or made.

F. A. McDonnell, W. W. Lefew's Sons, Richmond, Va., and Diamond Walnut Growers, Inc.
(Hearings, pt. 2, p. 600.)

Section 212 of the bill has no application to domestic agricultural industries which have little or no export market.

It is imperative that duty reductions "not occur hastily, nor without some adequate substitute for control of inflow."

Supports the amendment offered by Senator Engle and others excepting fruit or tree nut crops of which exports account for less than 5 percent and for which the United States accounts for less than 50 percent of the world's supply.

W. J. Sears, Rubber Manufacturers Association
(Hearings, pt. 3, p. 1578.)

The enactment of H.R. 11970 will not relieve the Nation's economic distortions.

Adoption, without other necessary changes, will not—

(1) Stimulate employment;

(2) Sustain business recovery; or

(3) Provide real economic growth.

If we are to hold our leadership we must go beyond the provisions of the bill and—

(1) Limit Federal spending programs;

(2) Overhaul the tax structure;

(3) Grant depreciation allowances equal to those in competing nations;

(4) Terminate monopolistic practices of labor and allow part of productivity gains to go to price decreases;

(5) Strengthen the profit position of business; and

(6) Encourage, rather than stifle expansion of private investment in foreign markets.

Donald H. Gott, American Walnut Manufacturers Association, Chicago, Ill.
(Hearings, pt. 2, p. 903.)

The black walnut industry is unique. It faces a crisis because exports of walnut logs have grown to such proportions that the balance has been upset. The Secretary of Commerce has been petitioned to apply export limitations, but nothing has been done as yet.

Exports go to West Germany, Italy, and Japan. The logs are shipped abroad, sliced into veneer, made into plywood, and shipped

back into the United States. This is wasteful economically and bad for the domestic industry.

The bill H.R. 11970 would further increase the pressure for export of walnut logs and further injury to the domestic industry.

John A. Bouvier, Jr., president, Knaust Bros., Inc., and K–B Products Corp., Catskill, N.Y., Fran Mushroom Co., Ravena, N.Y.
(Hearings, pt. 2, p. 599.)

Believe in and support the Common Market.

Trade barriers should be erased between the United States and countries whose labor rates and standards of living approach ours.

However the daily wage rate in Taiwan is 50 cents per day against $14.80 in the United States. The Chinese can undersell by a wide margin.

U.S. production is about 60 million pounds. The State Department helped the Chinese grow U.S.-type mushrooms and imports have soared from 4½ million pounds to about 15 million pounds in 1962.

H.R. 11970 goes in exactly the wrong direction. Give no power to the President to lower tariffs. Set a higher rate on imports of mushrooms.

C. C. Starr and T. D. Starr, Jr., Route 2, Quakertown, Pa.
(Hearings, pt. 3, p. 1575.)

"We are unalterably opposed to H.R. 9900 because its enactment is contrary to the Constitution."

It would be very dangerous for the country's economy, now and in the future.

Powers given away are seldom regained.

Defeat the bill.

Hon. Jennings Randolph, Senator from West Virginia
(Hearings, pt. 3, p. 1267 and pt. 4, p.——.)

"The chemical industry in West Virginia is perhaps our healthiest economic stabilizer. We would be in extreme difficulty if there should be an erosion of the vitality of this industry."

Asks that the committee give careful study to the testimony of Mr. Eugene Stewart and to the amendments proposed by Senator Bush and others.

James Mulcahy, Local 179, International Moulders & Foundry Workers Union, Rutland, Vt.
(Hearings, pt. 3, p. 1572.)

If the bill becomes law the entire soil-pipe industry of the United States may cease to exist.

The peril point provision is very essential and should be retained.

The escape clause should also be kept to prevent loss of industries.

"We can do something about it because we are the voters of the country."

Hon. E. L. Bartlett, Senator from Alaska.
(Hearings, pt. 3, p. 1403.)

