TRADE AGREEMENTS EXTENSION

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

EIGHTY-FOURTH CONGRESS

FIRST SESSION

ON

H. R. 1

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

MARCH 8, 9, 10, 11, AND 14, 1955

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TRADE AGREEMENTS EXTENSION

WEDNESDAY, MARCH 9, 1955

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

The committee met, pursuant to recess, at 10:05 a. m., in Room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd (chairman), George, Barkley, Millikin, Martin, Williams, Flanders, Malone, Carlson, and Bennett.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order.

The first witness is Congressman Curtis.

STATEMENT OF THOMAS B. CURTIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. CURTIS. I first want to thank you gentlemen for giving me the opportunity to testify before you. I am here to testify in behalf of an amendment that I proposed to the Reciprocal Trade Act in the Ways and Means Committee. I am a member of that committee.

That amendment is on page 4 of the remarks that I made on the floor of the House, so that you can follow it.

I want to explain the reason I have resorted to this little unusual procedure of coming before the Senate Finance Committee in behalf of this amendment.

The House Ways and Means Committee closed its public hearings on a Monday at 7:30 and immediately the next day went into executive session to write up the bill, which was done in 2 days, giving the members of the committee practically no opportunity to present and consider the voluminous evidence that we had accumulated in our hearings and to prepare our amendments.

In my opinion the amendment that I did offer and which received considerable support in the Ways and Means Committee is rather a simple one to understand but has very far-reaching effects.

I would like to ask permission, if I may, to put into the record here my remarks and I have marked this for the stenographer there, beginning on page 3 of the speech.

The CHAIRMAN. Without objection that will be done.

(The document referred to is as follows:)

EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT—SPEECH OF HON. THOMAS B. CURTIS OF MISSOURI IN THE HOUSE OF REPRESENTATIVES FRIDAY, FEBRUARY 18, 1955

(Mr. Curtis of Missouri asked and was granted permission to revise and extend his remarks.)

Mr. CURTIS of Missouri. Mr. Chairman, I take the floor primarily to discuss a basic amendment I proposed in committee to H. R. 1, the extension of the

Reciprocal Trades Act. Unfortunately with the closed rule under which the House in its wisdom, or lack thereof, saw fit to consider this far-reaching and important legislation, I will not be able to offer this amendment for consideration of the Committee of the Whole House. However, I am hopeful that by the time this bill reaches the other body my amendment will be well understood by the Congress and the people of the country, and that the other body will adopt this amendment. I am hopeful by this time the executive branch of the Government will begin to understand this amendment and adopt its principle and help instead of hinder its passage. If this happens, then it is important that the Members of the House know what the amendment is, so that if it is part of the conference report, they will be aware of what they will be called to vote upon.

Before I proceed to the amendment itself I want to discuss briefly some of the procedures that have been used in considering H. R. 1 in the House Ways and Means Committee and here on the floor of the House. I dislike the task of criticizing my own committee for the procedures it has followed, but if such procedure is improper and nonconducive to good legislation, as I believe is the case, it will be only corrected in the future if it is pointed up in the present.

The House Ways and Means Committee finished lengthy and rather exhaustive hearings on H. R. 1 at 7: 30 p. m., Monday, February 7, 1955. On Tuesday, the chairman of the committee called an executive session of the committee and, without explaining his program, proceeded to start reading the bill for explanation. On Tuesday, February 8, 1955, the House had on the floor for passage one of the most important bills of this session, the extension of the Selective Service Act. I was deeply interested in this piece of legislation and felt as a Member of Congress I should be on the floor to follow it. In spite of the suggestion that the committee suspend its executive session during the House session the chairman announced that not only was it his intention to not suspend but that he fully expected to have the bill passed out of committee by Wednesday evening. As most Members will recall, the House and Senate were to be in a period of agreed recess from Wednesday, February 9, to February 16, so that the Republican Members could fulfill their commitments to speak around the country at Lincoln Day observances in accordance with custom and tradition. The bill was rushed through and passed out on Thursday.

There was no reason for rushing the passage of H. R. 1 without full consideration by the committee. The Reciprocal Trade Act has several months left before expiration and even an interim period between extensions has no actual effect. There could not possibly be proper consideration without the Members having the opportunity of reviewing the hearings and in particular reviewing the statements that were to be supplied for the hearing by various members of the administration as requested by members of the committee at the time these administration spokesmen testified. I had requested considerable additional data from the various Cabinet officers and other high administrative officials about important details of the administration of the Reciprocal Trade Act and how it had operated over a period of time. The hearings will show the type of information I requested and the value of the information that was so supplied. Yet this information was of no possible value to the committee in its executive session because of this undue haste.

Furthermore, without proper notification to the members of the committee of what the procedure was to be in marking up the bill, many members, myself included, were not ready with amendments they had in mind. I had intended discussing the amendment I did offer and the one which I will discuss here today with the proper officials in the executive department, but due to the shortage of time I had no opportunity to do so.

I want to call the Members' attention to the data contained in the committee's report from pages 36 to 86 under the heading "Appendixes." This data is important data which should have been available to the committee before we began questioning the administration witnesses so that we could ask questions concerning it. The first I, and I believe any member of the committee, saw of this data was when we read the committee report along with the other Members of the Congress. However, this data placed in the report carries the implication that it was matter considered by the committee and about which the committee asked questions of the administration witnesses. As a matter of fact, it was just this type of information I asked to be provided by the administration witnesses because their statements before the committee were couched in the most general terms with little or no specific information. Having to ask the witnesses to supply the information later, of course, prevented the members from interrogating the witnesses about the accuracy or meaning of the information. Certainly the data in the appendix was never subjected to scrutiny or questioning by the committee.

There have been considered statements made to the effect that the Randall Commission study and report was not so much a study as it was a procedure to bring together such evidence as might be available to support the preconceived notions of the majority of the Commission. Having read the Randall Commission report carefully and what testimony was available, I regretfully come to the conclusion that these charges are well founded. I say regretfully because I have the highest regard for the individual members of this Commission and I am convinced of their sincerity and their profound belief that they are acting in the best interests of our country. However, I am convinced that the best interests of our country are only served by fairly and honestly studying the issues of the day and by not reaching conclusions before studies are made Certainly the best interests are not served by a commission directed to make a study and report when it fails to do so.

I mention the Randall Commission study and report because the identical pattern has been followed by the Ways and Means Committee in its hearings and executive sessions on H. R. 1. It is important that the Members of this Congress, to whom we as a committee are responsible, know that we as a committee did not make a real study of these problems. The approach was one of preconceived notions and the hearings, as nearly as I can judge, were mere window dressing so that the majority of the committee could state that everyone who wanted to be heard was heard. But, my colleagues, it is no hearing if the ears are deaf; it is no executive session writing up the bill if you have to spend your efforts trying to persuade 13 proxies instead of 13 colleagues present and paying attention to the language of the bill.

There is a deadening and dangerous attitude in the Government here in Washington which has us go through the motions of the constitutional legislative process when what truly has occurred is that a very small group of persons in the executive department have already made the decisions and written the legislation. We are then just going through the formalities or the ritual, if you please, of a republican society.

What, indeed, was the purpose of the closed rule? Was it indeed as the gentleman from Texas (Mr. Rayburn) said, when he stepped down from the Speaker's chair to exercise his prerogative as a Member to discuss the issue, because it was traditional and necessary to have a closed rule on a piece of legislation like H. R. 1? I respectfully disagree with the gentleman from Texas. It is true that tax legislation and tariff legislation have come out under closed rules and, much as I dislike closed rules, there is reason and understanding behind this tradition.

The gentleman from Texas gave the reasoning—it is to prevent logrolling. Bitter experiences in the long ago past when taxes or tariffs came out under open rules were called to our attention. But, my colleagues, the Reciprocal Trade Act is not tariff legislation in the true sense of the word. It is procedural legislation setting up the manner in which tariffs are to be written. It is legislation delegating power to the executive branch of the Government and to the Tariff Commission—an arm, I might state, primarily of the Congress. Now in writing procedural legislation there is no reason for a closed rule. Certainly the reasons applicable to tax and tariff legislation have no bearing on procedural legislation. There is every reason why procedural legislation indeed should always come out under a very open rule. Now it is no argument to say that specific tariff or quota amendments could be offered to H. R. 1, because it would have been quite easy for the Rules Committee to have given a rule with that specific restrictive feature in it. No, my colleagues, the reason for the closed rule, in my opinion, is the same as the reason for the closed minds of the majority of the Randall Commission and the closed minds of the acting majority of the Ways and Means Committee. The reason is that these people whose directions are being followed, whoever they are, think that they know what is best for our beloved country, and, I say, perhaps they do. But I say if what they think is best for our country is so surely right why are they unwilling to submit their reasons and their facts to honest study and public scrutiny and true debate?

I personally think that this group, whoever they are, are tragically wrong and in their willfulness truly dangerous to the welfare of our country. Sooner or later the people of this country must rise up and ask that honest forthright studies be made and true debate be had on this matter or else I fear we will end up in disaster.

I think I can bring out these thoughts in discussing the amendment I had proposed to the bill and which the administration spokesmen stated was right in objection, as had the Randall Commission, but so delicate to handle that nothing could be done about it. I hope you will consider it and make up your own mind upon its practicality.

You will notice that the plea for my amendment is largely based upon the same premises professed by those who want H. R. 1, as is, unchanged, that is, to increase world trade, to build the economies of the nations outside the Iron Curtain, to make friends of the peoples of these nations and to check Communist infiltration into those countries. I charge that the policies we have followed in the immediate past have not increased world trade as it could be increased, have not built the economies of these nations as they should have been built and, indeed, have not generated the real friendship of the peoples of these countries, nor have they stemmed Communist infiltration into these countries.

I had the Legislative Reference Service of the Library of Congress collect some data for me about the countries abroad from which I derive the following conclusions. Thre are 71 countries outside the Iron Curtain which we erroneously refer to as the "free" world. Of these 71 nations 49 of them are outwardly or actually dictatorships or close oligarchies and the majority of them cannot even pass under the term benevolent dictatorships. Of the remaining 22 nations, most of them truly have some claim to the adjective "free" as far as their political governments are concerned, but, certainly as far as the economic control of several of them is concerned, it is oligarchic and a small percentage of the nation is living off the backs of the other 99 percent. Fifteen of the dictatorships of the 49 have a per capita gross national product of less than $100. Eleven less than $200; 10 less than $300 and only 2 more than $500. Compare this with the United States per capita gross national product of $2,233 and you begin to get the picture. Of the 22 nations which have some real claim to freedom, eliminating those which are tied up in an economic oligarchy, there is not one with a per capita gross national product below $500. And many of them are above $1,000. The highest is Canada with $1,625.

Now I wish we had the studies available of the internal economies of these allegedly free countries just to see what the spread of wealth actually is as far as the bulk of the people of each country is concerned. This is the data we must know if we are truly going to do something to raise the economy of these countries. This is the kind of data the Ways and Means Committee should have been getting and studying.

Surely we should know by now that merely increasing trade with country X which goes into the pockets of dictator Y and his henchmen does not make friends of the people of country X for us. Quite the contrary, the people could say, and with some truth, that we help keep dictator Y on their backs and the Communists you may rest assured play this theme for all it is worth. And a look at the world today should surely tell us that this line has met with some success. "Yank go home" has a basic meaning which we are foolish to ignore and not try to understand.

My amendment proposes reciprocal trade in the purest meaning of that phrase. For, in this plan, reciprocity means that all participants in trade agreements—the nations, the industries, and the workers—share the benefits.

It is a simple plan. The exact language of the amendment is as follows:

"On page 1 at line 5 after section 2 insert A; at line 9 after the period insert the following:

"'(B) No reduction in any rate of duty or binding of any customs or excise treatment or other concessions hereafter proclaimed under section 350 of the Tariff Act of 1930, as amended, or under section 5 of this act shall apply to any import within the product class on which the concession has been granted, in the production of which any employee was employed at wages at an hourly rate less than the minimum rate in effect in the United States under section 6 of the Fair Labor Standards Act of 1938, as amended (29 sec. 206), at the time of the production of said import provided, that the President may provide by Executive order with respect to a trade agreement that during the first 36 months after such agreement becomes effective it may apply to imports in the production of which employees were employed at less than such minimum rate by the rates prescribed therein which shall be not less than 60 percent of such minimum rate for an initial period of 12 months, not less than 70 percent of such minimum rate for an immediately ensuing period of not more than 12 months, and not less than 80 percent of such minimum rate for the remainder of such 36 months or such part thereof as the President may prescribe.

"'(C) The President is hereby authorized to delegate to such Federal official or officials, or agency or agencies, as he deems appropriate all functions incidental to carrying out subsection (B) of this act, and to promulgate such rules and regulations as he deems necessary for its administration. The determination of the United States equivalent of wages paid in foreign currencies shall be calculated on the basis of the paying rate on New York as proclaimed by the Federal Reserve Bank of New York.

"'(D) With respect to foreign trade agreements entered into prior to the effective date of this act under section 350 of the Tariff Act of 1930, as amended, any reductions in a rate of duty, or binding of any customs or excise treatment or other concession shall be made only in conformity with the policy established in subsection (B) of this act, unless authorized by the provisions of section 350 of the Tariff Act of 1930 as such provisions existed on January 1, 1955.'"

But let us translate that a little differently.

In effect, the amendment states that foreign producers who want to reap the lush benefits of the United States markets must qualify by passing on a part of those benefits to their workers by paying wages pegged to the legal minimum wage scale of American workers—the workers with whom they are competing.

It is that simple. It requires no charts or graphs for complete understanding. No high-domed economists are required to explain its operation. It is a 2+2=4 equation.

A CHAIN REACTION OF BENEFITS

The idea embodied in the amendment is simple, but it has the ability of setting off chain reactions that could affect the economic and political welfare of the world. One needs to dwell only briefly upon the far-reaching implications of the amendment to understand the contributions it could make toward perpetuating the American way of life at home, and to disseminating its advantages abroad.

Let us take a look at what happens when you raise the wages of foreign workers so they are more in line with the legal American minimum scale. The chain reaction is something like this:

First. American business and labor get protection from the unfair competition which stems from foreign manufacturers' Dark Ages policy of paying sweatshop wages.

Second. Foreign workers, with their wages increased, have greater buying power, can enjoy a standard of living more like our own.

Third. Foreign manufacturers feel the effects of the increased buying power, find an overexpanding market among the workers who now must spend most of their wages for bare necessities of life.

Fourth. United States manufacturers also benefit from the increased income of foreign workers, finding broader market for exported goods.

Fifth. Communism, which feeds on the unrest caused by the unfulfilled desires of the have-nots, finds its economic doctrine has little appeal in nations where workers are well paid and share more of the fruits of their own labor.

WILL THE PLAN CHANGE THE FOREIGN PICTURE?

You may ask: "Why do you think the plan would work in foreign countries just because the capitalistic system has proved so successful in raising the living standards in the United States?"

Why not? America's high living standard today is based entirely upon the basic principle provided in the amendment: The principle that only by providing the vast majority means of buying products it produces can a society experience a high level of prosperity.

It might be said that Americans learned this the hard way. Today our workers ride to their jobs in automobiles, while those of foreign lands either walk or ride bicycles. Per capita, our ownership of telephones, radios, televisions is the greatest in the world; Americans enjoy better housing, more food, a greater variety of clothing and other goods than our foreign friends.

But this has not always been so. The system that now spells prosperity has not always existed, nor did it flower overnight. A century ago the disparity between great wealth and miserable poverty was as great here as anywhere. Men were exploited and the fruit of their labor was scant. But gradually, in response to the efforts of farsighted labor leaders and with the aid of constructive legislation, there emerged a new day when workers began to share more equitably in the goods they produced. There evolved a new way of life. It should be safeguarded; it should be shared.

WHAT KIND OF PROTECTION?

Americans have no monopoly on productive brains and inventive genius. Those who believe that efficient and highly mechanized production techniques are unknown anywhere else should stop deceiving themselves. The truth is that dozens of blue-chip American manufacturers are adopting foreign-developed processes and methods because of their efficiency.

Since foreigners employ the same production techniques and machinery that our manufacturers do, they suffer no disadvantage on a competitive basis—nor do they have any great advantage in production costs, except in the wages paid the people who produce the goods.

"But," you may ask, "can foreign manufacturers afford to meet the United States legal minimum wage?"

The amendment would work no hardship. It does not even insist that foreign manufacturers pay the current United States legal minimum of 75 cents an hour—the amount now held fair in this country for the unskilled services of a messenger boy—much less the much higher wages voluntarily paid by most American industries. The amendment provides that the first year the plan goes into effect, foreign manufacturers could qualify for trade concessions by paying only 60 percent of the American minimum, and that the scale would rise to 70 percent of the legal minimum wage the second year and to 80 percent the third year.

Does not that seem fair? Is there any reason why a foreign manufacturer, selling in the American market, should not pay at least 60 percent of the American legal minimum wage when he is making products on the same machinery and using the same methods employed by our industries?

America's belief in a high standard of wages is written into law. The Fair Labor Standards Act prescribes that all concerns doing business in interstate commerce must pay a minimum wage of 75 cents an hour. The law does not state that only companies located in a high-rent area must pay such a wage. A company located in Mississippi must meet that minimum wage just the same as a company located in New York. The law does not say that only companies who can afford to pay workers 75 cents an hour need pay it. If a concern cannot afford to pay the minimum, it must close its doors, or restrict its business within boundaries of the State.

HOW FOREIGN WORKERS WOULD BENEFIT

Trade agreements based on conventional provisions—those of raising or lowering the rate of tariff—invariably work a hardship on at least one of the participants. Under a protective tariff imposed by the United States, foreign exporters are frustrated in their efforts to expand into our markets; under a low tariff scheme, United States industry suffers.

Under neither plan, however, do any of the benefits go to labor.

Under the plan proposed in this amendment, labor would reap all the benefits. Wages would be increased in industries which make products to sell in the United States. As the income of workers rose and buying power increased, the benefits would be passed on to management.

It took a great American industrialist, Henry Ford, to drive home the logic of that truism—that higher wages created more buyers for his own products. One day he announced he would pay his workers the unheard of minimum wage of $5 a day. The whole idea was denounced as impractical and ruinous. It was prophesied freely that Ford would go broke. In answer to all the criticism, Mr. Ford simply said: "If I pay my men at least $5 a day, they can buy my Fords."

Perhaps he would have gone broke if it had not been for the labor shortage brought about by World War I. Certainly it is risky business for one manufacturer to be far out of line in his costs with others. But the plan worked, and it gave other manufacturers a new idea. And sales managers suddenly discovered millions of prospects who had more money than that required for subsistence.

Today our supersalesmen of television and radio do not air their pitch at the few who live in high-price neighborhoods, but to the millions who earn their living in factories and offices and live on medium-bracket streets.

One of the greatest fallacies of our day is held by those who advocate giving foreign businessmen even freer access to our markets by yet more reductions in our tariffs. For some unsupported reason they seem to believe the profits will somehow filter down as higher wages and better living standards to foreign workers. Business history has not borne this out. The truth is that the employers, themselves, reap the benefits. Profits of 30 percent and even more are not uncommon. But the workers—the producers—are compelled to subsist on sweatshop wages, the prey to any arguments made by Communist agitators who hold out hope of improved living conditions.

To conclude, it appears that the solution to many of our problems is simple:

Let any further concessions in United States tariffs be made contingent upon a foreign producer's willingness to pay the prescribed percentage of the legal minimum wage which American manufacturers must pay under the Fair Labor Standards Act.

The Randall Commission report said it was too difficult and too delicate a matter to handle. The administration's approach as expressed by its spokesmen before our committee was the same. The Assistant Secretary of State in charge of trade treaty negotiations, statements in executive session before our committee clearly revealed that the State Department does not put the question of labor differential on the agenda for discussion in negotiating our trade agreements.

The Assistant Secretary of State said in answer to my questioning of whether they consider the wage differential in their negotiations: "Oh, yes; we consider it."

I said: "Well, do you discuss it with them?"

He said: "No; we do not discuss it but we consider it."

I said: "How can you consider something if you do not discuss it?"

He had some reply which, frankly, made no sense to me then nor, on reflection, now.

My answer to the State Department is, The only difficulty is that apparently they have done no thinking on the subject and no attempt has been made to find a solution. I think the amendment I propose is practical, sensible, and will produce results. Let them spell out why it is not. I think this amendment, if passed, would be hailed worldwide, even behind the Iron Curtain countries, as the first real indication in some time that the United States is really concerned about exporting liberty and the freedom to pursue happiness beyond her borders. If this is interference with foreign countries' affairs, as the State Department suggests, I say let's have more of this kind of interference and less of the kind of interference we have been indulging in in the past few decades.

Mr. CURTIS. I want to emphasize that this speech which you have the reprint of was not one that was inserted in the record. It was given on the floor of the House during the debate so that anyone who had any objections or wanted to take exception had an opportunity of taking those exceptions.

As I visualize the Reciprocal Trade Act it serves two basic purposes.

One is to help our exporting and importing industries. But considered on that basis alone as one segment of our economy, we should of course be balancing off the interests of those groups in our economy with those of our domestic industries who are not concerned with either exporting or importing.

However, the second aspect of the Reciprocal Trade Act—and that is the part to which I want to devote attention and to which my amendment is directed—is to follow out what has been paraphrased "Trade not aid," the idea of assisting the so-called free world to combat communism by helping their economies.

This amendment of mine is to further that intent, because I submit along the lines of the arguments I used in my speech and have used elsewhere, it does not good to increase the trade with country X if country X is run by dictator Y and the people of that country are not getting the fair benefit of their own labor.

As a matter of fact, if indeed country X is run by dictator Y and an economic oligarchy are the ones that get the benefit from that, we are certainly encouraging Communist infiltration rather than vice versa.

Using colloquial terms that we are familiar with in this country, we are simply exploiting sweatshop labor abroad.

With that in mind, my amendment seeks to tie in any reductions in tariff with our minimum wage standards in this country. And I will illustrate it by a specific industry, the chemical industry in this country, which pays approximately $2.10 an hour to its workers, while in Italy, for example, where there is direct competition, the same work receives a wage scale of 45 cents an hour.

American capital had actually gone to Italy. In fact, one large chemical concern has plants in Italy, and plants in America where this wage differential exists. The profit in Italy, return to capital can be and is as high as 30 percent. Using the formula of the amendment which I have is not an attempt to make something which is impossible or impractical.

My amendment says the first year which a 15 percent lowering of the tariff under the proposed extension of the reciprocal trade goes into effect, that country must have a wage scale for that manufactured product they wish to import into our markets of 60 percent of our minimum wage standard which as you can see figures out to be 45 cents an hour.

Most of the products on the tariff schedule are manufactured products where the labor cost in our country is at a vary high rate; and our minimum wage scale applies to errand boys, you might say, and certainly not to our skilled labor. The differential that would be imposed by my proposal—again using Italy—would be for the first year on chemicals 45 cents an hour, the next year 70 percent of the minimum or 52.50 cents per hour, the next year 80 percent or 60 cents per hour and never beyond that 80 percent.

The object is—I want to emphasize—to use the power of our great domestic market to further the objective that we all say we want to encourage, which is to combat communism in these alleged free nations of the world, and the way to do it in my opinion and the only way to do it is to build up the domestic markets of those countries.

The only way you are going to do that is to be sure that the laboring people of that country have the fair benefits of the sweat of their own labor, and that in my opinion would accomplish that purpose.

The Randall Commission pays attention to this but says it is such a delicate matter that there is nothing that can be done by legislation.

The State Department and Government witnesses appearing before our committee—and in particular in executive session—say that this wage differential receives consideration in their negotiations of trade treaties but when I asked this pertinent question, "If it is considered do you discuss that in these negotiations?" the answer was "No, we don't discuss it." I then asked, "How can you consider something that you do not discuss?"

In other words I am afraid there has been lipservice given in the administration of this act to this important factor and therefore I believe it is important that the Congress put in some directives that this labor differential must be considered in these trade negotiations if we are really going to accomplish our objective, which is to combat communism.

Now there has been a point raised in regard to Japan. What I was talking about was Italy and really Western Europe, where 60 percent of our minimum wage scale is a practical thing and not imposing any great burden on those countries if they want to import into our domestic market.

But Japan, for instance, in the textile industry is paying 22 cents an hour; to have to increase the first year to 45 cents in order to gain the benefits of a lower tariff perhaps is unrealistic, and to that extent I would suggest that my amendment needs another ingredient.

I am not certain what it should be. I have suggested that a factor of the ratio of the per capita gross national product of a country in relation to our per capita gross national product, some factor of that nature, would be practical. That way we could get a country like Japan, which is at such a low living standard, to start coming up in a practical fashion without imposing an impractical requirement upon them. For example, the United States per capita gross national product is $2,220. Japan's is $220, or one-tenth of ours. Italy's is $397, or about one-fifth of ours and twice that of Japan's. The amendment I propose could be modified to say that any country with a per capita gross national product below one-fifth of ours would be permitted 1 additional year and 10 percent additional percentage reduction of our minimum wage for each $100 bracket the per capita gross national product of that country falls below this one-fifth. Applying this formula, Japan would obtain benefit of tariff reduction under the extension of reciprocal trade agreements in those industries where the wage scale was 40 percent of our minimum wage the first year, or 30 cents per hour, 50 percent or 37½ cents per hour the second year, 60 percent or 45 cents an hour the third year, and so forth.

Now I noticed that Senator Capehart has introduced a resolution in the Senate which purports to—I mean is doing it, the same thing as my amendment of tying in our tariff reductions with our minimum wage scale.

However, his amendment simply ties it in without any percentage. My personal opinion is that that is impractical and that that would not work and would in effect be defeating what we say is our purpose in the Reciprocal Trade Act.

I do believe—I have no pride of authorship—using a suggested formula along the lines that I have put in my amendment with a possible further modification, I have suggested would create more trade as we say, but at the same time would be a tremendous encouragement for increase of standards of living in these countries and would be a deterrent on the exploitation of sweatshop labor abroad.

One other practical matter in my amendment and I think I am finished—in order to prevent a foreign country from manipulating its currency and so avoid the effect of this amendment, because they could do it by inflation, I have tied it in with the rate at the Federal Reserve Bank in New York.

In that way I think we can be sure that this would not be subject to these manipulations.

In conclusion, I want to say as I said in my speech on the floor that in answer to the State Department and others who have said that this might be interference with foreign countries' affairs.

My statement is that if this is interference, let's have more of this kind of interference and less of the kind of interference that we have been indulging in for the past few decades.

This does not force any country abroad to meet our standards. It simply says this: Gentlemen, if you want to import in our great domestic market, you must have some regard for your working people and you must have some regard for the standards that we impose upon our own manufacturers in behalf of our workers and if you will conform somewhat along that line, we are happy to have you come in.

Thank you very much.

The CHAIRMAN. Thank you very much, Mr. Congressman. Are there any questions?

Senator CARLSON. Mr. Chairman, I would like to state that I am very pleased to have this distinguished Congressman from the great State of Missouri come before our committee. He is a very able member of the House Ways and Means Committee and he has spent a lot of time studying this and we of the Middle West are very glad to have him as a member of that committee.

The CHAIRMAN. The next witness is Mr. Paul G. Hoffman, chairman of the board, Studebaker Packard Corp.

We are glad to have you Mr. Hoffman.

Mr. HOFFMAN. I appreciate very much the opportunity to appear before you in my individual capacity.

STATEMENT OF PAUL G. HOFFMAN, CHAIRMAN OF THE BOARD, STUDEBAKER-PACKARD CORP.

Mr. HOFFMAN. I feel very strongly that passage of H. R. 1 is essential for our own economic strength and security. I would like to discuss a few hard and fundamental facts about our foreign-trade position that seem to me to be the basic for any realistic discussion of trade policy.

1. The first fact is that without world trade we face disaster. We live in an interdependent world and we are becoming increasingly dependent on that world for our economic survival. We cannot close ourselves off the rest of the world except at a very great risk to ourselves. We need goods from the outside world if we are to have prosperous and expanding economy here. And other nations need our goods in ever-increasing amounts if they are to grow in strength.

Great Britain has known for well over a century that she must trade or die. She therefore adopted trade policies that helped expand world trade. We are rapidly coming to the point where our economic survival and strength, like that of Great Britain's, is dependent on world trade. We must face up to this reality and adjust our thinking and attitudes as the British did many years ago.

There are numerous examples of the stark reality of our need to import. We take justifiable pride, for instance, in our extensive use of steel. It is the backbone of our economic life. To produce 1 ton of steel requires 13 pounds of manganese. Of these 13 pounds, we produce in this country less than 2. There are other examples. We import 43 percent of our lead, 50 percent of our tungsten, 97 percent of our nickel, and all of our tin and natural rubber. As our economy expands and as we use up our own supplies of these basic materials, we will need to import even more for the economical operation of our vast industrial machine.

There are also numerous examples of our need to maintain and develop export markets for the products of our farms and factories. You all know the extent to which agriculture is dependent on export markets for its prosperity. Our farmers sell abroad about 20 percent of their lard, almost 50 percent of their production of dry whole milk, 25 percent of their wheat, over 50 percent of their rice, a third of their dried fruit, a third of their cotton, and one-quarter of their tobacco.

There are any number of businesses that sell from 10 to 25 percent of their production for export in order to stay in a healthy and sound condition, 15 percent of turpentine production and 20 percent of rosin, 10 percent of coal production. A quarter of our total production of lubricating oil and a quarter of portland cement output; 10 percent of tinplate production, 13 percent of our refrigerators, 10 percent of our machine tools, a fifth of our construction and mining equipment, of our textile machinery, of our production of combines and tractors—all these go into export markets. These exports cannot be maintained and expanded unless we are willing to let trade expand.

2. The second hard fact we must face is that what is true for the United States is even more true for the other free nations of the world. They urgently need and want our goods to maintain and expand their strength and to improve their own economic health.

There is no lack of recognition of this fact on the part of these nations. The problem is one of finding the means to pay for our exports. This is a problem that we must face, too. Since the end of World War II, we have spent some $40 billion in the form of grants and loans to our allies in order to provide them with the dollars to obtain goods from us. As an emergency program, there was justification for these grants and loans. But what other free nations want, as they have made clear on many occasions, is trade, not aid. They want to have an opportunity to earn these dollars. It seems clear to me that they should have it.

3. When I say that I think our imports should be permitted to expand I want to make clear that I do not foresee any huge inundation of the American market by manufactured goods produced abroad. The most liberal estimate I have seen of the additional amount of goods that would flow to the United States if all tariffs were removed—which no one, of course, suggests—is $1.8 billion. The actual increase in dollars earned abroad that might result from the complete application of H. R. 1 would certainly be less than $1 billion—less than one-half of 1 percent of our gross national product in 1954.

But I want to emphasize that the importance of these dollars goes far beyond their actual amount. Unless we give our free nation neighbors the right to sell to us some of the goods that they want to sell to us, a situation may develop where we will not be able to obtain the imports that we need, when we need them. Should we adopt a policy or enact legislation which would result in a shrinkage of world trade we would be exposing ourselves to grave economic and political dangers.

I have had an opportunity to observe what shrinking trade can do to a continent. When I went to Europe in 1948 as Administrator of the Marshall plan, I found trade within Europe hampered by the new techniques of trade restrictions that the Europeans had invented with such ingenuity. By using quota restrictions and exchange licensing devices, European trade had almost been brought to a standstill. The result was near economic chaos. We realized that if the Marshall plan was to be successful and the costs of operating it kept down, intra-European trade would have to be restored. The task of rebuilding that trade was given to the OEEC, the Organization for European

Economic Cooperation, of which all the nations participating in the Marshal plan were members. Through the program of trade liberalization which was instituted by the OEEC, 83 percent of all intra-European trade had been liberalized by the end of 1954. And the volume of intra-European trade has increased by twofold since 1948. This campaign is still going on. In addition, in the past 2 years, progress has been made in reducing these trade restrictions on imports from the dollar area. Parenthetically, I might add that it is my feeling that if Europe is ever to realize its great potentials for trade, Europe will have to become a common market.

The political dangers of shrinking world trade are even more serious. These dangers were expressed by Joseph Stalin in his major policy statement of October 1952, when he predicted, with obvious pleasure, that the "conditions of the world market of sales of the (chief capitalistic countries) will grow worse, and idleness of enterprise in these countries will increase. In this, properly speaking, there consist a deepening of the general crisis of the world capitalist system in connection with the disintegration of the world market." The Kremlin is betting on that happening. One of the major reliances of the Kremlin in this cold war is on shrinking world trade among the free nations.

4. The next hard fact that we must face is that certain segments of our economy will be adversely affected by an increase in imports. I do not deny that this can happen. But I do wish to assert this: A business that can't adjust itself to some slight increase in competition from abroad, can't survive anyway. The whole history of American industry is one of change. There is hardly an American manufacturing industry today that is making the same goods, in the same way, as it did 10 years ago, let alone 20. Of course, H. R. 1 would mark very modest progress forward in freer trade, so that the adjustments that it may cause can be expected to be very slight. The arguments one hears from the protectionists that whole industries will be wiped out, are of course foolish. That might only happen if there were a sudden removal of all tariffs and H. R. 1 is far, indeed, from that.

5. What we must have in our trade policy is continuity and stability. This is another basic fact to consider. International trade is a day-to-day affair. It requires planning, investment, time to bring investment to fruitation. These activities cannot take place in an environment in which governments are constantly changing or even reversing their trade policies. Without stability and predictability in our trade policies, too many foreign producers cannot become interested in trying to crack this tough American market. We in the ECA were constantly prodding Europeans to try to earn more dollars through trade so that they could finance their necessary imports from us by themselves. I could take hours, telling you of instances where, once having gotten a European manufacturer or an industry to agree to undertake the necessary investment to sell in our market, some red-tape or delays in our customs procedures discouraged them and they were forced to back away from the whole project.

6. The last hard fact about trade that I want to present to you today is this: Any restriction that is placed on an import is in fact a restriction on our exports. Other free nations, if they are to have dollars to buy our goods, must have a chance to earn these dollars. Even if we should save jobs in one industry by raising the tariff on

competitive imports, we will do so only at the expense of a loss of jobs in some other industry. Those dollars that other nations cannot earn because of our import restrictions, are dollars that American industry will not be able to earn through exports. This should be so obvious that it should not need stating. But almost every advocate of protection tries to give the impression that there is a net saving of jobs through such protection. That is just not true.

What I have been trying to get across in the few minutes that have been allotted to me is the deep conviction on my part that only through a policy of freer trade came we be sure of a freer world. In the words of President Eisenhower's message to the Congress, "If we fail in our trade policy, we may fail in all."

The CHAIRMAN. Thank you very much. Any questions?

Senator GEORGE. No; I believe not.

The CHAIRMAN. Senator Millikin?

Senator MILLIKIN. Mr. Hoffman, you used the word "protection," I prefer to use the word "safeguards"—do you believe we should safeguard our domestic industry by an injury test?

Mr. HOFFMAN. I didn't understand.

Senator MILLIKIN. By an injury test that we shall not injure our domestic industry.

Mr. HOFFMAN. I think the great difficulty would be the administration of such a clause.

Senator, when I was down here in Washington, I was constantly meeting with people from different industries who were terribly fearful of what might happen if there was any increase in imports from abroad.

In some cases there was real reason for their concern, but in most cases it was based on a fear of something that will never happen.

In other words all of us in an industry can get terribly concerned about something that is going to happen when competition does this or thus.

But generally speaking we can find ways to meet those conditions. The thing that H. R. 1 provides that is necessary and fair to industry is gradual.

Senator MILLIKIN. H. R. 1 provides for maintenance of the injury test.

Mr. HOFFMAN. I know.

Senator MILLIKIN. Are you opposed to that?

Mr. HOFFMAN. It is in the bill and I am here to support the bill. I don't think it is necessary.

Senator MILLIKIN. But if it is maintained and it is maintained in good spirit and in the sense in which it is intended, their safeguard, it will safeguard the local domestic industry?