An amendment to section 252 of the bill is offered. It is intended to support State programs that protect fishery resources by withholding benefits of trade agreements from countries which engage in practices which nullify conservation activities or which harass our fishermen.

Our trade policy must not conflict with our conservation efforts nor prevent our own fishermen from plying their trade in a reasonable manner.

Hon. Leverett Saltonstall, Senator from Massachusetts.
(Hearings, pt. 2, p. 1018.)

"In past years I have consistently supported a progressive trade policy which included adequate safeguards for our domestic industries. Today the emergence of a powerful and rapidly growing European Common Market poses problems of a new dimension for U.S. trade policy. In developing new trade legislation to meet this challenge and opportunity, I am particularly concerned that all tariff reductions be made with discretion and that proper safeguards be taken in order not to affect our national economy or general welfare."

The economy of Massachusetts is deeply affected by the health of the domestic wool-textile industry and of the shoe industry. The shoe industry has asked for a marketing arrangement similar to the quota system for textiles.

The hope is expressed that the committee will consider the situation of these and similar labor intensive industries.

Charles H. Taylor, Virginia Manufacturers Association
(Hearings, pt. 4, p. ——.)

The association is completely opposed to that portion of the bill dealing with additional unemployment compensation for workers displaced by foreign competition.

This proposal would discriminate against the large majority of the jobless and it is indefensible morally and politically.

It would be in direct conflict with the State law and could ultimately dissolve our State unemployment compensation insurance system.

Lewis E. Lloyd, economist, Midland, Mich.
(Hearings, pt. 4, p. ——.)

Proponents of the bill claim the tariff reduction or elimination proposed would greatly increase our exports to the Common Market. Those who hold this dream are doomed to disappointment.

The EEC countries will have to continue importing and will have to export enough to cover their imports. We are not going to change this.

If free trade is to maximize economic efficiency the following conditions should be met:

1. No cartels or Government enterprise.
2. No Government subsidies.
3. Essentially uniform business laws must be enforced.
4. No major tax differences.
5. No immigration restrictions.
6. Free market exchange rates and free movement of capital.
7. No overriding defense requirements.

None of these are met today. The bill does not solve any problems. It will only aggravate them.

James H. Gill for Jimmie H. Davis, Governor of the State of Louisiana.
(Hearings, pt. 2, p. 912.)

Importation of crude oil has increased markedly in recent years. Petroleum production is very important to the State. The ever-increasing impact of imports can endanger the security of the country.

The Louisiana Oil and Gas industry has poured an average of one-half billion dollars per year into exploration and production operations.

Importation of foreign oil and products be pegged at the percentage that entered in 1956, or 20.1 percent of domestic crude production. Such would present absolutely no hardship for the major foreign producing countries.

Lawrence R. Alley, Interstate Oil Compact Commission, Omaha, Nebr., June 20, 1962.
(Hearings, pt. 2, p. 911.)

Imports of oil and its products are supplanting not supplementing domestic crude production. The increased demand has been taken by imports and domestic producers will not be able to continue the exploration program and have reserves available in case of national emergency.

Resolved that proper control should be established for imported oil and products. Present import levels should be reduced.

Bernard J. Lee and Associates, New York, N.Y.
(Hearings, pt. 4, p. ——.)

The enactment of the trade bill will increase unemployment and the outflow of gold.

"With American wages towering over those of Japan and the EEC. countries, it is ridiculous to think that the lowering of our tariffs will enable us to compete with these countries in world markets."

Finished goods are flowing into the United States at an alarmingly increased rate with tariffs at their present level.

If the bill is passed many industries will be liquidated and unemployment will skyrocket.

Sponsors of the bill would like our unemployed to live on Federal relief so foreign workers can live in luxury.

Charles M. Gray, Insulation Board Institute.
(Hearings, pt. 2, p. 908.)

The 15 members have an investment of several hundred million dollars.

The import duty has been reduced from 10 to 5 percent by a 1949 trade agreement.

The President would be given untrammeled discretion by a 5-year blanket authority to sacrifice individual domestic industries one by one just to benefit those industries interested in foreign trade.