Mr. HOFFMAN. I can only say that I have regard for the wisdom of the people on the committee, the Randall Commission; they decided that the peril point should be retained and that is that with me.

I thought that most of these perils just weren't going to happen and I don't believe there have been many instances where there has been any real use of the peril point.

Senator MILLIKIN. What I am trying to get at is do you approve of the maintenance of the peril point in both the making of trade agreements and in providing escape from injury?

Mr. HOFFMAN. As an individual I don't think it is necessary. I am concerned about it for this reason.

I am obsessed with this idea that the nations abroad need our goods, that they should pay for those goods and therefore should have the chance to earn the dollars.

I think what we are doing is—what that clause does is this—it protects us against a largely imaginary danger. Actually the danger of injury is not very great as has been evidenced by the history, whereas the danger of the peril point and the escape clause to expanding imports are very great. The problem we are always facing we discussed with everyone we could the need for expanding their imports into our market, so that they could increase their dollar earnings and we could reduce the cost of the Marshall plan.

They would say, "What's the use. The minute we get to the point where we are doing business, you pull the rug out from under us."

I will not bore you with instance after instance.

Senator MILLIKIN. There were people in this room who mentioned instances where they were hurt or were injured. I can't wave that away and say that isn't so.

Mr. HOFFMAN. There are special cases. For one case where an American industry has been put in hazard by foreign competition there are 500 where they have been put in danger by domestic competition.

In other words competition is rough. I can say that the danger to American industry by foreign competition has been grossly exaggerated.

Senator MILLIKIN. I think you have a tendency through perhaps your own success in business and your own success in running industrial enterprises to minimize the wage differential between the various countries we trade with.

Mr. HOFFMAN. There is one thing Senator, I can't understand, and that is the failure to grasp the point that it isn't wage costs that are important, it is unit cost.

It doesn't make any difference whether you pay 10 cents an hour or pay $2 an hour, the point is what is your labor cost per unit from a competitive standpoint.

I happen to have great faith in American ingenuity, I think our forefathers when they laid down the ground rules for this society gave the kind of freedom to us that made us on the whole a creative, ingenious people and I think we have proved time and again that when we face a situation, we can, by ingenuity, work our way out.

Senator MILLIKIN. We have dozens of witnesses here who claim that exporters from abroad have the same machinery as we have, they have the latest machinery because we supplied it to them and when the foreign laborer is trained, whatever the period of time it is to train him, that his wages do represent a substantial differential in cost.

Mr. HOFFMAN. I wish I had available some of the conversations I heard 5 years ago about what was going to happen in various industries as a result of foreign competition. The point is that the most, the biggest volume you can build up, possibly build up as a result of freeing these trade restrictions is something around a billion dollars.

And that is a half of 1 percent.

Senator MILLIKIN. That figure is in grave dispute. You can consider the immediate loss of business and then you have to consider the ramified loss, the effect on psychology. If you take a town where you have one industry and you wipe that industry out you have a loss of direct payroll but you have the filling-station man and the service people and when you put that all together and the ramified effect and the compounding of the effect all over the country where that thing is happening in dozens of instances—and there is some evidence to that effect—you can reach a very bad economic result.

Mr. HOFFMAN. Sure. You can if the management is not alert. I lived for a time near a little town called Three Oaks, Mich. Senator Warren, former Senator here, was the great man in that town. It was a one-industry town.

They made whalebones for women's corsets. That business went out. But today it is a very prosperous little manufacturing town where they are manufacturing different things.

They have labor, they have brains, and between the two—and they have machines—between the two they were able to find products they could build.

Senator MILLIKIN. Whatever new business they can go into—I am not saying they can't go into new business—they may have a difference between 10 cents an hour which the competitor takes as a wage cost against $1.50 an hour or $2 an hour, both using the same machinery, both being equally resourceful, or approximately equally resourceful.

How can a man in business overcome differentials of that kind?

Mr. HOFFMAN. If that condition actualy existed and you did not have transportation costs coming into there in a big way, which you might, and you had equal skills in marketing on the part of that foreign competitior then you would have something to worry about.

There are cases where foreign competition has to be met.

Senator MILLIKIN. That is why I come back to the question: Do you believe that if a domestic industry can show it is injured by competition, whatever should be done, quotas increased, rates, whatever the device might be, it should not be injured or do you believe that we should trade our domestic payrolls to achieve an export advantage or to achieve diplomatic objectives?

Mr. HOFFMAN. No. The difficulty in answering the question is this: I don't believe that under this H. R. 1, with the very moderate reduction in tariffs that is made possible by it, you ever will have that condition develop that you are concerned about.

I can understand why you are concerned. I just don't believe it. I do know the ultimate cost is important——

Senator MILLIKIN. If it is demonstrated say before the Tariff Commission to be a fact do you believe we should injure an American payroll in order to achieve a diplomatic advantage of an exporting advantage?

Mr. HOFFMAN. I hate to avoid a question. I am not fighting against the peril point because it is in the legislation.

Senator MILLIKIN. Then you have to accept the consequence of it.

Mr. HOFFMAN. I am not fighting against it because it is there. I would have to say that I think on balance the disadvantages that lie in the peril point greatly outweigh its advantages.

In other words, certainly it is quite possible that some business might be dislocated but as I tried to say in my testimony if in order to protect that business we stop the Europeans or Asians from earning those dollars, some other business loses those dollars. It never is a net loss, it is always shifting.

Senator MILLIKIN. Mr. Hoffman, you must realize that if you have convertability of international currency, you make one type of money by exporting to country X and in triangular trade in other ways you finally come down to dollars if dollars are salable an the world market and if the other currency is available.

Mr. HOFFMAN. That is right.

Senator MILLIKIN. So you cant' say that because a country cannot by direct exportation to this country receive dollars that it cannot achieve dollars. We send dollars out over the world and if we have convertability they are available to those who have watever it takes to fit the slot of convertability.

Mr. HOFFMAN. May I make just one observation on this. A thing that strikes me as though there is an eagerness to send those dollars home to us for American goods.

Because the thing that is very apparent, everyone who has ever been abroad has observed that American goods are in tremendous demand. I don't know what the ceiling would be on the demand for American goods if the dollars were available.

I happen to believe very strongly that if we want the free world stronger we have to have policies that will assure expanding world trade.

I think of no greater danger at this moment than to have policies that tend to restrict and cut down trade, because if we do, that is one way to play smack into the hands of the Kremlin.

Senator MILLIKIN. Since we are being solicitous and should be about the troubles of the rest of the world, can anything worse befall the rest of the world than by weakening the American economy and destroying the American payroll?

Mr. HOFFMAN. I am against that.

Senator MILLIKIN. I assume that. I don't think your argument is consistent with that.

Mr. HOFFMAN. I think the one way to expand American payrolls is to have liberal trade policies in that regard. I am for expanding the American payrolls.

Senator MILLIKIN. I respectfully suggest that you have not yet demonstrated it.

Mr. HOFFMAN. I can demonstrate it this way. We have had a very good record in reducing our tariffs since 1929–30.

Senator MILLIKIN. And you have not had a moment of normal trade in world trade. You have had threats of war or war which has made a buyers' market and the reciprocal trade system whether you like it or not, has never really been tested.

Mr. HOFFMAN. That is correct. I wasn't thinking about world trade at all. I was thinking about our domestic economy. Since 1929 that has been a constant movement toward lower tariffs. That is all I think should be done now.

Senator MILLIKIN. The world has wanted to have our goods and has had to have our goods and we have supplied the money to buy our goods.

Mr. HOFFMAN. Leave out world trade. For the sake of this argument all I am saying is that we have seen the time we have been lowering our trade barriers, our domestic business has increased enormously.

Senator MILLIKIN. That is because we have been in wars, in emergencies, where the whole world has wanted our goods and we have supplied them with the money to buy them.

Mr. HOFFMAN. I didn't make myself clear. I am excluding all foreign trade.

Senator MILLIKIN. Then we live in a vacuum here.

Mr. HOFFMAN. No. Our domestic economy, excluding foreign trade, has been in a continual and dramatic expansion at the same time we have been constantly lowering tariffs.

Senator MILLIKIN. Isn't that due to Government purchases, to Government inflation in their finances, to help that the Government has given?

Mr. HOFFMAN. No.

Senator MILLIKIN. In part.

Mr. HOFFMAN. In part.

Senator MILLIKIN. I don't believe I am a fanatic. I am not attributing anything to any one thing. Isn't that due to these wars and emergencies that we have been talking about? When we have a war or other emergency, independent of exports, we expand to the maximum our domestic industry. And that throws money into circulation.

But whether we can keep that up when we are not in war or an emergency is another proposition.

Whether we can keep it up when we are drying up our own payrolls to compete with the products of countries that have an enormous wage differential with our own, that is another question and I think it is a very important one.

Mr. HOFFMAN. Senator, if I may answer that, a business group in this country organized the Committee for Economic Development because in 1942, 1943, and 1944—Senator Flanders is well aware of this, he is here—there was a thinking throughout this country that come the end of the World War II with the end of the war economy that we would have a depression that would make all previous depressions look like a picnic.

We were told by certain groups there would be 19 million unemployed and the psychology of the country was getting to be in a somewhat dangerous situation.

We were advised by very sound economists that there was an opportunity following the end of World War II for an economy with very high level employment and high production, and we went to work to try and get business in a frame of mind so it would plan for very high peacetime production employment, and business did, and we had it.

Senator MILLIKIN. Then you got into the Korean war.

Mr. HOFFMAN. But 1946, 1947, 1948 was a period of rapidly sinking Government expenditures for war purposes. We got down to $13 billion. It was in that period that we had our greatest expansion of peacetime production and peacetime business had nothing to do with the foreign market.

Senator MILLIKIN. That is the point I would like to make now. This has something to do with the foreign market. Let's not assume too much for it. You had to make up an obsolescence that developed over a period of how many years?

Mr. HOFFMAN. You had too the pent-up demand for goods.

Senator MILLIKIN. All right. You had that surplus backlog to carry us along until we ran into Korea. Then we had another emergency.

Mr. HOFFMAN. My point is I do think we can say perhaps quite precisely that in that 3-year period that we met this problem which you are discussing and it was met with very little fluctuation as far as the foreign trade was concerned and very little fluctuation as far as the governmental buying.

Senator MILLIKIN. The reason it didn't have much fluctuation from foreign trade was because they didn't have much to send to us. They were trying to recover themselves. We were fully equipped to supply our own obsolescence. We did.

I think the economists made a horrible mistake. I agree with you in that. But I cannot wipe out of my mind the difference between 2 products, 1 that has a 10-cent-an-hour wage differential in it and 1 that has a $1.50 wage differential in it, both working on the same goods, both working with labor that can become equally skilled, both working with the best machines in the world supplied by our money.

Mr. HOFFMAN. You are making a number of assumptions. I will go back in the history and tell you early in the history of the Studebaker Co., Mr. J. M. Studebaker was making wagons in South Bend, I can't remember the name of the company but they were located in Jackson, Mich. He was paying the huge wages then of a dollar a day. inJackson, Mich. Peter Schuyler went to Decatur, Mich., and got the magnificent price on labor of 25 cents a day. Everyone predicted Mr. Studebaker would be out of business. He could not compete. But in Michigan we have a better labor in American labor than most of these countries. I don't think you can pay 10 cents an hour to people and get the kind of work we get out of our American labor.

Senator MILLIKIN. We have had witness after witness who has testified to the contrary. They say that they have better machines than our older machinery. They have the best machines because they are the latest built and we have supplied many of them and with our money.

They say, given the same machine, given a course of education, many times by our own technicians, that they can make the unit cost reflect the difference in the labor.

How are you going to get away from that?

Mr. HOFFMAN. I think most of the argument is based on the assumption that we will suddenly cut off all tariff protection. For example, I have a young friend named Charles Percy with Bell & Howell. I should say that is a business that is more subject to foreign competition than any business I know.

The Germans make wonderful cameras and they have lower priced labor. I know Mr. Percy's position is that we ought to gradually reduce our tariffs. If it is done gradually he can meet any problem that comes along. If you suggested to him tomorrow morning we should take all of the tariffs off, he would say "Please don't do it. I can't adjust that quickly."

Senator MILLIKIN. I am not disparaging our resourcefulness and our good quality—I am very appreciative of that especially when talking to people who like to hear about that—yourself, too. I have heard you make similar speeches.

Mr. HOFFMAN. That is right.

Senator MILLIKIN. But let's assume that you have a country which is skilled in hand labor. Britain was our leader in the world as far as hand labor is concerned. I think they are still in some respects. The Scandinavian countries are.

The Japanese countries—the Japanese can be instructed to perform an excellent job. I have seen the kind of cameras you have spoken about lined up on the Senate floor where a layman would have great difficulty to tell one from the other and the Japanese product was selling for half our product.

Where you have a differential of that kind that can be proved—and I suggest to you that we have heard witnesses here one after another and we will hear a lot more and the House heard 150—I suggest that that proves there is that differential and a differential is a difficulty in the marketing of American goods.

Do we give them a theory or do we give them a payroll?

Mr. HOFFMAN. I would say personally, although this is not in the bill, that what we do is gradually reduce our tariff over a period of years, giving everyone a chance to adjust. I think it would mean giving up certain items which would be replaced with others.

If I can speak personally, I happen to be the principal owner of a little business that makes heating specialties, Hoffman Specialty Co.

My father founded it many, many years ago. If we were still trying to sell the same specialties that we sold 10 years ago, we would be out of business.

Senator MILLIKIN. If you were still trying to sell buggy whips?

Mr. HOFFMAN. In other words we have to constantly change. When we find a nonprofitable item we get out of the business. If we had not done that we would have been out of business 20 years ago or 10 years ago and would be out of business next year.

Senator MILLIKIN. What you are talking about is magnified by a rush of everybody to get out of the business in which he is in, in order to get into another business which would dry up for the same reason.

Mr. HOFFMAN. Over the next 10 years, I could not be convinced that American business hasn't sufficient ingenuity to move in the direction necessary to meet any competition that would come from the expansion of foreign sales to this country to the extent of billions of dollars.

If I thought that, I would give up on America.

Senator MILLIKIN. Mr. Hoffman, I sat on the Randall Commission and heard a very fine businessman, a representative from your State, suggest that the town of Silverton, Colo., give up mining and go into another business. Anyone that knows that town, knows its geographical difficulties, knows its position, suggesting that those miners give up the business of mining and go into some manufacturing business is most unrealistic; it is near to being silly.

Mr. HOFFMAN. I agree with you. They might mine uranium.

Senator MILLIKIN. Let me give you an illustration of that. I was thinking of that mining town because, partially at least as a result of tariff difficulties, the men are idle. The miners have been idle. The miners of Silverton are on the street. That is quite a problem if you have a groceryman and a druggist and other service people to patronize.

We had some wise fellow in the Government during World War II conceive the notion that what we needed was labor in copper. The thing to do was to close down those mines at Cripple Creek and thereby sort of force those men to go into Michigan and work in the copper mines.

There were a half dozen or dozen reasons why they wouldn't do it. They wouldn't do it. They had their homes in Cripple Creek, they attended the lodges there. They attended the churches there. They liked Cripple Creek.

They made their career there. Many of them are in late middle age. They hung on, thought they had a right to hang on. I think they had a right to hang on. They didn't move.

You have a great gap between the theory of labor movement and the fact that sometimes labor won't move if you try to force them into a new community and new enterprise for which they are not trained.

I think that has something to do——

Mr. HOFFMAN. Can I do a little rebutting here? I have had some thrilling experiences in my life. One was in Wilkes-Barre, Pa., which was a dead town 5 years ago. Coal mining was gone. They got together a committee of a hundred; they took these old buildings and brought in new and different industries, and Wilkes-Barre is on the way back.

I couldn't tell you what to do in Silverton but I would hope that the businessmen in Silverton would really begin thinking about what could be done to provide an opportunity for those workers to work.

Senator MILLIKIN. People in Silverton are thinking about why they can't mine lead and zinc. That is what they are thinking about. They are not going to put their mind on anything else. They won't be able to set up a Pittsburgh at Silverton if they do put their mind on anything else because of the geographical location of the town, and so forth and so on. So after I listened to that testimony, I said to myself there is an extreme of the theory and viewpoint which I heard more ably discussed by Mr. Hoffman.

Senator MARTIN. I wonder if the Senator would yield.

Senator MILLIKIN. I yield.

Senator MARTIN. You mentioned Wilkes-Barre, Pa.

The people there are very wide awake and some of the wealthy businessmen of that section have put up enormous sums of money in order to encourage new businesses to come into that section but that hasn't satisfied the miners. The miner is oftentimes—his grandfather worked in that mine. There is sentiment about it. That is what to my mind made America great, that a man loves his job and the thing that is our trouble in Pennsylvania in the importation of oil and cheap residual oil. That is the thing that has put a lot of our miners out.

Mr. HOFFMAN. Senator, may I just make this statement to you. I happen to be chairman of the board of the one automobile company that grew out of a wagon-building company.

Senator MARTIN. I know I admire that great old—I have ridden in the Studebaker wagons when I was a boy.

Mr. HOFFMAN. We had thousands of workers who did not want to work on anything except wagon axles and wagons, to be anything but blacksmiths, but you know it is quite possible to get them to work on other things. It isn't easy but possible. The only way to me——

Senator MARTIN. You can't do it by picking them up as Senator Millikin has said and move them to some other place; that is Russian, that isn't American.

We have to do that by teaching them through trades and that is what they are trying to do in Wilkes-Barre but those miners are not satisfied.

Mr. HOFFMAN. You can't get all of them.

Senator MARTIN. You can get the younger ones.

Mr. HOFFMAN. We couldn't get the blacksmiths all to start building automobiles, but I should say 95 percent of them did. They got better jobs than they had had. As blacksmiths the best they made was $10 or $12 a week. Now they are making $200.

Senator MARTIN. That was a very good $10 a week and bought a lot of things.

Senator MILLIKIN. The Randall Commission which you cited here had the suggestion that we create a system of bonuses or subsidies or help of some kind to take care of this transition. Where a town becomes technologically obsolescent and has to go into another business, the Government should take over and, by bonuses or help of some kind, correct the situation. There was quite a difference of opinion among the members of the Randall Commission.

The vote on that as I recall it was about 14 or 15 to 1. No one would agree to that. Because that in itself had certain planning aspects—I don't want to be using a Communist expression of that kind and condemn anything, but the point was they realized that if you get the Government into a planning business it renders the idea impractical.

Mr. HOFFMAN. I would be completely opposed to it because it would not work.

Senator MILLIKIN. I merely suggest to you that if we believe the injury test is practical, if the injury test is in force—and it may be supplemented under H. R. 1—Congress can so legislate as you point out.

Anyhow it is the policy of Congress to do it and you said you abide by the policy of Congress.

Mr. HOFFMAN. That is right.

Senator MILLIKIN. So get in step and abide.

Mr. HOFFMAN. Oftentimes I didn't agree with the Congress but I always tried to abide by it.

Senator MILLIKIN. That is very wise.

The CHAIRMAN. Any further questions?

Senator MILLIKIN. No.

The CHAIRMAN. Senator Barkley.

Senator BARKLEY. I am sorry I didn't get here in time to hear your full statement, Mr. Hoffman, but I would have been but I had to be at another meeting, therefore it is like going up a blind alley to try to ask an intelligent witness about his testimony when you have not heard it.

I am not comparing you to a blind alley by any means.

I would like to ask you this 1 or 2 questions.

We are always talking about all of our prosperity, all of our increase in production and in income and economic strength being due to war.

We all know that to some extent that has been true. But in 1933, when we were coming out of a disastrous depression with some 14 million unemployed people in this country, we did not rely upon war or rumors of war for our efforts to dig ourselves out of that ditch.

We had to spend money out of the Treasury. We had to increase our taxes. We had to increase our public debt.

In order to do what we called priming the pump, but we did gradually move up the hill and by 1939 we had reduced our unemployment to about 9 million.

We had expanded our industries domestically. We had given men employment. They had money to buy goods with and they bought it and it was like an endless chain. They spent the money that they got and that gave men work.

There was no rumor of war in 1939 although Hitler was on the rampage in Europe. It didn't affect our economy materially until we got into it.

The effect of it was somewhat after the war broke out in Europe in 1939. We didn't get into it until the latter part of 1941 after Pearl Harbor, but we had through our own efforts domestically expanded our trade and income and we had improved the economic condition of our people during those 7 years during which there was no war as far as we were concerned.

When World War II was about to end, we passed through the Congress here what is called an employment act by which we authorized the Government to create employment by probably artificial means and anticipating the possibility of an unemployment of about 8 to 10 million men.

I had some part in the enactment of that legislation. But the anticipated unemployment did not occur, and suddenly the war ended in Europe in the spring of 1945 and in Asia in the fall of 1945, and from 1945 until 1950, notwithstanding the greatest demoblization of an army in the history of the world whom many people though would be dumped upon the American labor market and create unemployment and before we inaugurated any European program of assistance, we began again to expand our trade and our employment on the basis of our economic conditions and that went along until the Korean war came along in 1950 and, of course, the impact of the Korean contest upon our economy was nothing compared to the impact of World War II for 4 years, that effect on that, but it was nothing by comparison.

Now we have been out of that for let's say a couple of years approximately.

We have been on a peace basis. We have in the meantime undertaken to help our friends in the world by enabling them to buy goods from the United States.

The point I am arriving at is that regardless of wars and rumors of war taking the history of our country over the last 22 years we have demonstrated our ability to maintain our own economy if necessary without war.

If the world would come to a period of peace where all the expenditures going now in defense, into tanks and airplanes and atomic energy could be diverted to peaceful pursuits and the achievement of a great economy, would not that itself without war, without rumors of war, the fear of war, would not that strengthen our economy and that of the world to such a point that we can hardly anticipate the great expansion and economic prosperity and strength that would come to us if we could get out from under that pall.

Mr. HOFFMAN. I agree with that. I think it would be an utter tragedy to accept for the moment any theory that in order to have prosperity we have to have a war or threats of war.

I think that World War II did one thing for all of us and that is that it showed us what could be done when we made full use of our energies and capacities as a people.

I think that during the transition which was mentioned earlier we would have had eight to ten million unemployed, quite unnecessarily if it had not been for the fact that business was ready with its plans for a greatly expanded peacetime activity.

The danger in that period was clear as a result of World War I. After that war, it took too long to make the transition from the war to a peacetime economy. And in the year and a half that that was going on, the savings people had made during the war, which they didn't have things to spend for were dissipated because of unemployment. It seemed to us that the great thing necessary following World War II was to have industry ready to jump immediately into enthusiastic and high level of peacetime production, which industry did, and which I think is an answer indirectly to your question. I think industry demonstrated and the American people, to—I don't mean any segment—I think America demonstrated in the period from 1945 to 1948 it's possible for us to have a very prosperous peacetime economy not based on war demands.

Senator BARKLEY. Why do you say 1946 to 1948 and not 1948 to 1950.

Mr. HOFFMAN. We accelerated our foreign spending which meant foreign buying here in reverse in 1948 with the Marshall plan. That was some stimulus. Korea came along later. There was no question but what the buying for defense purposes has been a very important part. But I hope we will see the day when that is a much less important part than it is today.

Senator BARKLEY. As a matter of fact we are always talking about all the prosperity we have had in the last 22 years being a war prosperity.

Mr. HOFFMAN. Utter nonsense.

Senator BARKLEY. Out of that period when we were in war, we were only in war 6 years, while there was a lapover while we were in war and after it was over.

It is not realistic to say that all our prosperity in the last 22 years or the greatest part of it has been due to war.

Mr. HOFFMAN. I agree with that.

Senator MILLIKIN. The prosperity that followed World War II rests in substantial part on the obsolescence and the unsatisfied demand which you yourself pointed out the American people had accumulated during the years that those things were not available.

Mr. HOFFMAN. That is right.

Senator BARKLEY. I am not——

Mr. HOFFMAN. I think that is a very important factor Senator. I do think this, that there was no evidence, and I think economists would all agree with this, that we could have continued at a very high level. The thing we can never have in a free economy is a straight line up. The line has to undulate if your economy is to be free. I don't know of any economist that did not figure that there was a sound basis for a continuation of very substantial prosperity without Korea, before Korea ever appeared, and I think I was pretty close to the thinking of a number of our very topflight economists.

They felt one thing, you see, that is going to have a great impact on this economy is the extremely high production of the babies we have had. You can think back not too many years when I remember a series of magazine articles by a very well-known American businessman who said we now had to adjust ourselves to a mature economy, that we were a fairly stable population.

We then had about 120 million people or 115. But that hasn't turned out to be the case. We have just ahead of us doing things to take care of all these babies that are growing up now very rapidly as many of you know probably from personal experience with your children and grandchildren.

They are a big crop and we have to take care of them. We have present in our economic picture today a number of fluctuations that give reason for a belief that we can have an expanding peacetime economy without the impetus that we have had from wars, from defense and war spending.

Senator BARKLEY. I feel completely that way, but I feel we can reduce that entirely if we sap up the American payroll.

Mr. HOFFMAN. I do know, too.

Senator BARKLEY. In favor of low-cost, low-wage living standards of your other countries.

Mr. HOFFMAN. The payrolls of America have constantly been expanded in the face of constantly lowered American tariffs.

Senator BARKLEY. I don't think you can put any limit on the resourcefulness of the American people, so I am not discounting that at all. But, after all, the job of Government is to keep in touch with the average of the American citizen, not the aristocracies of technology, but the average people and perhaps that versatility and resourcefulness which you have shown yourself is not present in all American people.

We concern ourselves with the average. We have farm programs and all other kinds of programs which are not connected with what the best farmer can do nor what the worst farmer can do, but we try to figure out what the average will do.

I think we have to keep that in mind always. I gather the impression from your remarks that you think everybody is as bright as you are.

Mr. HOFFMAN. Brighter for the most part.

Senator BARKLEY. That may not be true. Do you have any financial interest in Japan or your company?

Mr. HOFFMAN. No, sir.

Senator BARKLEY. Have you built any plants or anything of that kind?

Mr. HOFFMAN. No, sir.

Senator BARKLEY. Or for Japan?

Mr. HOFFMAN. I don't know about Ford—Studebaker-Packard has no plants.

Senator BARKLEY. Do your industrial interests have any plants that utilize Japanese labor?

Mr. HOFFMAN. I can't answer for the industry. I did not come down prepared for that. I think before the war both Ford and General Motors operated plants. I don't think they have operated about since the war.

Senator BARKLEY. I am not making a great deal of it. But I have heard that some of your enterprises are either starting in Japan or have interests in Japan.

Mr. HOFFMAN. No, sir; we have no interests in Japan.

Senator BARKLEY. There was no important trade agreement until 1939, until at the very beginning of World War II. The act came in in 1934, and we did not have any important trade agreements negotiated until 1939.

They were with Canada and the United Kingdom. That was the real start of the program. The rest of the time we plunged immediately into war, and I am suggesting that perhaps there was no full opportunity to get the effects of what we were doing. I continue to suggest that perhaps there has not yet been a real testing, because we have had a buyers' market and still have, and according to your theory of an expanding economy we will continue to have as long as we don't have another setback.

All I wanted to say was that the point which is frequently stressed that our prosperity and everything is due to the reciprocal system, while I favor the reciprocal trade system, properly enforced and carried out, I want to make that clear that it had nothing to do with the prosperity that followed World War II or that existed during World War II, because we did not have any important agreements until 1939.

Mr. HOFFMAN. I think that is a very fair observation. I think conditions have changed somewhat. My deep worry is this: That we will adopt policies here today in a very changed world that tend to restrict the volume of trade among the free nations of the world, and that, to my way of thinking, would be very disastrous.

I think we have to have policies that provide the opportunity for expanding world trade. That is my deep conviction.

Senator BARKLEY. I favor intensely as you do expanding world trade but I think it is a foolish thing to start out by saying that the world is dependent upon the United States, we are the center of the economy of the world, yet we proceed to fritter away our payrolls and proceed to have a healthy country.

Mr. HOFFMAN. If I felt there was anything in H. R. 1 that would result in a reduction of payrolls in America I would be opposed to it. I happen to feel that H. R. 1 will result in expanding payrolls. That is a matter of opinion.

Senator MILLIKIN. Despite the other defects of the act if there are any, the act does preserve the injury test.

Senator BARKLEY. Mr. Chairman, I haven't quite finished.

Senator MILLIKIN. I did not intend to interrupt you.

Senator BARKLEY. I would like to ask Mr. Hoffman one more question.

It is all right?

Senator MILLIKIN. I did not intend to interrupt you.

Senator BARKLEY. I know you didn't. But you don't always carry out your intentions.

Senator MILLIKIN. Then I am sorry if I did.

Senator BARKLEY. You were the administrator of the so-called Marshall plan for how long?

Mr. HOFFMAN. Two and a half years.

Senator BARKLEY. Can you recall the average expenditure under that plan during those years, per annum expenditure?

Mr. HOFFMAN. I can give you the exact figures. This might interest you.

This is not a planned act; may I say that I did not know Senator Barkley was coming in here. I would like to make it perfectly clear I thought I might be asked questions about this. I did not know by whom. In the year 1949, which is a 15-month year really because there were 3 months—1948 concluded in the fiscal year of 1949 our expenditures were five billion nine.

In 1953, three billion six. In 1951, two billion four. In 1952, one billion four. I would like to read the corresponding figures showing the amount of increase in industrial output in Europe.

Senator BARKLEY. That is what I was coming to.

Mr. HOFFMAN. Taking 1948 as the base. By the end of 1949 we achieved a 13-percent increase; by the end of 1950, a 25 percent; by the end of 1951, 36 percent in those 3 years. In 1952, production 138 percent of 1948. In other words with the amount of economic aid very steadily going down, sharply going down, production went up because of the fact that we got into Europe at the right time I think, and because Europeans did the job themselves.

We said you Europeans can save Europe, and I think that is true.

Senator BARKLEY. Do you have those figures in dollars?

Mr. HOFFMAN. I have not. I could get them.

Senator BARKLEY. You don't have the total production of goods and services in this country?

Mr. HOFFMAN. The total production of goods and services in terms of 1948 dollars, the figures of all the countries were not too reliable but it was something under a hundred billion dollars for all Marshall plan countries.

Senator BARKLEY. We have expanded since that time until last year and this year we are operating on approximately a $300 billion basis in production.

Mr. HOFFMAN. That is right.

Senator BARKLEY. While our aid to other countries has constantly gone down during that period?

Mr. HOFFMAN. That is right.

Senator BARKLEY. So that could not by any stretch of the imagination be that our vast expansion in production and in income and wages in this country over the last 10 years is due to the aid we gave to Europe.

It may have had some effect upon it but it could not possibly be responsible for more than a fractional part of it?

Mr. HOFFMAN. That is right.

Senator BARKLEY. That is all. Thank you.

The CHAIRMAN. Senator Martin.

Senator MARTIN. No further questions.

The CHAIRMAN. Senator Carlson.

Senator CARLSON. No further questions.

The CHAIRMAN. Senator Malone.

Senator MALONE. I am very much interested in Mr. Hoffman's very fine outline.

You are in the automobile business, Mr. Hoffman?

Mr. HOFFMAN. Yes, sir.

Senator MALONE. Where are your plants located?

Mr. HOFFMAN. The Studebaker Packard plants are located in South Bend.

Senator MALONE. Indiana.

Mr. HOFFMAN. Yes. Detroit, we have a plant in Los Angeles, which is in California, an assembly plant. That is an assembly plant which was used for defense work until recently in New Brunswick, N. Mex. The only plants we have outside of America are a very small plant, assembly plant in Mexico and a fairly substantial plant in Canada. Hamilton, Ontario.

Senator MALONE. Is it at the South Bend plant where the wages were lowered by agreement between the workers and yourself?

Mr. HOFFMAN. The hourly rates were lowered. The wages were increased.

Senator MALONE. Would you explain that as long as you brought it up?

Mr. HOFFMAN. Surely.

Senator MALONE. They worked longer hours?

Mr. HOFFMAN. No. Our problem was the fact that our rates had gotten out of line with Detroit rates. As a consequence the men were not working.

Senator MALONE. You were paying more than they were paying in Detroit?

Mr. HOFFMAN. Yes.

Senator MALONE. What was the comparison?

Mr. HOFFMAN. About 35 cents an hour.

Senator MALONE. You were paying 35?

Mr. HOFFMAN. We were paying about $2.35 and Detroit was paying $2.

Senator MALONE. You merely lowered them.

Mr. HOFFMAN. We brought them down to a point where they were competitive. We were confident if we did that we could lower the prices on our cars, which we did and expand our production and expand our markets and therefore expand employment and that is the way it turned out. In other words our people were working something around only 20 hours a week last spring and they are now working 54 hours a week. They were making about $200, they are now making well over $400 a month.

Senator MALONE. Do you have any plants under construction in any other foreign countries?

Mr. HOFFMAN. No, sir.

Senator MALONE. You don't have one under construction in Japan?

Mr. HOFFMAN. No, sir. There are assembly operations performed in countries by our distributors in countries that we have no association with.

Senator MALONE. You have no assembly plant under construction?

Mr. HOFFMAN. No, only the two countries I mentioned, sir.

Senator MALONE. You say that you have every confidence that the payrolls will not be reduced; otherwise, you say you would not be for this piece of legislation. Do you think that the payrolls will be rearranged, that is to say the industrial map will be remade to a certain extent?

Mr. HOFFMAN. If you take a look, Senator, at the industrial map over the last 55 years, that has been undergoing constant rearrangement.

Senator MALONE. That was not quite the question.

I have taken a look at the map and I know something about the reasons for it—I will get into that a little later.

What I want you to answer is whether you believe that service will be displaced and other industries grow as a result and the industrial map be rearranged.

Mr. HOFFMAN. I don't believe any gradual reduction in the tariff would result in displacing industries. I think there would be certainly a rearrangement.

Senator MALONE. The same industries you think would move to other places?

Mr. HOFFMAN. No.

Senator MALONE. Then you don't think that there will be a rearrangement—explain it.

Mr. HOFFMAN. I think this: I admit I was never more interested in any event than I was in what is taking place in this little town of Wilkes-Barre. You did have coal mining.

As Senator Martin says, some coal miners want to remain coal miners, regardless. They took me to a building with them where they had lace curtains—it didn't happen to be coal. We can't control the whims of women. They don't buy lace curtains any more. But the people who were manufacturing lace curtains decided that life wasn't worth while without lace curtains, so they decided to go out of business.

Senator MARTIN. If the Senator would permit me.

Senator MALONE. Go right ahead.

Senator MARTIN. Permit me an observation. The first trouble that the lace industry had in Pennsylvania was from importation. That was the first trouble. That cut down the amount that they can sell.

It was not profitable then to continue, but it was importation that was the first damage to the lace business in Pennsylvania and the lace business in Pennsylvania was a very considerable business.

Mr. HOFFMAN. I wasn't sure of the reasons except they showed me this huge building that had been used by this industry and as a result of the work of this group of people bringing new industry to Wilkes-Barre they had all that space filled and they had more workers in that plant now than when they were operating during the days they were making lace.

That is just an illustration of what has constantly gone on in America.

Senator MALONE. I think you are exactly right. But I would like for you to answer some of my questions and we will get into the dissertations later.

Mr. HOFFMAN. I am trying to.

Senator MALONE. We had a lace man here yesterday or the day before and that was not his story. He said the importation of lace was putting him out of business. He did not say the women were using more or less lace. He said the importation had replaced his lace.

Mr. HOFFMAN. In my home we have just changed the venetian blinds. We used to have lace curtains. I had nothing to do with that. That is going on all over the country.

Senator MALONE. There are also more homes.

Mr. HOFFMAN. That is right.

Senator MALONE. So he says the displacement is from importations or do you doubt that?

Mr. HOFFMAN. I seriously doubt that?

Senator MALONE. Well study the evidence.