The members oppose the excessive powers the bill would give to the President.

Other features are equally adverse—the bill is woefully weak on safeguards against serious injury. Without them the propcsed authority should be denied.

Howell H. Howard, president, American Hardboard Association, Chicago, Ill.
(Hearings, pt. 2, p. 907.)

H.R. 11970 represents a radical departure in U.S. foreign and domestic policy in the tariff reductions it would permit, the concentration of powers in the Executive, and in the adjustment assistance to industries and workers injured by imports.

The bill is a confession that we have not had reciprocity in earlier agreements, merely an effort to buy again what we have already paid for once or twice.

The most striking impact of the bill is its "assumptions of the inevitability of serious injury to domestic industries."

It would destroy or weaken the peril point and escape clause provisions.

The bill should be rejected.

Thomas B. Curtis, Congressman from Missouri.
(Hearings, pt 3, p. 1450.)

There is a need for legislation of this type but the bill H.R. 11970 contains some provisions which are undesirable and even dangerous.

"Commonsense dictates that a good negotiating procedure include the finding of peril points."

There are two dangerous innovations in the bill.

It may not turn out to be a free trading bill—it may lay the groundwork for substituting a system of licenses, quotas, subsidies, cartels, and other governmental regulations. Other countries have used these restrictions and will use them more.

The concept of relief is the second dangerous feature of the bill. "The best thing is to avoid the wound, not bare our breast to it and concentrate on the first aid treatment."

J. Bradley Colburn, American Bar Association.
(Hearings, pt. 3, p. 1041.)

The association approved the following proposed amendments to H.R. 11970:

1. In section 213 insert a requirement that the Tariff Commission hold public hearings.
2. The same requirement in section 221 should be inserted.
3. The hearings specified in section 223 should be broadened to include all interested parties desiring to be heard.
4. In section 232, insert a requirement that the Director shall hold public hearings.

These recommendations would not in any way affect the basic grant of powers delegated to the President by the Congress but would improve its operation.

Herald A. O'Neill, Association of Pacific Fisheries.
(Hearings, pt. 3, p. 1638.)

The association represents 95 percent of the canned salmon pack of Alaska, Washington, and Oregon. The value of the pack in 1961 was over $120 million and 25,000 employees.

The United States should not risk becoming dependent on importations from abroad for a vital food. Japanese and Soviet production has enormously increased. The U.S. duty has been reduced substantially and imports are endangering the industry.

There should be no delegation of the power of Congress to deal with tariffs, but if it should be done, adequate peril-point and escape-clause provisions should be included.

"We are opposed to the bill in its present form."

Sol M. Linowitz, Xerox Corp., Rochester, N.Y.
(Hearings, pt. 3, p. 1635.)

We must face the future realistically and come to terms with our partners in the Western World. The first step is the elimination of artificial trade barriers.

The fear of Presidential abuse of his powers under the bill is without basis and is harmful to the objectives of the bill.

The move in the tax bill to tax American shareholders of foreign corporations will neither increase nor encourage foreign trade and dilutes the objectives of H.R. 11970.

M. J. Warnock, president, Armstrong Cork Co., Lancaster, Pa.
(Hearings, pt. 3, p. 1636.)

The bill is an improvement over the original measure but some of the most objectionable provisions are still in it.

"We are disturbed over the delegation of vast powers to the President, and believe stricter guidelines should be laid down along the order of the amendments Senator Bush and others are proposing.

"Great concern is directed to the readjustment provisions. There is already adequate assistance available to firms and the higher allowance to workers (if unemployed because of imports) is fraught with danger and particularly objectionable."

C. A. Cannon, Cannon Mills Co., Kannapolis, N.C.
(Hearings, pt. 3. p. 1429.)

"The Department of Commerce's own figures show that the Geneva Agreement has not only failed to work, but the rate of imports exceeded the estimate to such an extent that we will be in serious trouble, even if the long-term agreement is activated as of October 1."