Mr. HOFFMAN. I seriously doubt that is what is wrong with that business.

Senator BENNETT. Will the Senator yield?

Senator MALONE. Yes.

Senator BENNETT. The witness who appeared before us 2 days ago was not talking about lace curtains. He was talking about lace that women use on their personal apparel, so both of you are reasonably right, because you are talking about two different things.

Senator BARKLEY. That is like the whalebone, the whalebone didn't go out of business until the corset went out of business.

Senator MALONE. I enjoy all this humor. But I want to get back to the point that there are payrolls in different businesses. Let me ask you again. Let's include the crockery, let's include the glass, let's include the machine tools.

Let's include the minerals, just as the senior Senator from Colorado included them. Do you believe that some of these industries will be displaced by furnishing the market to the foreign people to get the dollars to buy something that is going to increase payrolls in another area or another business?

Mr. HOFFMAN. I would like first of all to make a statement that I think is basic, that any dollars earned by foreigners, foreign manufacturers or producers selling goods to America are spent in America and benefit some industry, so we are not talking about more or less dollars.

We are talking about whether some industry is adversely affected while some other industry is being favorably affected.

I think that's rather basic.

If I may speak to one specific business that you spoke of, the crockery business, may I?

Senator MALONE. You may.

Mr. HOFFMAN. At one time I had quite an investment in a concern——

Senator MALONE. I want to tell you though we will get to some of your philosophy a little bit later. That is fair warning.

Mr. HOFFMAN. O. K. At one time as I say, they were making all kinds of devices and they almost threw me out because when I was in ECA, I was all for getting all the china shipped into America, shipped from Great Britain and elsewhere.

Senator MALONE. You brought it about.

Mr. HOFFMAN. So they could earn the dollars and cut down the cost of the plan.

Senator MALONE. Now Japanese and German china is coming in and that just about fixed the crockery business.

Mr. HOFFMAN. I said to these friends of mine if you just would use your ingenuity in this you could stay in the china business and sell a lot of china. They brought out a set of new china painted in green and solid colors and other patterns and they got out the best buys there are in china. The suggestion that the market is fixed and static is nonsense.

There is a market for china in this country. Let me illustrate that more dramatically. You ought to know about this. When I was first married my wife thought 2 pairs of shoes was plenty and now if she has less than 40 I am mistaken. You have to have shoes for every occasion. If an industry had said isn't it terrible these foreigners take our business away when there are 2 shoes per person. We have so many women and that is all we can sell.

The shoe business did something different. They made it necessary for you to spend some of your dollars buying shoes, lots of them.

I think the same thing is true of crockery, the same thing is true of almost anything else.

Senator MALONE. What we are hearing about the crockery business is not true, then, they are still all in business?

Mr. HOFFMAN. As a matter of fact, Senator, that has interested me very much that the people——

Senator MALONE. It interests the crockery people very much.

Mr. HOFFMAN. People who are most concerned about this policy of lowering tariffs are for the most part extremely prosperous.

Senator MALONE. That brings up a very important subject and I will not argue it with you. I want you on the record. Are they extremely prosperous out in Ohio, the crockery plants?

Mr. HOFFMAN. I can't say in Ohio, in California I can say yes. At the particular outfit I know about they are.

Senator MALONE. You don't know about what it is in Ohio?

Mr. HOFFMAN. No; I don't know.

Senator MALONE. I can tell you most of them are very much disturbed. I hope you will investigate and if you find I am wrong, send in a report to the committee.

Mr. HOFFMAN. I will tell them to come to California and show them how well we have done there.

Senator MARTIN. Will you yield?

Senator MALONE. I will yield.

Senator MARTIN. This is an item, this is hand-blown glass. This was made in my own town of Washington for 75 years for the third generation. But the importations are so strong that I am afraid that that plant employing 800 people will have to go out of business.

There is a plant at Mount Pleasant, Pa.

There are about 3 in West Virginia. There are about 4 or 5 in Ohio. We pay $1.75 an hour in there for labor. In Belgium it is about 30 cents, maybe a little more than 30 cents.

Our people regardless of their ingenuity and they have been in the glass business—well that was one of the great businesses in the city of Pittsburgh, old General O'Hara hero of the revolution started it.

The people became very proficient but that is the situation, that is the situation.

I can tell you about the china plant in New Castle, Pa., and up in Buffalo, N. Y., and I can enumerate the lace plants in Pennsylvania.

I can enumerate the hat industry in Pennsylvania, and wallpaper. I have a list of 29 of them, mushrooms, which is an agricultural product and that has been very successful.

I would not like to try to give the figures on it but that has been a very successful industry. Agriculture in southeastern Pennsylvania, right out from Philadelphia. But those are things that have actually happened.

I want to see—gracious alive—I have advocated reciprocal trade ever since I was a very young man.

I think the first time I ever heard it discussed was by President McKinley, when as just a boy I went to his home in Canton, Ohio, and he impressed me very much.

But on the other hand, that is in effect, and I think it is a matter that we as American people have to consider.

Senator BENNETT. Will the Senator yield to me for another observation?

Senator MALONE. Yes.

Senator BENNETT. Do you know, Mr. Hoffman, do you have any idea how quickly the Japanese can copy the patterns of your California pottery company?

Mr. HOFFMAN. I would assume very quickly.

Senator BENNETT. I have been informed within 2 to 3 months they can have identical pottery in the same identical patterns for sale on the American market. Since 1948 the sales of the china industry—and by that I assume the tableware china industry, both sales and employment are off 40 percent in the years. So while your friends in California may be able to do very well, Japan is closer to California than to any other part of the United States, and it is not—in other words this is not a situation in which people by sheer ingenuity or by being able to run fast enough to make new patterns can indefinitely postpone the economic effect of that kind of competition.

A few people were in the industry, who can probably do it, but you can't completely wipe out this problem of the economic differences in wage and production rates.

Will the Senator yield for one more point?

Senator MALONE. I will be very happy to yield.

Senator BENNETT. I have to leave for another appointment. I have been very much interested ever since these hearings started in the reference made to the need of our agricultural producers to export.

I recognize that that is a very real need.

I also recognize that our present Federal policy provides them with a domestic market at prices higher than the world market. But I am also disturbed when a witness presents that as an example, because if you take the whole agricultural picture, you have on the one side the need to export and on the other side you have complete protection.

Section 2 sets up embargoes. You can't import Danish cheese, other dairy products, so if the agricultural pattern were spread over the whole economy we would not be in this argument, right now.

Mr. HOFFMAN. We would be in a terrible situation. If you want to talk about Danish cheese I will talk about it.

Senator MALONE. Then I don't think witnesses should come before us and say to us, here is a great demonstration of the value of exports for American industry.

I was very much interested in the testimony of the Assistant Secretary of Agriculture who said they welcomed the imports "of noncompetitive agricultural items" and "nonagricultural items." I don't want to create the impression that I would in any way destroy the pattern that has been set up for American agriculture, but the words "noncompetitive" and "nonagricultural" are very significant.

The thing I want to state is that in that vital segment of our economy, we do recognize a need for protection. I think that we should carry that same philosophy through the economy and we should not say that in order to protect our agriculture we must throw down the bars to foreign nonagricultural products and supply them with whatever export markets they may need.

Mr. HOFFMAN. Can I make my position clear, Senator?

Senator MALONE. Yes.

Mr. HOFFMAN. I was all for the importation of Danish cheese.

Senator MALONE. You were not running for office in an agricultural State.

Thank you.

Senator BARKLEY. Will the Senator yield for a question?

Senator MALONE. Yes.

Senator BARKLEY. The 40 percent decline you spoke of a while ago, do your figures show the trend of prices of that tableware whether they went up or down?

Senator BENNETT. I am not in that industry so I don't have the prices but would be my assumption that the present prices have reflected a similar decline because that is one of the automatic reactions.

When volume goes down, businessmen try to save as much as they can of that by shaving their prices. So I think the Japanese prices must have very definitely undersold the American market which is one of the things that produced the reduction in volume.

Senator BARKLEY. Tableware has not been going down. I have had some experience in buying tableware.

If the price of that to the consumer has gone down that is about the only article where that has happened except agricultural products themselves.

Senator BENNETT. I shall be very happy to dig up the chart on the prices of tableware and supply them to the committee and to the Senator. (The information referred to was fully developed in the testimony of Mr. Ed. L. Torbert which appears on p. 938.)

Senator BARKLEY. Thank you.

Mr. HOFFMAN. Thank you.

Senator BARKLEY. I appreciate, Senator Malone, the opportunity you have given me to get this into the record.

Senator MALONE. You are very welcome, I am sure.

While we are on the butter business and cheese business, I think you did, Mr. Hoffman, when you were giving out the money under ECA, advocate that Danish butter come in free.

Mr. HOFFMAN. That is right—again Danish cheese, sir.

Senator MALONE. I think so. That has already been mentioned. I mention the butter particularly because I remember at that time on the Senate floor I mentioned there probably would be an overproduction of butter and the buttermakers would be happy to know you favored that policy.

I got a letter from you at that time, and I answered it, and my correspondence thinned out after that time.

You were for it, and you are still for it, I take it.

Mr. HOFFMAN. Yes, sir.

Senator MALONE. Importation of butter without tariff.

Mr. HOFFMAN. No; that isn's so, sir. Because there was a very substantial tariff on butter.

Senator MALONE. If I remember right, you said—and I may have to look it up—that it was silly, or something to that effect, that the Danish people were able to produce more butter than they needed, and they wanted to sell it and get these dollars, which are very important to everybody, including the senior Senator from Nevada, and if we took the butter and took the tariff off, butter could come in here, and we could have substantially cheaper butter.

Mr. HOFFMAN. I would have to check the record on that. I have never been for taking tariffs off without having the element of gradualism in it.

Senator MALONE. Without what?

Mr. HOFFMAN. Without the element of gradualism. I simply say that people should have a chance to adjust.

Senator MALONE. In other words, you should strangle them gradually, and not all at once?

Mr. HOFFMAN. Not at all.

Senator MALONE. If you took off part of it today, and then they adjusted it by different kind of feed for the cows, or less feed, or something, and then you took off some more, unless the wage standard of living, the taxes, and the cost of doing business here and in Denmark change, would there be any ultimate effect but to go out of business, or did you think they would go into another business?

Mr. HOFFMAN. I think the question of volume comes in here. I think I remember the figures on this Danish cheese. We were under a constant pressure, as we should have been, when we were administering the Marshall plan, to cut down the cost of that plan.

We were told we had to be out of business in 4 years. That meant we had to drop down from 5 to 3 to 2 to 1.

Senator MALONE. You didn't go out of business; we changed the name and built it higher.

Mr. HOFFMAN. I can give you the figures.

During the 2½ years I was with ECA, the aid dropped by the proportions I was speaking of. The only way it could be done without adversely affecting the economy of the foreign countries was to have them earn dollars.

So we were putting pressure on them to get them to earn dollars.

We went to the Danish people and said we think there is a market for blue cheese in America, specialty cheese that they make that wasn't made in any volume here in this country.

The total volume of cheese produced is around $500 million.

We were giving Denmark at that time, providing Denmark with about a hundred million dollars. We felt they might sell 2 or 3 million dollars worth of cheese here against 500 million of production. I think the question of proportion is important.

I do not believe that the sale of—I did not then believe, and I am not exactly sure of my figures here, that the sale of $3 million of Danish cheese would even affect the $500 million. It was a specialty cheese. Of course, we were stopped in saving that $3 million for the American people who were footing the bill—that is what they were doing—because of pressure that built up to block that cheese.

I might say it made very difficult any further effort on our part to get the Danes into any kind of business that would earn them dollars, because they said why try it. The minute we do, we will be stopped right in our tracks.

Senator MALONE. I understand your position fully, but the question came up now as to what you said on butter.

I am unable to find yet the exact quote although I know it is here because I made this address on the Senate floor in 1949 and quoted you at some length.

Mr. HOFFMAN. I am sure Senator—I will just admit frankly——

Senator MALONE. Mr. President, I continue to quote from the article by Mr. Hoffman, appearing in the April issue of the American magazine:

"From Belgium we're obtaining blankets, linens, glassware, leather goods, musical instruments. Britain is sending us cutlery, woolens, industrial diamonds, and Scotch whisky."

Mr. President, all that is very interesting and I am very much interested to know that Mr. Hoffman is advocating that those materials—such as woolens, linens, glassware, leather goods, and blankets—be shipped into the United States and marketed here at the low price resulting from low wages paid, with no protection given to the workingmen of America.

I read further from the article:

"But Europe needs to step up her exports to the United States still further."

This is your quotes. You are still for that?

Mr. HOFFMAN. I am still for it.

Senator MALONE. There is no disagreement about that. [Reading:]

I should like it to be well understood by the Senate that Mr. Hoffman advocates that that be done—through policies established by the administration which I call the three-phase free-trade policy, under which the tariff or import fees are lowered to the point that they do not represent the differential in the cost of production, which means that products of cheap labor will compete in the United States with the products of our own workingmen. Mr. Hoffman says in that connection:

"If the 16 Marshall-plan countries could increase their sales to America by merely 1 percent of our present national income, they would be able to pay for all their imports from this country without any further help from us. To this end, we are encouraging European manufacturers to restyle their products to attract American customers. For example, we suggested to 1 Dutch chocolate manufacturer that he could increase his United States sales by packaging his product in 10-cent bars instead of the present bars that sell for 50 cents. Another way Europeans can increase their sales to us is by letting us see exactly what they do offer. Perhaps a "fair train" touring the country with displays of European merchandise and taking orders from wholesalers and department stores would help."

Mr. President, I have no doubt that it would help greatly to promote sales of European goods produced by cheap labor—to have a "fair train" financed by ECA funds touring the country—and I am very glad to know that Mr. Hoffman is undertaking to bring that about.

Quoting further:

"ECA finances colonial development:

"The overseas territories of five Marshall-plan countries—Britain, France, Belgium, the Netherlands, and Portugal—are rich in undeveloped resources. By developing those resources they can make themselves less dependent on food and raw materials from the Western Hemisphere. We are working with them to that end. For example, Britain has asked us to help in opening up a vast territory in Northern Rhodesia."

That is one of of their colonial slave nations and they are having a little difficulty with all this colonial slavery throughout the world. I think France and all the rest of them, four of them, now are having the same difficulty. They will not be able to collect tribute from any of them after this; that is, to make a profit on them. Again quoting from Mr. Hoffman's article:

"The area, virtually uninhabited, is known to contain great mineral wealth and to possess enormous potentials for agriculture."

We evidently followed your suggestion there because through grants-in-aid, Britain, England, built up a great stockpile of lead and zinc, and that was following your line of thought here. They got most of it from us and, from their colonies.

Early in 1953 they broke the market in America by shipping that stockpile, or a good portion of it, into this country—at reduced prices, naturally—it hadn't cost them anything, so anything they got out of it was a profit.

The production was very cheap in Africa, and we had furnished the money, enough to buy it in any case. So they brought it in here and broke the price from 16 cents a pound on zinc to 10 cents a pound, and it is still only 11 or 11½, and turned most of the zinc ore in this country into country rock, that is, country rock in distinction to ore—ore which you can mine at a profit.

I think you will be happy to know that we followed it at least to that extent.

Then I say:

Mr. President, I have seen many of the areas in Africa—

this was at least years before they broke the market—

I flew the full length of the Nile. I stopped in the Sudan country, where the English are doing a great work.

One little matter between the English and Egypt has to do with areas in Sudan and Egypt. The Egyptians are afraid that with our money the English will build too many dams on the Nile in the upper Sudan country and not allow the water necessary for Egyptian agriculture to come down the river.

That is what they are starting to do. They had a little bad luck there, and they are not promoting it so much now.

That is one place that our money may cause some trouble.

Then I proceeded through the Victoria Lake country, Rhodesia, South Africa, the Belgian Congo, the Gold Coast, the Ivory Coast, Dakar in French West Africa, and so forth. As Mr. Hoffman has said, there are not many white people in certain of these areas. But there are other races there, and the areas are being utilized.

Now, I intended to find the Danish butter, it is here some place. But if I find it I will put it in the record, Mr. Hoffman. I don't see it offhand, and it is not too important as long as you understand what you said at that time, and are still for it. There is no argument.

I was also interested very much in your statement here, which I commented upon at the time it was going on. You outlined in response to a question from the Senator from Kentucky that the increased industrial output was up 136 percent, and even more than that, but that will do for the purposes that I am bringing it up.

Mr. HOFFMAN. Up 36 percent.

Senator MALONE. Starting with 100 percent.

Mr. HOFFMAN. Up 36 percent, yes. It is 136 percent of the 48 base, which is a 36-percent increase.

Senator MALONE. I put a table in the record, but I don't want to take the time of the committee to look it up at this time.

The tables I put in in 1949 and 1950 were all based on 100 percent being normal before the war.

Mr. HOFFMAN. I think the discrepancy there may be this, that some of those tables were based on 1938 as the last peacetime year, but the figures I have were based on 1948, we took the 1948 figure, which was the year in which the Marshall plan started; and between then and 1951, the industrial production of Europe increased 36 percent.

Senator MALONE. I will not argue about what we assumed, but is this a hundred percent normal production in Europe before the war, or is it normal production during the war, the 100 percent?

Mr. HOFFMAN. I can get those figures for you. I think I can give them fairly accurately. I think by the end of 1951, the fiscal year of 1951, from July to July, that fiscal year, that production in Europe over 1938, the last prewar year, was up about 40 percent.

Senator MALONE. Well, for the purpose of bringing it up it is not important, the important thing, in my opinion, just as I pointed out on the Senate floor in 1948 and 1949 many times, is that there is no difficulty in building an industrial plant when you have a market for the goods. Anybody can go out and finance a plant when the market is assured for the goods at the price at which you are competing, that is true.

Mr. HOFFMAN. That is true.

Senator MALONE. So the reason we were financing them was because they had no market to take care of the production from the plants that we were building.

Mr. HOFFMAN. Wait a minute. I would like to make this point. I didn't want to interrupt the Senator—

Senator MALONE. You can interrupt me any time, because I want to bring this out in the record.

Mr. HOFFMAN. I would like to make it clear that every European manufacturer who received any machinery or had any rehabilitation paid for it, he paid for it in the currency of his own country, he got nothing for free.

Senator MALONE. Who did he pay?

Mr. HOFFMAN. He paid into the counterpart fund.

Senator MALONE. The counterpart fund—how much of all this business went into the counterpart fund?

Mr. HOFFMAN. There wasn't one European individual or manufacturer that got anything for free, he paid for what he got with the currency of his own country.

Senator MALONE. Who did he pay?

Mr. HOFFMAN. He paid that into the Government.

Senator MALONE. Into their government?

Mr. HOFFMAN. Into their government. Now, the control over that counterpart fund was vested in ECA and that government, it couldn't be released until there was joint approval.

Senator MALONE. What becomes of it?

Mr. HOFFMAN. It was spent—that is why we always said these dollars did double duty, in the first place they provided exchange for the foreign manufacturer.

For example, we will say there was a manufacturer in France who had plenty of business, but he couldn't buy cotton because the farmers in the South wouldn't take French francs for their cotton. He would make application for ECA funds, we will say for $10,000, with which to buy the cotton, and we would put up the equivalent amount in French francs to his Government.

Senator MALONE. And the Government got the dollars?

Mr. HOFFMAN. We gave the Government the dollars, the Government gave those dollars to that French manufacturer in exchange for his francs. The francs were then used for rehabilitation in that country. In France they went into rebuilding bridges.

Senator MALONE. The fact remains that what we did was pay for the cotton.

Mr. HOFFMAN. The cotton was paid for by those dollars.

Senator MALONE. But the cotton was paid for really by the taxpayers of America?

Mr. HOFFMAN. Certainly.

Senator MALONE. That goes far enough.

Mr. HOFFMAN. But the impression that keeps persisting is that the American taxpayers gave to these manufacturers and private individuals the money to buy that machinery. That wasn't the case. In every case the manufacturer or the individual that got the goods paid for them in the currency of his own country.

Senator MALONE. I don't remember that I ever said that, I certainly didn't this morning. What I said was that we gave the money to the government to buy the products in this country, and the taxpayers of this Nation lost the money.

Mr. HOFFMAN. No, not entirely, because those dollars came flying back home.

Senator MALONE. That is a very good policy. If your Studebaker people can't compete with Detroit, maybe you can go to a banker in South Bend and get him to give you a few million dollars to scatter around the country to buy Studebakers. Do you think that would be a good idea?

Mr. HOFFMAN. No, I think it would be a very bad idea.

Senator MALONE. I do too.

Now, let's get back on the subject. The point I am trying to make is this, when you overbuilt the industrial plants of Europe beyond their ability to consume their production with their own money and their own earning power—we knew you were doing it, any industrial engineer in this Nation knew when you did that you were overbuilding beyond their ability to consume in that nation.

Therefore, somebody had to buy.

Mr. HOFFMAN. May I enter a complete and absolute demurrer to that statement?

Senator MALONE. What statement?

Mr. HOFFMAN. That the plants were overbuilt.

Senator MALONE. They are overbuilt now; aren't they?

Mr. HOFFMAN. In Europe?

Senator MALONE. Yes.

Mr. HOFFMAN. No.

Senator MALONE. Why do they have to sell to the people some place else if they are not overbuilt for the consumption of Europe?

Mr. HOFFMAN. I think we have to get back to a point where we look at the total figures. I should say that for many reasons it is desirable that the European manufacturers do have a market here to a limited extent. We are talking about a very small sum of money comparatively.

Senator MALONE. You mean $5 billion is a very small sum of money?

Mr. HOFFMAN. I don't think you were here when I gave the testimony——

Senator MALONE. Yes, I was here.

Mr. HOFFMAN. I would say that under the most extreme conditions that the full application of the provisions of H. R. 1 would not result in over an additional $1 billion of manufactured goods coming into the United States.

Senator MALONE. I think you are completely wrong, because there would be just a few industries affected by that amount. That is simply a theoretical amount. And you believe you would not be displacing any industries, at least you wouldn't admit it a while ago, you think they are going to move some place else and do the same thing.

Mr. HOFFMAN. You are misinterpreting what I said.

Senator MALONE. I will come back to that. I warn you, I never give up on a question.

Tell me, then, when you import these goods, do you not remake the industrial map of the United States to the extent that you displace one industry and then—theoretically, at least, and assuming for the minute that you are right—then you think that the increase in employment will take up the slack that there will be in another industry?

Now, do you say that that will happen under this act, and has been happening?

Mr. HOFFMAN. I would say that any imports that compete with domestically produced goods do require—do result in some rearrangement.

Senator MALONE. Remaking the industrial map; isn't it?

Mr. HOFFMAN. But the point is to what extent—in other words, to what extent——

Senator MALONE. You admit it does remake the industrial map?

Mr. HOFFMAN. Not in language of that kind. I admit it has an effect upon——

Senator MALONE. You admit that it tends to remake it?

Mr. HOFFMAN. Not even tends to, has an effect upon.

Senator MALONE. What is the difference?

Mr. HOFFMAN. There is quite a difference. It has some effect on it.

Senator MALONE. How do you explain it?

Mr. HOFFMAN. One-half of 1 percent of our gross national production—that is a total of production of goods and services in the United States—the goods and services that we are talking about, the $5 billion, represents——

Senator MALONE. You are talking about the entire amount?

Mr. HOFFMAN. Represents less than one-half of 1 percent. Of course, even one-half of 1 percent has an impact, but it doesn't result in wholesale rearrangement, it doesn't upset the economy, and no such language, in my opinion, is justified.

Senator MALONE. I didn't say it upset the economy, you are misinterpreting my question.

I asked if it remakes the industrial map.

Mr. HOFFMAN. I think that the statement is entirely unwarranted. Definitely not. I think what it does do, it effects it in a very small way in certain segments.

Senator MALONE. Let's take the glassware industry and the Morgantown Glassware Co. in Morgantown, W. Va. This company has now sued the Treasurer of the United States and done so on constitutional grounds to declare this act unconstitutional because he has been collecting the lower tariffs, and it is alleged that Congress doesn't have the constitutional authority to transfer the constitutional legislative power of Congress to the Executive.

Now, they are very clear that they had 300 employees, and they now have 150, and the rest have been displaced by imports. To that extent you are remaking the industrial map, if that 150 employees are employed some place else—let's assume the whole 150, not 149, but 150—then you have made the industrial map over to that extent; have you not?

Mr. HOFFMAN. To the extent of 150 people out of 63 million employees; if you can figure the percent, all right, I can't.

Senator MALONE. I appreciate the sarcasm, but you are going to stay here until you answer some of my questions.

Mr. HOFFMAN. I am glad to stay, Senator. I am a voluntary witness.

Senator MALONE. You can walk out if you want to.

Mr. HOFFMAN. I would be very glad to stay.

Senator MALONE. But I don't appreciate these remarks, because you are going to answer my questions or decline to answer them before you are through, one of the two.

To that extent you say it does remake the industrial map?

Mr. HOFFMAN. Yes.

Senator MALONE. Now, if that is multiplied any number of times in other industries, such as the crockery industry and the mining industry and the machine-tool industry, then to the extent that it replaces industry in this country you have remade the industrial map?

Mr. HOFFMAN. I tried to answer that very explicitly.

Senator MALONE. You didn't answer it very explicitly, you discoursed on it.

Mr. HOFFMAN. If I understand the English language——

Senator MALONE. I hope we both understand it.

Mr. HOFFMAN. If I do, the remaking of the industrial map of the United States would give a picture of something quite revolutionary taking place.

Senator MALONE. That is exactly what is taking place.

Mr. HOFFMAN. In my opinion, the answer to that is definitely "No," it is an effect that one-half of 1 percent will have.

Senator MALONE. One-half of 1 percent is your estimate, but I am trying to get you at least to give me your opinion as to whether or not, when you displace a mining industry in Pioche, Nev., with 4,000 employees, when you decrease the employees of a glassware plant in Morgantown, W. Va., by half, from 300 to 150, when you decrease the employment in the clothespin industry—and the man sat right where you are sitting here and estimated the number of employees already gone, and they would all be gone in a very short time unless an adjustment is made—that to the extent of all these displacements, you are remaking the industrial map of the United States of America, assuming for the purpose of your statement that they are all employed some place else at some future time.

Mr. HOFFMAN. I would like to read into the record my statement:

The next hard fact that we must face is that certain segments of our economy will be adversely affected by an increase in imports. I do not deny that this can happen. But I do wish to assert this: A business that can't adjust itself to some slight increase in competition from abroad, can't survive anyway.

I will stand on that statement.

Senator MALONE. All right, I think you have admitted now that this does rearrange it to the extent of the displacement; isn't that correct?

Mr. HOFFMAN. And other industry expanded to that extent, because those dollars are spent elsewhere.

Senator MALONE. That is the point I am trying to put over to you, that you remake the industrial map to that extent.

Mr. HOFFMAN. I don't like the language, but to that point it affects it.

Senator MALONE. I don't care whether you like the language or not, I don't like yours, but I don't object to it.

Mr. HOFFMAN. I don't object to yours, sir.

Senator MALONE. To that extent, then, it is remade; isn't it?

Mr. HOFFMAN. I don't care to discuss it, because I will stand on my language that it affects it.

Senator MALONE. If these men are out of work and employed in another area, then, to put it another way, you simply build up one area at the expense of another?

Mr. HOFFMAN. I would say that if there were an increase in imports in the United States that resulted in 10,000 men losing their jobs in certain industries or businesses, that there would probably be 15,000 men getting jobs in other industries. There would be a net increase in employment.

Why? Because there was a market here for foreign products, in my opinion, that is not competitive, even though manufacturers think it is.

For example, people buy Spode china, which is a very high grade English china.

Senator MALONE. How do you spell it?

Mr. HOFFMAN. I would be guessing.

Senator MALONE. I am guessing in try to understand you.

Mr. HOFFMAN. I can get the exact spelling.

S-p-o-d-e.

Senator MALONE. What is it?

Mr. HOFFMAN. A very high-class china. It is something that people in this country want. They don't get it to replace the china they have, they just get it because they want Spode china. That doesn't displace any employees.

Senator MALONE. Maybe I want a tweed suit—and I have purchased 1 or 2—if I want an imported suit, then I would be willing to pay the difference in wage standards between this country and the foreign country. If I wanted to get this china I would also be willing to pay the difference in the wage standard between this country and the foreign country in which the china is made, the difference which the Tariff Commission decided in the wage standards and the living standards between this country and the chief competitive nation.

When you get into that class—and I assume you are in it—and I hope to reach it sometime, but the prospects are very dim here—where I want to buy something made in England or Scotland, then I would be willing to pay that much additional to keep the labor at work in this country, and it is not very much.

Mr. HOFFMAN. Senator, I assure you——

Senator MALONE. And it doesn't cut down the amount coming in.

Mr. HOFFMAN. Senator, I assure you that I would be against any program that wouldn't result in expanded employment in America.

Senator MALONE. I don't believe it is expanded at all, because just as much of that china will be sold at a 10-percent increase to men like you who have the money to buy it.

Mr. HOFFMAN. Let's get away from personalities. Let's say men who buy it. But I think a liberalized trade policy will result in a net increased employment.

Senator MALONE. I want to put one additional question in that connection. When you say that the people can send this stuff in and compete with the domestic industry, and if we can't compete with it we would not be able to survive anyway, do you mean bring it in with the wages that they pay in England and Scotland and in Japan, and if they can't compete with production costs at those wage rates, then they ought to go out of business, is that what you are saying?

Mr. HOFFMAN. I testified here on behalf of a specific measure which permits the reduction——

Senator MALONE. Won't you answer that question for me simply—not a discourse?

Mr. HOFFMAN. Will you repeat the question?

Senator MALONE. Yes, I certainly will.

In other words, we know and you know that when we lower the tariff 5 percent, 10 percent, 15, 50, or 75 percent, as we have in certain cases, then this low-cost labor, with machinery put in that area or country by American producers, in addition to the American machinery put in by the taxpayers and used by the countries themselves, are able to come back and compete and undersell American labor and American producers—and you think they ought to go out of business if they can't compete?

Mr. HOFFMAN. As far as I know that is a hypothetical case.

Senator MALONE. It is not a hypothetical case, because there are dozens of cases that everybody knows about.

Ford has 26 plants in foreign nations. And I was under the impression that—at least, you had great publicity about it—that you were building a plant in Japan. I am happy to find out that you are not.

Mr. HOFFMAN. We have no such project.

Senator MALONE. While we are on that question, you couldn't compete with Detroit, so you lowered your wages. The question I just asked you about these plants that are using the lower cost labor—you know what they do, they take the superintendents and foremen, I have visited these plants, and I know—when you say they can't compete, do you mean that they should lower the wages like you have so that they can compete?

Mr. HOFFMAN. We have lowered our wage level to a competitive level, and that is all.

Senator MALONE. That is what you think should be done here?

Mr. HOFFMAN. That is one man's philosophy.

Senator MALONE. Maybe he would have to agree with it to eat.

Mr. HOFFMAN. I believe in the American standard of living, of course. As Senator Millikin brought out, you do have the peril point in this legislation.

Senator MALONE. It has never been effective so far.

I want to tell you why it is not effective—and I think you perhaps know it already.

Congress asked for the peril point—the Tariff Commission is fully equipped to determine the peril point. The Commission fixed the peril point, which is where the tariff obviously ought to be, because it makes up the difference of cost between here and the chief competitive nation.

Now, the State Department or the President, whoever does it—it has been much suspected that the State Department takes the lead—may or may not adopt that peril point in the trade agreement.

Let's assume they do, and they make a 3-year trade agreement, which runs continually after that, in most cases until the President asks for its cancellation. Ten seconds after the ink is dry that nation can manipulate its currency values in terms of the dollar, which you know they do, they can adopt an exchange permit, unless they already have it, and most of them do; they can adopt an import permit on that particular product, and most of them do already—thus completely destroying any reciprocity that was ever intended by the trade agreement.

Do you understand that?

Mr. HOFFMAN. Well, I would like to see the evidence that that has happened.

Senator MALONE. I can give you all the evidence you want.

Mr. HOFFMAN. Under any program I assume there would be abuses.

Senator MALONE. What does it cost you to get a Studebaker in England, what is the tariff on Studebaker?

Mr. HOFFMAN. There are no imported Studebakers in England, except for American citizens, the market is barred to us.

Senator MALONE. You mean it doesn't cost you anything to take an American car and sell it in England?

Mr. HOFFMAN. You can't get a license to export an automobile to England.

Senator MALONE. Isn't that wonderful? And that is exactly the way it is on these products under the trade agreement, there is nothing reciprocal about it, about the whole thing you have described.

Now, if you understand there is nothing reciprocal about this, what you are really advocating is simply a rearrangement of the industrial map of this country—whether you like the language or not, that is what it does. It abolishes one area, the people move to another area, or people are employed to offset that loss of employment, isn't that what happens?

Mr. HOFFMAN. As I have said several times, of course you can't import $1 million worth of imports without having an effect on economy.

Senator MALONE. I don't admit the $1 million figure at all. I think it is a mighty hypothetical figure you have arrived at. And I still have to come to your philosophy here—I will get to it pretty soon—in this CED organization that you organized. I remember it well, when you organized it in 1938 or 1937, whenever it was.

Another question: on this tariff that we followed for 75 years to make up the differential between production costs here and abroad, you do not believe that the workingman and small investor—I am talking about investors small enough so that they are not able to go to foreign countries and put in these plants and import the goods here—you do not believe they are entitled to protection—or you can call it duty, as the Constitution calls it, or tariff, as we usually refer to it—that makes up the difference in the cost of doing business—the difference between the standards of living here and abroad, and the taxes here, between this country and the chief competitive nation. Do you not believe that they are entitled to that protection on each product?

Mr. HOFFMAN. I think the burden of proof is definitely upon that industry or that business that can't compete successfully both with domestic and foreign competition—this is now my theory—but I think that a duty is in a real sense a tax upon the consumer. There are some instances where it is perfectly justifiable to tax the consumer to benefit a particular industry or a particular business.

Senator MALONE. That consumer would just be an ordinary workingman, at least 999 out of a thousand would be, who also keeps his job in an industry that foreign imports might throw out of business if this was followed all the way through. You see, everybody, up to now, has been for a tariff on what they sell and for free trade on what they buy.

Mr. HOFFMAN. You understand that in least that respect our record is clear. I am against any tariff whatsoever on automobiles.

Senator MALONE. You are, but there is a 10-percent tariff.

Mr. HOFFMAN. There is, but we would like to have it taken off, and this is in the record.

Senator MALONE. Have they all testified to that effect?

Mr. HOFFMAN. I know Mr. Wilson did, and I think all the rest did, too.

Senator MALONE. I am sure there would be no difficulty in taking it off if they would all come down and ask for it. But it is 10 percent, is it not?

Mr. HOFFMAN. We would like to see it taken off.

Senator MALONE. Are you speaking only for yourself?

Mr. HOFFMAN. I am speaking for those whom I know in the industry.

Senator MALONE. And you must know all of them.

Mr. HOFFMAN. I do. I do not know anybody who thinks that tariff is necessary or desirable.

Senator MALONE. I don't think you will have much trouble with it if you want to take it off. It hasn't been changed in a long time.

Mr. HOFFMAN. I think it should be changed.

Senator MALONE. Do you think you can protect yourself here in the automobile business—and perhaps you can, perhaps you might even go into the foreign production business, as Ford and others have, if you had no tariff here at all. But I want to ask you again just what it costs to get a car, just an ordinary, medium-priced car, into England or any of these foreign nations which we have been giving the money to, to sell there on the market.

Mr. HOFFMAN. It entirely depends—I can't give you the exact scale of tariffs on it—it depends upon the market. Some markets are almost free markets, for instance, Venezuela is a free market.

Senator MALONE. What about Europe, where we are now giving our money away?

Mr. HOFFMAN. In Belgium, the tariff is very low, but I can't give you the exact figure. In France——

Senator MALONE. Is there a permit system for imports?