The textile industry used 11,436,000 bales of cotton in 1942 when the population was about 135 million. In 1961, with the population up to 183 million and potential consumption that much greater, the cotton consumption was down to 8,541,000 bales.

The installed capacity continues to decline and the serious situation continues and grows worse.

"This most-favored-nation clause in our national policy has always given me a lot of concern as to how it is going to be applied under the new trade bill which is now before your committee."

A. E. Thorpe, Dried Fruit Association of California.
(Hearings, pt. 3, p. 1406.)

Represents 39,830 growers or 95 percent of California's dried fruit production. The product value is about $200,000.

Foreign trade is vital to our industry and the association recognizes the importance of legislation to implement the expansion of foreign trade.

The association requests that H.R. 11970 be amended to exempt from duty reductions certain fruit and tree nut crops when 5 percent or less of the production is exported and when the United States accounts for less than 50 percent of the world's supply.

Danny Dannenberg, Import-Export Committee, Western Growers Association.
(Hearings, pt. 3, p. 1407.)

Members of the association produce over 40 percent of the Nation's vegetable and melon crops—crops which are valued at a half billion dollars annually.

U.S. tariffs are now among the lowest in the world, by any standards. The ad valorem equivalent on dutiable goods has been reduced from 50 to 12 percent and the current (Dillon) round will put it near 10 percent.

A similar reduction in trade barriers has not been made by other countries. Many barriers other than tariffs have been and are being used.

Make the bill truly reciprocal.

Effective peril-point and escape-clause mechanisms should be retained and their administration be subject to judicial review.

The broad categories of items subject to elimination of duties under section 212 are very objectionable.

The Honorable Price Daniel, Governor of the State of Texas.
(Hearings, pt. 2, p. 918.)

There are many benefits of expanded commerce, but none outweigh the necessity of adequately protecting our defense industries and national security.

Failure to adequately protect our oil-producing capacity and permit discovery of new reserves could result in national disaster.

Because of excessive foreign oil imports, wells will operate below 100 days in 1962. In 1955 they operated 194 days.

Workers declined by 5,000 between 1955 and 1961.

It is to be hoped that the committee will encourage steps to accomplish a reduction in oil imports and a stabilization of the ratio of imports to production.

R. C. Cobourn, American Fine China Guild, Inc.
(Hearings, pt. 3, p. 1041.)

The members of the guild oppose the enactment of H.R. 11970. They have suffered greatly because of the tremendous influx of low-cost imports. Domestic production of fine china declined from 860,000 dozen in 1950 to 450,000 in 1960. Production of earthenware declined from 43 million dozen to 25 million dozen. Imports increased in the same period—chinaware more than doubled and earthenware increased from 2.2 million dozen to 9.2 million dozen.

A number of producers have gone out of business.

The bill is out of step with the basic problems of industry and should be defeated.

Hon. Carleton J. King, Congressman of the 31st District of New York.
(Hearings, pt. 3, p. 1532.)

The Congressman urges the acceptance of the provisions contained in S. 3606 as an amendment to H.R. 11970.

This proposal would clarify the provisions of the Anti-Dumping Act and put a time limit on the Treasury Department for settlement of antidumping cases.

C. Wilbur Marshall, Lone Star Cement Corp., Richmond, Va.
(Hearings, p. 3, p. 1533.)

It is hoped that the Finance Committee will include the text of S. 3606 in the trade bill H.R. 11970 as an amendment.

There has been considerable dumping of foreign cement and a great deal of time is taken in the making of decisions with regard to each dumping case.

There should be specified a definite time limit for the investigation and prosecution of all of these cases.

Victor H. Thomas, northeast cement plant local unions, United Cement, Lime, and Gypsum Workers International Union, AFL–CIO, Easton, Pa.
(Hearings, pt. , p.3 1533.)

The telegram urges the speeding up of antidumping decisions and more certain restrictions as to the time consumed.

A number of cement plants in this country have been affected by the dumping of foreign cement.

If the text of S. 3606 could be incorporated in H.R. 11970 as an amendment it would go far toward taking care of this problem.

B. C. Deuschle, president, Shears, Scissors, and Manicure Implement Manufacturers Association.
(Hearings, pt. 3, p. 1453.)

The members of the association voice their strong opposition to H.R. 11970 in its present form.

If the bill is to be passed, it should be amended to—

(1) Include a strong escape-clause provision.
(2) Include an adequate peril-point procedure.
(3) Have the "adjustment assistance" provisions deleted.
(4) Limit the authority to not more than 2 years.

"The act acknowledges that industries such as ours will be destroyed by the fact that a large portion is devoted to 'adjustment assistance' provisions."

In 1950 there were 50 domestic firms producing scissors and shears. Since then 42, or 84 percent, have stopped manufacturing, dismissed their employees, and gone out of business.

Mrs. Dexter Otis Arnold, president, General Federation of Women's Clubs.
(Hearings, pt. 4, p. ——.)

The federation has consistently supported the trade agreement program. This year the need for an extension is greater than ever.

The proposals that the United States cannot compete with foreign trade are not really valid.

The federation reaffirms its resolution of 1938 (reaffirmed also in 1958) that the Trade Agreement Act be renewed for 5 years without crippling amendments.

Harvey Williams, U.S. Council of the International Chamber of Commerce, Inc.
(Hearings, pt. 4, p. ——.)

In the last 7 or 8 years the relative economic position of the United States has undergone drastic change. Our gold reserves have dropped sharply and we have worrisome deficits in our balance of payments. The strength of the dollar has been clouded.

"We seem in need of some opportunity for stimulating economic expansion."

H.R. 11970 will not, of itself, establish a new foreign trade policy.

Foreign restrictions other than tariffs must be examined closely.

Adjustment assistance must be so administered that it will not encourage the maintenance of inefficient or obsolescent business activities.

Passage of H.R. 11970 is urged.

George P. Byrne, Jr., industries producing hand service tools, screws, nuts, and tacks.
(Hearings, pt. 4, p. ——.)

Imports of wood screws increased from less than 1 percent of domestic sales to 42 percent (1961) and to 67 percent in May of 1962—the duty has been reduced from 25 to 12½ percent. Any further reduction would mean the complete annihilation of the U.S. wood screw industry.

This is typical of similar industries and they have this same fear.

Relief for injured industries would be even more remote than under the present law and the bill is objectionable in this respect also. Furthermore it would make the Federal Government a partner in a firm's business.

The bill goes so far in taking authority from Congress and vesting it in the President that it appears unconstitutional.

The bill should be defeated.

Hon. Edward P. Boland, Congressman of the Second District of Massachusetts.
(Hearings, pt. 4, p. ——.)

There is much concern for employees of industries who would be adversely affected by provisions of H.R. 11970.

It is hoped that the committee will consider the industries producing leather accessories, sporting goods, guns and ammunition, plastics, and related items.

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.

H. O. Smith, the Anti-Friction Bearing Manufacturers Association, Inc.
(Hearings, pt. 4, p. ——.)

No product is more vital to national security than ball and roller bearings and maximum domestic capacity must be maintained.

Although H.R. 11970 contains several industry safeguards that were not in the original bill some are still lacking and they are vital in the interest of national defense.

It is proposed that section 223 state that the Department of Defense be represented on the committee and that the coordination of the trade agreement program with national security be a part of the consideration of that committee.

Foreign manufacturers have many advantages and have increased from about $1 million in 1956 to $6.7 million in 1960.

Research is threatened and this vital industry is in jeopardy.

Clarence W. Higbee, Import Committee of the Wire & Cable Division of the National Electrical Manufacturers Association.
(Hearings, pt. 4, p. ——.)

Membership in the Wire and Cable division accounts for 90 percent of the insulated wire and cable capacity of the United States.

H.R. 11970 is an improvement over H.R. 9900 but "we continue to believe that the administration's international trade proposals will injure rather than benefit the insulated wire and cable industry."