Mr. HOFFMAN. Yes, but it is very liberal.

Senator MALONE. But you do have to have a permit to bring them in?

Mr. HOFFMAN. Yes, sir.

Senator MALONE. Do you have to get a permit for exchange to pay for it?

Mr. HOFFMAN. Yes.

Senator MALONE. Go ahead.

Mr. HOFFMAN. In most of the countries of Europe, because they haven't got the dollars, Senator—in other words, if there were plenty of available dollars in Europe, the European market, in my opinion would be opened up.

Senator MALONE. That is one of my troubles, or I would have another automobile, too. Now, an individual can have only one method of having a dollar shortage, and that is if he insists on spending more than he earns. And I guess we have all had that trouble at different times, but a nation can get a dollar shortage in two ways. A "dollar shortage" to me is the silliest thing I have ever heard anybody say, and you have heard here for 10 or 15 years or even more. And that was intended over in London, just like the "trade, not aid." The second way a nation can have a dollar shortage in addition to spending more than it earns each year is to place a price on its money in dollars higher than the market price thus creating its own dollar shortage. They can do that, can't they?

Mr. HOFFMAN. Yes.

Senator MALONE. How many of them have it over there?

Mr. HOFFMAN. There are very few countries where the currency is good compared with the American dollar today.

Senator MALONE. Aren't there some that have a free exchange on the market so that the market can reflect the dollar value of their money—if they had a free market, they wouldn't have a dollar shortage, would they?

Mr. HOFFMAN. I can't speak with authority on fiscal policy.

Senator MALONE. You don't have to speak with authority at all.

Mr. HOFFMAN. I know this much about this fiscal field. That when you get into a question of convertibility and nonconvertibility of exchanges, you are in an area where great competence is required. I haven't that competence.

Senator MALONE. I think that is the first time I have heard you admit it, but I think it is helpful.

Mr. HOFFMAN. That really was a sarcastic statement.

Senator MALONE. Let's pursue that, Mr. Hoffman. Is there any nation in the world that has an open price on money in the market so that if you have a franc or a pound or a mark, or whatever you might have, that you know the world price of it by looking at the market? You know what you can get at your bank in the morning——

Mr. HOFFMAN. I think Switzerland is still open—it was at the time I was in Europe.

Senator MALONE. Well, that is the only one?

Mr. HOFFMAN. Switzerland was open. However, this must be said: I think under ECA we were successful in achieving a very substantial improvement in this matter of exchange restrictions.

Senator MALONE. I think you were, too. I think you can get about 400 for a dollar, 400 francs for a dollar—I don't know what it would be if you went out in the street and bid. When I was there in 1947 you got 250, I think, officially, and if you went out in the street and you were dressed like a tourist somebody would rush up and give you the number of francs you insisted upon getting for a dollar; it was always about twice the open-market price.

Mr. HOFFMAN. If you want the exact prices at the time I went to Europe, it was 119 to the dollar, and the black market was about 475.

Senator MALONE. I think that is descriptive of all the nations doing business in the world with the exception of 2 or 3.

Mr. HOFFMAN. I think, 2 or 3 years ago, as a result of a successful operation, the franc came very close to being stabilized.

Senator MALONE. Is it stabilized now on the open market?

Mr. HOFFMAN. I can't tell you.

Senator MALONE. I can tell you it is not. I can tell you also that it never has been, because I was there when you were there. And the open market quoted on the exchanges—or the black-market price, as they call it—always was substantially above in francs to the dollar what the fixed price was. Otherwise, there was no reason to fix the price. That is the reason you can't do business with it. And what we are trying to do, and have been ever since I have been in the Senate—and I thought we were trying to do that before—one of the reasons I am here is just on this very thing you are here to testify on today—what we are trying to do is to force trade beyond the income of the Nation; therefore, we either have to give them the money to buy, or give them our market to pay for it, or they can't buy. And it is just about that simple. In this Nation we call it installment buying, and maybe we could install the installment buying in all these other nations, and we could just as well give them the money.

And in passing, I just want to say to you—or I will ask you if you know—we had about 4½ percent to 5 percent legitimate foreign trade for many years. What is it up to now?

Mr. HOFFMAN. The figures for 1954, I don't know.

Senator MALONE. Well, I can tell you. I think, if I remember right, it is around 10 or 12 percent, maybe a little higher.

Mr. HOFFMAN. Does that include the military?

Senator MALONE. It does. I have just come to that. It includes the military equipment we give them, the value of it, and the money we give them each year. And if you subtract these other items, you are right back to the 4½ or 5 percent you started with. In other words, all you are doing is giving them the difference, and the American taxpayer is digging it up.

I will tell you something else that will be evident to everybody in a few months. The military equipment we are making in Detroit and elsewhere and sending to Europe, most of it is obsolete and will never come out of the warehouses over there, unless Russia takes it out, if they should happen to move.

Now, I asked you already, if we have completely free trade with these other nations—this is what you are for, you said that, didn't you?

Mr. HOFFMAN. Well, I said I am for moving constantly toward free trade.

Senator MALONE. Well, do you understand that if you lower a tariff 1 percent, and it is already balanced, that the wages in that industry here would have to be lowered to that extent, and the investments written off to that extent to stay in business?

Mr. HOFFMAN. No.

Senator MALONE. You don't understand that?

Mr. HOFFMAN. Not at all.

Senator MALONE. Why did you have to lower your wages, then, in South Bend?

Mr. HOFFMAN. That was under entirely different circumstances.

Senator MALONE. I don't see any difference, with low-cost water transportation the only thing separating you.

Mr. HOFFMAN. The costs enter into it, and one of those costs is wages. And your wage rate is important. There is a great distinction between hourly rate and monthly take-home pay, that is one thing that some people don't grasp—I am not talking about you at all.

Senator MALONE. Some of ours are not taken home.

Mr. HOFFMAN. But the fundamental thing you have got to look at is cost.

Senator MALONE. That is absolutely true.

Mr. HOFFMAN. As far as I am concerned, if we had been able to keep our unit cost competitive with higher wages, I would have liked to have kept the higher wages.

Senator MALONE. That is what it is all about then, and we have spent an hour here in trying to get some understanding between us, I in the engineering business, and you in the automobile business, we have wasted quite a little time. That is what I have been trying to say to you. The Tariff Commission under the 1930 act is entitled to take these matters into consideration, the costs in this country as compared to the costs abroad. That is what you had when you passed this other act and nullified that act for all practical purposes. And that is what you would go back to—I suppose you understand that—if you did not extend this act. Any item upon which there is not a trade agreement at the present time—there would be no more made—would go right back to the Tariff Commission on the basis of the difference in cost to this Nation in production on every item and that of the chief competitive nation and adjusted in a flexible manner to keep that balance. You understand that, don't you?

Mr. HOFFMAN. Yes.

Senator MALONE. But that is what you are against, what you want is a tariff lowered below that cost, you testified to that, have you not?

Mr. HOFFMAN. I would say——

Senator MALONE. Below that differentiation?

Mr. HOFFMAN. I would say that I am in favor of keeping the pressure on, yes. In other words, I can't believe that that 1 percent that you are so concerned about would immediately reflect itself in lower wages, I think it would reflect itself probably in greater efficiency.

Senator MALONE. Well, you take it for granted that business in this country is not efficient, and what you are trying to do is force them to be more efficient, is that your objective with this bill?

Mr. HOFFMAN. I would say so, sir. I would be very glad to go on the record as saying that the Sherman Antitrust Act was one of the greatest acts ever passed, because it did put pressure on business to be——

Senator MALONE. What did the Sherman Antitrust Act say in that regard?

Mr. HOFFMAN. The Sherman Antitrust Act prevented combinations in restraint of trade, prevented price-fixation in restraint of trade, among other things. And I think one of the reasons American industry has made such remarkable progress is because we haven't had the type of cartelized industry that they had in many parts of Europe; we have had the competition domestically that has kept the pressure on. Yes, I think it is important to keep the pressure on. We are never in a position where we can't improve.

Senator MALONE. You are the first one that I have heard advocate that we use lower-cost labor in foreign nations to put the pressure on American business.

Mr. HOFFMAN. I am not saying that.

Senator MALONE. You brought in the Antitrust Act, I didn't, and I don't think it is pertinent.

Mr. HOFFMAN. I am simply trying to say that I do not believe that a slight increase in competition in foreign goods is going to have an adverse effect on the industries where competition takes place.

Senator MALONE. In other words, what you think—and you said that, it is in the record, I think we could find it and read it—that any nation that couldn't stand the competition with this low-wage labor——

Mr. HOFFMAN. You keep bringing up lower-wage labor——

Senator MALONE. Just a minute until I finish. I have been letting you finish.

Mr. HOFFMAN. Pardon me, sir.

Senator MALONE. I accept it.

What you said was that any industry that couldn't compete with these industries when the tariff was lower would probably go out of business anyway and shouldn't be in business.

Mr. HOFFMAN. Yes.

Senator MALONE. That, I think, is a very enlightened statement. Now, I come——

Mr. HOFFMAN. I want to say quickly that I think that very few American businesses would go out of business.

Senator MALONE. As I understand it, you have already testified that you did not think it would have too great an effect, but you are for that arrangement to whatever extent it occurs.

Mr. HOFFMAN. For the reasons I have given in a much different context, yes.

Senator MALONE. Didn't you say that?

Mr. HOFFMAN. Yes.

Senator MALONE. Now, I come back to CED—I remember well when you organized it, you will find it in the December 14 Congressional Record on page A–6950, an analysis of a report that you made late in November or early in December 1954.

Mr. HOFFMAN. 1944 or 1954?

Mr. President, within the past few days a statement on the United States tariff policy was released by the Research and Policy Committee of the Committee for Economic Development. Many of the newspapers in their coverage have this statement attributed it to the board of trustees which includes the numerous leaders of American industry, who, I am sure, are not in complete accord with this statement.

The record by CED's Research and Policy Committee differ so materially from the announced position of some of the CED trustees—

they made another statement, your Board of Trustees, after you released the statement of CED—

But I believe that the public clearly understands the distinction between a report by this committee and a report by the trustees themselves.

You see, I still keep up with CED after all these years.

The Research and Policy Committee includes 33 individuals. Two of the 33, Mr. Harlow H. Curtice, president of General Motors Corp., and Mr. Philip D. Reed, chairman of the board of General Electric Co., have taken no position with respect to this policy statement, because of their absence from the country.

Two other members of the Research and Policy Committee, Mr. John Biggers, chairman of the board of Libby-Owens-Ford Glass Co., and Mr. Ernest Kanzler, vice chairman of the board of the Universal CIT Credit Corp., has dissented from the recommendations. The report also gives the impression that other members were among the minority that disapproved its recommendations.

The dissent by Mr. Biggers and Mr. Kanzler reads as follows:

"Dissent by John D. Biggers, chairman of the board, Libby-Owens-Ford Glass Co., of Toledo, Ohio, and Ernest Kanzler, vice chairman of the board, Universal CIT Credit Corp.

"We are opposed to the CED's recommendations with respect to United States tariff policies."

and this is the Committee for Economic Development which was formed in 1938; is it not?

Mr. HOFFMAN. 1942 or 1943, sir.

Senator MALONE. Well, that is a long time ago, and maybe my memory is at fault. When did you start organizing? Wasn't that in the late thirties, when you first sent out the letters?

Mr. HOFFMAN. No. It was organized—I think it was the year 1943.

Senator MALONE. It is not important, except that I do remember well when it came out. And I did not agree with it then any more than I do now. But that is neither here nor there—

"We are opposed to the CID's recommendations with respect to United States tariff policies. We consider them contrary to our national interests and based upon academic theories rather than on actual conditions in the world today.

"1. The United States already is a low-tariff country. Of the 43 countries reporting to the International Monetary Fund, the United Nations, and other official sources, 35 have a higher percentage ratio of customs duties collected to total value of imports than the United States; only 7 countries have lower ratios.

"2. We should test the effects of adjustments before going further. The tariff reductions embodied in the so-called Reciprocal Trade Agreements"—

and of course, I suppose you are aware that reciprocal trade doesn't occur in the act, it is entirely an invented phrase to sell free trade to the American people, invented exactly in the same location as we have invented "trade not aid"—

"The tariff reductions embodied in the so-called Reciprocal Trade Agrements which have been made since 1934 have not been thoroughly tested under normal world conditions."

The senior Senator from Colorado very ably outlined that situation.

"Only during recent months has our economy been relatively free of abnormal or artificial stimulants, and already the ill-effects of tariff reduction made during the past 20 years are being felt by a number of our industries in many communities and by thousands of employed workers.

"3. Other nations are pursuing nationalistic policies in their own self-interest."

Of course, you are aware of that, I know.

"The committee's recommendations might be effective if we were living in an unselfish world, but such is not the case. Others are glad to invade our markets, but reluctant to have us share in theirs. They have erected tariff barriers, exchange regulations, import quotas, and even embargos to protect their markets. We have received very few benefits in return for our large tariff reductions during the last 20 years."

I had intended to say previously that no one that I know in my whole circle of acquaintances is for what the special writers and the opponents of protection for American labor and investors say we are for a high tariff.

I have never been for a high tariff. I am not for a high tariff now. I am not for a low tariff either. I am for a tariff, or duties, as the Constitution describes it and calls it, to make up for that differentiation in the cost of doing business in this Nation and the cost of doing business in the chief competitive nation on each product.

That is exactly what is in the 1930 act. This idea of blowing your hat off and talking about a high tariff has never been advocated in any area that I operate in.

"4. Our allies do not need additional tariff aid. Their industrial production has risen to levels of 31 to 73 percent above those prevailing in 1938, and they have made further gains during the current year."

As I pointed out to you, they have increased their plant capacity beyond their ability to consume within their own nation. If there is any disagreement on that point, I would be glad to have it discussed.

"5. We cannot permanently divert world commerce from its natural channels. Our allies are resisting and even ignoring our efforts to exclude them from their normal markets in Eastern Europe and Asia."

I am not going into it at the moment, but I refer you to past witnesses that were here. I read into the record a Wall Street Journal article that described exactly what the foreign nations' representatives are objecting to in GATT today, because we are doing some of the same things they are doing, and they are objecting to us doing them.

"6. We cannot find support for our policies. We have not succeeded by giving outright aid nor can we by offering easy business on a platter.

"7. Further tariff reductions might boomerang. American communities, companies, and workers seriously injured by foreign imports would demand Government protection, and we might swing the pendulum too far in the direction of increased tariffs."

I repeat:

"And we might swing the pendulum too far in the direction of increased tariffs. This would be unfortunate.

"8. The sound policy seems to be to test the effects and consequences of the tariff reductions made during the past 20 years before making further unwarranted, unnecessary, and dangerous experiments."

Now, Mr. Chairman, without taking further time of the committee on this particular discourse, I do ask permission to include in this record a copy of each one of the recommendations made by the Committee on Economic Development and the comments at the time made by the Senator from Nevada.

The CHAIRMAN. There being no objections, it will be included.

(The documents referred to follow:)

[From the Congressional Record appendix of December 14, 1954]

MARXIST ECONOMIC JUJITSU—EXTENSION OF REMARKS OF HON. GEORGE W. MALONE, OF NEVADA, IN THE SENATE OF THE UNITED STATES, THURSDAY, DECEMBER 2, 1954

Mr. MALONE. Mr. President, I ask unanimous consent to have printed in the Appendix of the Record an article titled "Marxist Economic Jujitsu," published in the September 24, 1954, issue of the magazine U. S. A., noting renewed efforts to create what the author, Newton H. Fulbright, refers to as a "universal socialist state" as disclosed in the report of the Minerals, Materials and Fuels Economic Subcommittee of the Committee on Interior and Insular Affairs.

There being no objection, the article was ordered to be printed in the Record, as follows:

MARXIST ECONOMIC JUJITSU

(By Newton H. Fulbright)

Webster's New International Dictionary defines the Japanese art of jujitsu as depending "largely upon the principles of making use of an opponent's strength and weight to disable or injure him and by applying pressure so that his opposing movement will throw him out of balance."

The principle of jujitsu in economics has been applied against the United States since World War II. Its result has been to disrupt and dislocate our national economy to an extent little realized by the American people.

The story of how this was accomplished, together with a disturbing survey of the results, is contained in the 380-page report of the subcommittee of the Senate Committee on Interior and Insular Affairs, headed by Senator George W. Malone, Republican, of Nevada, which recently concluded a 10-month study of our raw-materials resources.

To begin with, the investigators found that the State Department had acquired power under the 1934 Trade Agreements Act to negotiate trade treaties and adjust tariffs without consent of Congress. This permitted second- and third-echelon planners to open our ports to a flood of cheap foreign materials on the theory that we are a have-not Nation, that our once bountiful supply of mineral wealth and raw materials has been exhausted. The investigators found that Harry Dexter White, the Communist agent, had sold this theory through a memorandum dated March 7, 1944, which he addressed to former Secretary of the Treasury Henry Morgenthau, Jr.

On the heels of this the subcommittee discovered a four-point program for international allocation of commodities and price controls that was drawn up in the State Department, largely by Alger Hiss. This program became the basis for various international and United Nations conferences looking to the creation of an International Trade Organization, which Congress vetoed in May 1948.

The International Materials Conference was then launched without congressional approval by the State Department in 1950. It operated throughout the Korean war and resulted in the withholding of military supplies from this country at a critical time and threw into unemployment thousands of American workingmen in industries that were unable to secure the necessary raw materials to remain in production.

The Senate investigators, questioning miners, engineers, industrialists, and experts in government, asserted that the have-not theory was false. They showed how the program, making us a part of an international Marxist-backed cartel for the alocation of the world's supply of raw materials at prices which nations with a lower standard of living than ours can afford, had done much harm to this Nation in time of war.

U. N. FOLLOWS LEAD

Observing that the International Materials Conference has been discontinued, the investigators warned that a new effort to establish a similar organization is currently in progress in the United Nations Economic and Social Council, which promises to tax the wealth of this country to bring about our own destruction.