The bill has two major defects:

(1) It does not afford adequate assurance that prompt and effective import relief will be available to individual domestic industries.

(2) The bill will not achieve its asserted objective of expanding substantially the export sales of the United States.

The Anti-Dumping Act should be applied to all sales of foreign goods in the United States.

Charles E. Walker, The American Bankers Association.
(Hearings, pt. 4, p. ——.)

The Bankers Association is concerned over several challenges which confront the Nation.

(1) The slow rate of growth of the economy.
(2) A deficit in our balance of payments.
(3) The emergence of regional trading areas.
(4) The continuation of Soviet economic imperialism.

H.R. 11970, though not a panacea for these problems, would nevertheless be a contribution to their solution.

The bill as passed by the House is better than the original bill.

"We regard trade adjustment assistance as a necessary and desirable feature to facilitate the transfer of labor and capital out of industries that are unable to meet foreign competition.

H. A. Perry II, president, Seymour Foods, Inc. (letter to Senator Frank Carlson).
(Hearings, pt. 4, p. ——.)

This is in support of the statement of Mr. Vic Pringle of Virginia before the committee.

"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."

Joseph M. Creed, the American Bakers Association.
(Hearings, pt. 4, p. ——.)

There is an ever-increasing flow of bread into the United States which is seriously affecting segments of the U.S. industry.

The American baker pays 24 percent more for flour, 20 percent more for sugar and 50 percent more for milk. Wages cost from 58 to 66 percent more. With bread on the "free list" and with no quotas or other restrictions on imports, this makes competition impossible wherever bakeries in Canada want to take over the market.

Canada imposes a 15-percent duty on imports of bread from the United States.

A duty on imported bread is requested as an amendment to H.R. 11970.

Donald M. Counihan for William F. Stoeffhaas, Bicycle Manufacturers Association of America.
(Hearings, pt. 4, p. ——.)

Imports of bicycles rose to 40 percent of the domestic market in 1955 and the industry became involved in three separate escape-clause actions. Over 11,500 jobs were lost and wages lost to those workers were in excess of $50 million.

Items which have been the subject of successful escape action should be reserved from future lists for 5 years.

Most-favored-nation treatment should not be extended to Poland or Yugoslavia. These countries have been "dumping" bicycles in the U.S. market.

The escape clause should be greatly strengthened.

Paul F. Johnson, Vinyl Fabrics Institute.
(Hearings, pt. 4, p. ——.)

This is a highly competitive industry and is a low profit one.

Serious increases in imports of vinyl fabrics and products made from fabrics are causing problems.

"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 Extension Act of 1958, with appropriate perfecting amendments as to timing and dates."

The problem of foreign piracy of U.S. designs is so serious that legislation is urged to end it. S. 1884 has passed the Senate and it is hoped the Senate will insist on House action.

S. Perry Brown, Texas Employment Commission, Austin, Tex.
(Hearings, pt. 4, p. ——.)

A number of interested parties have signed this request that H.R. 11970 be amended to make drastic changes in the adjustment assistance provisions.

The program for workers displaced by foreign competition is very objectionable. It sets up a privileged class of unemployed persons.

The determination of whether unemployment is caused by the effects of the trade bill or other causes would introduce a vague new area of decisionmaking.

The special benefits provision under Federal law is directly contrary to the basic provisions of State-administered systems

Ross E. Anderson, Delaware State Chamber of Commerce, Inc.
(Hearings, pt. 4, p. ——.)

There is much diversity in the businesses of the members so the chamber has no clearly defined position on the tariff features of H.R. 11970.

On the other hand, the features of the trade adjustment sections are unfair and discriminatory and the chamber earnestly requests that it be deleted from the bill.

In addition to being unfair, these provisions set a standard and a precedent for Federal standards in State programs. It is bad for State programs and sets a precedent for other Federal subsidy programs.

Hon. Strom Thurmond, Senator from South Carolina (speech in the Senate on August 3, 1962).
(Hearings, pt. 4, p. ——.)

The textile industry has announced that the Geneva agreement for the control of cotton textile imports is working very badly and the Government is failing to achieve its announced goal of effective import limits.

"I have examined these documents and have most regretfully come to the conclusion that the present problems of marketing 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."

There is a serious question as to the extent Congress should in H.R. 11970 authorize the negotiation of international agreements governing imports without clearly establishing criteria, guidelines, and safeguards for American industry.

Hon. Arch A. Moore, Jr., Congressman of the First District of West Virginia.

(Hearings, pt. 4, p. ——.)

The Congressman voices deep concern over the effect that passage of H.R. 11970 would have on industry and employment in West Virginia's First District.

Several industries are exposed to the sharp edge of import competition. It cuts into employment and payrolls and undercuts labor standards.

H.R. 11970 is made to order to aggravate difficulties encountered already to an unacceptable degree. Rules for businesses should be fair.

"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."

"The bill in effect represents the abdication of Congress where it should be supreme under the Constitution."

"It should be put over until next year when we will know more about the Common Market."

Hon. Clair Engle, Senator from California.
(Hearings, pt. 4, p. ——.)

"In assessing the probable effects of the proposed Trade Expansion Act of 1962 on these industries (domestic), their position in world trade and in the domestic economy must be analyzed."

It is necessary for industries producing fruit and tree nut crops 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.

Hon. William A. Egan, Governor of Alaska.
(Hearings, pt. 4, p. ——.)

Telegram urges favorable action to amend H.R. 11970 as provided in the amendment proposed 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."

Gordon P. Boals, Millers National Federation.
(Hearings, pt. 4, p. ——.)

Members of the federation account for 90 percent of the flour produced in the United States. In 1961–62 they processed over 600 million bushels of wheat.

The federation has supported the trade program and supports the basic objectives of H.R. 11970.

"Unfortunately, wheat flour, like many other agricultural products is confronted with a wide range of import restrictions in numerous countries."

The United States needs adequate authority to deal with such problems. Some foreign tariff increases have been as much as 2,000 percent. It seems doubtful that the authority provided in section 252 of the bill is sufficient.

Hon. Jennings Randolph, Senator from West Virginia.
(Hearings, pt. 4, p. ——.)

In a supplemental statement Senator Randolph supports the proposed amendment to the national security provision which would limit imports of items to the ratio of imports to production during a representative period chosen by the President when he has found that imports may be threatening the national security.

This amendment could affect the importation of oil and oil products and West Virginia is vitally interested in the control of oil imports. Such imports have had a serious impact on the production of coal as well as oil and gas.

Hon. Jacob Javits; Hon. Kenneth B. Keating, Senators from New York, joint letter to chairman.
(Hearings, pt. 4, p. ——.)

Agricultural groups in New York are concerned about the trade bill. Foreign restrictions on imports of U.S. agricultural products is serious even though New York exports less than 1 percent of its output of farm commodities.

The Senators urge the committee to give consideration to the insistence in our foreign negotiations that our farmers be equally treated in world markets.

The problem, in the case of agriculture is twofold. On one hand there are the growing foreign restrictions, on the other is the increasing imports of foreign agricultural products that jeopardizes the continued growing of domestic crops.

There is uncertainty about the best approach, but the Senators hope the committee will be able to arrive at some satisfactory solution of this serious problem.

Hon. Hiram L. Fong, Senator from Hawaii.
(Hearings, pt. 4, p. ——.)

A letter from the Senator endorsing the statement of Mr. R. L. Cushing for the Pineapple Growers Association of Hawaii (see p. 1399, vol. 3, of hearings and p. 109 of this summary).

"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 the quality control is excellent."

"All terms being equal, Hawaiian pineapple could compete very successfully, but unfair discrimination that exists today is definitely hurting Hawaii's pineapple export trade."

U.S. duty is about 6 percent whereas that of the Common Market is 25 percent.

It is difficult to see how the "adjustment assistance" sections of the bill could be effective in the case of the pineapple industry. There should be no need for these sections at any rate.

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