The subcommittee report states that last January a committee of experts appointed by the U. N. Secretary General presented a study entitled "Commodity Trade and Economic Development." This study had been authorized in December 1952, under Resolution 623 of the Seventh Session of the General Assembly of the U. N., on a motion introduced by the United States delegation. On the basis of this study, the U. N. Economic and Social Council voted a resolution last April 30 to establish a permanent Advisory Commission on International Trade, which, in the words of the subcommittee report, would reestablish the International Trade Organization that was killed by Congress in 1948.

The Senators noted with approval that the present United States delegate to the Economic and Social Council, Preston Hotchkis, had voted against the proposal. Nevertheless, it was adopted, 12 to 5 with 1 absention.

The investigators, questioning engineers, mining experts, industrialists and authorities in Government, concluded such an international organization, "setting up controls over the distribution of the production and consumption of the world's goods, could inhibit our going-concern industries."

The reprt added: "It is important to realize that many of the countries who were furthering this resolution (including the U. S. S. R.) wished to establish a world system of parity prices for raw materials under the auspices of the U. N., and also wished to discourage the production of synthetic rubber and synthetic fibers in the United States which might displace natural products."

OBJECTION OVERRULED

The subcommittee noted that the opposition of Mr. Hotchkis indicated a change of attitude in the State Department—on the surface, at least—in regard to Marxist-backed international controls. Samuel C. Waugh, Assistant Secretary of State, told the Senators that the present Government was opposed to such trade agreements and that he did not feel that the United Saes would be morally bound by any commitment entered into by the United Nations.

That remains to be seen.

Providing ready propaganda for those who would have us continue on the road to world allocations and price controls is the report of the President's Materials Policy Commission, which was appointed in 1951, by former President Truman with William S. Paley, chairman of the Board of CBS, as its chairman.

The Senate subcommittee report states that "in view of the use of this document as an authentic authoritative source of information on all resource problems by so many organizations, the subcommittee made a staff study of the entire report."

It added: "The report of this commission (submitted in December 1952), popularly known as the Paley report, has * * * been widely quoted by economists, conservationists, and social scientists. It has been referred to in international meetings and in the discussions at the United Nations as an authoritative text.

"In fact, it has even been used as the theme for the textbook dealing with natural resources now used at the United States Military Academy at West Point. It has had a profound influence on the policies of many Government agencies dealing with the production of critical materials."

PUNCTURING PALEY

The investigators discovered that "many persons interested in promoting the one-world theory of trade controls have attempted to use the report of the Paley Commission to show that the United States is in imminent danger of becoming a have-not Nation."

They found that Edward S. Mason, an important member of the Commission, had played a key role in forming State Department economic policies during the early months of 1945 when Alger Hiss was issuing his four-point program for the control of world trade. They found that Mr. Mason had written a book, Controlling World Trade, which was published in 1946 by the Committee for Economic Development. The book dealt with commodity stabilization proposals which were later embodied in chapter VI of the Habana Charter, which was rejected by Congress but was later incorporated in the International Materials Conference to our disadvantage during the Korean war.

The Paley report fully endorsed this principle. On page 87, volume 1, in discussing the Habana Charter, it had this to say:

"The United States has not ratified the treaty, but under a resolution of the United Nations Economic and Social Council is bound with other nations to recognize chapter VI as a general guide."

In questioning Mr. Paley, the subcommittee found he strongly supported the Commission's recommendation that our tariffs be lowered still further and that the Buy American Act be repealed. On the other hand, evidence given by mining engineers, industrialists, and many Government employees with engineering backgrounds failed to support Mr. Paley's views on this subject.

The subcommittee found that some members of the Commission itself expressed "some doubts about the wisdom of the recommendations" contained in the report, and claimed their original words "have been picked up by others and are used to embarrass the United States in international negotiations."

One of the chief criticisms leveled at the Paley report was that the Commission staff was not composed of "men experienced or well grounded in the field of production of minerals or other materials." The investigators found the Commission "woefully lacking" in skilled engineers, geologists, and men with industrial backgrounds. "Its report is a compendium," the subcommittee said, "worked out by economists and theorists based upon statistical assumptions of questionable validity."

PROJECTIONS AND PREDICTIONS

The subcommittee looked carefully into the techniques used by the Paley commission in making certain long-range projections quoted by many prominent groups to indicate that this country will have exhausted its mineral supply by 1975. When questioned, both Mr. Paley and Mr. Mason stressed that these projections should not be taken as predictions. Mr. Paley said:

"I would like to emphasize that we made no prophecies about the amount of materials the United States might be consuming by 1975. Nobody can prophesy a thing like that."

Mr. Mason testified:

"I think you will find if you look at this report that the Commission nowhere predicts. What it does do is to project requirements on the basis of certain assumptions. If these assumptions are correct then the projection might turn out to be a good prediction, but the projection is only as good as the assumption on which it is based and nowhere does the Commission, so far as I remember, make any predictions as to what our requirements are going to be."

The subcommittee report comments that "this statement is noteworthy as the general public may have interpreted the report of the President's Materials Policy Commission as a scienific study predicting supply-and-demand relationships for numerous commodities during the decade 1970 to 1980."

In a dogged effort to explore the meaning behind the Paley report and the real significance back of the State Department's free-trade policy, the Malone committee called in expert witnesses for their views on the subject.

It was found that Adam Smith, father of the free-trade theory, recognized two limitations which are applicable today. He conceded that "it will generally be advantageous to lay some burden (tariff) upon foreign imports for the encouragement of domestic industry, when some tax is imposed at home upon the production of produce of the latter. In this case it seems reasonable that an equal tax should be imposed upon the like produce of the former"—or the country shipping such produce into the United States in competition with our own labor.

HOW TO GO BROKE

Federal taxes, along with wages, increase the cost of our domestic production. A large proportion of these taxes collected on United States business and industry have gone to finance the capital cost of foreign producers—much of it outright Government gifts. The Senate subcommittee therefore suggested that taxes, as a cost item, be given special consideration in the settlement of our future tariff policy.

Adam Smith realized that opulence, the objective of his theory, must give way in a world beset by animosities. The subcommittee observed that many textbooks on foreign trade now circulated in our colleges develop the theory of free trade in terms of welfare economics in a world at peace. It is ridiculous to pretend to view the current situation in terms of a world at peace. Therefore, the theory of free trade, as envisioned by Adam Smith, is impossible of present attainment.

Impossible, that is, unless the objective is deliberate destruction of the economy of this country. And the subcommittee had to face the grim fact that the same second and third echelon planners are still at work in the State Department, their aims pursued as deviously under a Republican as under a Democratic administration.

The investigators examined in detail the results of our free-trade policy. A few examples will illustrate the general pattern of their findings:

The world's largest and richest known reserves of antimony are in China. Should Red China be seated in the U. N. and subsequently recognized by the State Department, peace would return and exports would again start flowing into this country. The subcommittee observed that in such an event "our domestic mineral industries could be wrecked under our inadequate tariff system as it is operated by the State Department under the Trade Agreement Act of 1934." Witnesses pointed out that mineral producers in the United States and the Western Hemisphere obviously cannot exist in competition with labor that is "virtually slave labor under one of the lowest standards of living in the world."

OUR POLICY BOOMERANGS

The subcommittee found our domestic producers paying the necessary wages to support the American standard of living. But they found the industry also paying taxes into the Economic Cooperation Administration and the Mutual Security Agency, which have advanced hundreds of millions of dollars to European nations to buy copper, lead, and zinc.

England, in a 3-year period, was given $124 million to purchase copper; $64 million to purchase zinc, and $34 million to purchase lead. This financing and drain on American industry, doled out in accordance with the "entitlement of consumption" formula of the International Materials Conference of the Korean war, enabled Britain and other foreign nations to purchase immense quantities of minerals they did not need.

The subcommittee observed that Great Britain "acquired so much lead, zinc, and copper that late in 1952 she dumped lead and zinc on the open United States market in such quantities that the market price completely broke, and a large number of lead and zinc mines in the United States closed down."

The investigators examined the argument that the United States can get materials cheaper abroad than at home—an argument advanced by many who talk out of the opposite side of their mouth about improving the wage of American labor. But the Senators said: "Examination of the Government purchase for the military stockpile shows that in the great majority of cases the contracts call for payment of the American market price delivered in New York or at any other United States port."

Their report adds: "What was even more astonishing was the testimony received from the General Services Administration and the Emergency Procurement Service officials in their recent appearance before the committee when they testified that higher prices had been paid in many instances to foreign producers of strategic and critical materials than to domestic suppliers."

So there it is: a peep into a chamber of horrors.

The subcommittee report offers suggestions for a system of possible incentives to our domestic producers. They are (1) incentive taxation with depletion allowances similar to those in the oil industry which would permit new exploration; (2) adequate prices, and (3) an adequate market.

WHAT DO YOU THINK?

The Senators, in concluding, might well have asked the American people: "What are you going to do about it?" And the American people might well reply to the Senators: "We elected you to look after the welfare of this country." Then there might take place a futile shaking of heads among members of the subcommittee. Because the tragedy of our day is the fact that Congress has been largely eliminated as a force in the control of the destiny of this country.

The amorphous and vicious force that has replaced Congress seems oriented toward one objective: the universal socialist state. It is to be achieved through a jujitsu struggle using the strength and weight of the United States economy against itself.

ARE WE BEING HIJACKED INTO NEW WORLD COMMODITY TRADE SCHEME?—EXTENSION OF REMARKS OF HON. GEORGE W. MALONE, OF NEVADA, IN THE SENATE OF THE UNITED STATES, THURSDAY, DECEMBER 2, 1954

Mr. MALONE. Mr. President, the report of the Subcommittee on Minerals, Materials, and Fuels Economics condemned United States participation in the United Nations Permanent Advisory Commission on International Commodity Trade. This recommendation was based on exhaustive hearings which are found in part 5 of the proceedings of our committee.

On Tuesday, November 23, the United States was elected to membership in this new organization which is scheduled to meet for the first time on Monday, January 17, 1955, at the U. N. Headquarters in New York. It is my understanding that the United States voted against itself to serve as a member of this Commission. We were elected nevertheless, in a 17-to-1 vote. Following the election, our representative indicated that there was still some question as to whether the United States would participate.

The findings of our committee are supported by the official statement of the United States Government to the Secretariat of the United Nations which was published on June 30, 1954, in United Nations Document E/2623. Nothing has transpired to change the views contained in this statement, and it is my fervent hope that we will not participate in this Commission when it convenes in January.

So that my colleagues may be familiar with the position of the State Department on this most important matter, I am making its reply to the United Nations Secretariat a part of my remarks:

PERMANENT ADVISORY COMMISSION ON INTERNATIONAL COMMODITY TRADE

Economic and Social Council Resolution 512 (XVII), of April 30, 1954, invites member states to transmit to the Economic and Social Council (ESOSOC) their comments on the proposed Permanent Advisory Commission on International Commodity Trade. The United States Government takes this opportunity to restate the views expressed on this matter by the United States delegation to the 17th session of the ECOSOC, so that there may be no misunderstanding of the reasons for its opposition to the Commission.

By way of preface, the United States would like to emphasize its recognition of the problems posed for the steady expansion of the world economy by excessive instability in primary commodity markets. While these problems are of concern to all countries, they are of particular importance to countries undergoing development, whose economies are often dependent on the production and trade of a few basic commodities. The United States shares the hope that effective and constructive solutions can be found for the problems of price instability.

The expert's report, Commodity Trade and Economic Development, recommended that an intergovernmental commission, referred to as the Trade Stabilization Commission, be established to consider and make recommendations to the ECOSOC on general proposals for stabilization.

The proposal for a Permanent Advisory Commission on International Commodity Trade, which the council has approved, was inspired by this recommendation of the experts, but is not consistent with it. In particular, it departs from what the experts had in mind by assigning to the Commission responsibility for examining and recommending measures to maintain administratively whatever price relationships between primary products and manufactured goods might be considered just and equitable. The experts had concluded that any attempt to regulate price relationships in this way would not be practicable nor, indeed, desirable. They clearly did not intend their recommendation of a Trade Stabilization Commission to be interpreted as a proposal for the creation of a body to deal directly with such price relationships.

The United States was opposed to the establishment of a commission even with functions confined to those proposed by the experts. It could not see that the creation of a new intergovernmental body to deal with general stabilization proposals was necessary or likely to contribute significantly to the achievement of greater price stability. In the opinion of the United States, no evidence has been adduced to indicate that there would be useful work for such a commission to do. The proposals put forward by the experts as meriting further study, which relate to such things as multicommodity agreements and an international "commodity reserve currency," are not within the realm of practical possibility, whether or not they may have some appeal in theory. The technical problems inherent in such proposals would be, in the view of the United States, virtually insuperable. Moreover, this Government would not be prepared to concur in the widespread interference with production and trade which such proposals would entail.

In the view of the United States, it is doubtful that other general proposals of a more practical nature are likely to be put forward. The prospect of this seems much too dim to justify the creation of a new permanent commission to review proposals of this type. If promising substantive proposals concerning general stabilization techniques can be advanced by governments, they can be effectively considered by the ECOSOC itself, or, if deemed desirable, can be referred for special study to some ad hoc body. It is not necessary to establish a permanent advisory commission to assure that proposals of this nature receive adequate attention.

Moreover, if the Council were to maintain a standing subordinate body to discuss the general problems of economic instability and the policies which might be followed to remedy them, a repetition of its experience with the Economic and Employment Commission could be expected. This demonstrated that the establishment of an advisory commission to consider the same broad questions of economic policy as are considered in ECOSOC simply leads to a repetition of debate, first in the Commission, then in the Council itself.

These are the reasons why the United States Government was opposed to a Trade Stabilization Commission of the sort contemplated by the experts. There are additional reasons why the United States opposed the proposed Permanent Advisory Commission for International Commodity Trade.

The terms of reference suggested in the resolution of the 17th session for this commission would appear to give it certain responsibilities for action on individual commodities. Adequate and effective machinery for consultation and action upon individual commodities already exists. There are standing intergovernmental bodies for those commodities in which there is particular international interest and there are effective procedures for the creation of new commodity study groups as the need arises, and for the convening of commodity conferences. The establishment of additional machinery with overlapping responsibilities could only lead to waste and confusion. As has been frequently pointed out, it is not the absence of appropriate machinery that has limited the number of international stabilization agreements developed to date, but the absence of any actual desire for an agreement in the case of many commodities, and the practical difficulties of devising a workable and acceptable agreement in others.

The terms of reference of the proposed advisory commission would also put on it the responsibility for exploring the problem of maintaining just and equitable price relationships, and recommending measures to this end.

As stated earlier, the United States Government believes that it is neither feasible nor desirable to attempt administratively to maintain a given relationship between the prices of primary commodities and the prices of manufactured goods moving in international trade. The reasons behind this position have often been stated but deserve to be set down again, since they are relevant to any evaluation of the wisdom of proceeding with the establishment of the proposed commission.

1. A country's terms of trade represent but one of the many factors bearing upon its economic well-being and upon its ability to finance its economic development. The rigidities that would be introduced into the world economy by attempts to regulate price relationships could easily prove more harmful to the economies of countries undergoing development than the changes in their terms of trade. For these and other reasons, the artificial fixing of price relationships between primary commodities and manufactured goods would not necessarily be of benefit to countries undergoing development.

2. An attempt to establish an international parity system would give rise to a series of complex technical problems, which it would be exceedingly difficult to resolve. It would also require the establishment and enforcement of comprehensive economic controls, on both the national and international level. A system of this sort would involve a degree of sacrifice of national sovereignty that few governments would be prepared to accept. Moreover, it is not likely that agreement could be reached on any basis for determining administratively what is a just and equitable relationship between the prices of primary commodities and manufactured goods moving in international trade. For these reasons, an attempt to stabilize price relationships would not appear to be remotely practicable.

TWO VIEWS ON INTERNATIONAL TRADE AND OUR ECONOMIC INDEPENDENCE—EXTENSION OF REMARKS OF HON. GEORGE W. MALONE OF NEVADA IN THE SENATE OF THE UNITED STATES, THURSDAY, DECEMBER 2, 1954

Mr. MALONE. Mr. President, the Subcommittee on Minerals, Materials, and Fuels Economics has condemned the United Nations Commission on International Commodity Trade which was established at the 17th session of the Economic and Social Council of the United Nations in New York last April. Our condemnation was based on the fact that the United Nations has been rapidly moving to control the economies of the world through devices such as this new Commission on International Commodity Trade.

Adolphe A. Berle, Jr., wrote an article which appears in the Reporter of December 2, 1954, entitled "Our Best Guarantee of National Security," which deals with the United Nations. His views on one-world economics are worthy of close attention. They show what our State Department would endorse should a Democratic administration once again be in a position to make our foreign economic policy.

Fortunately, business groups throughout the country are beginning to see the light, and the final declaration of the 41st national foreign trade convention, conducted under the auspices of the National Foreign Trade Council, condemned United Nations efforts to alter our basic American free-enterprise economic principles.

For the benefit of my colleagues, I ask unanimous consent to include in the Appendix of the Record the section of Mr. Berle's article which deals with economics and the resolutions from the final declaration of the 41st national foreign trade convention referring to the United Nations.

There being no objection, article and resolution were ordered to be printed in the Record, as follows:

[From the Reporter of December 2, 1954]

FROM "OUR BEST GUARANTEE OF NATIONAL SECURITY

(By A. A. Berle, Jr.)

Not less spectacular than the problem of disarmament is that of international economics. If anything is clear, it is that the Nation-State by itself is no longer an operational economic unit. Prof. Arnold Toynbee has proclaimed the passing of the Nation-State on philosophical grounds, but we can rest here on the more earthy base of trade, exchange, commerce, and supply. Even the largest countries must trade with much of the world for essential supplies. Smaller States must have access to the larger ones for markets and for simple necessities. The penalty of interruption is at best unemployment at worst starvation.

Populations are already rebelling at an international economic system of violent price movements that make them rich today and sentence them to beggary tomorrow. There is increasing quarrel with the hazards of a set of national currency systems, disorder in any one of which may wreck the orderly life of entire regions. The United States is dimly aware of this now, and will find it a pressing problem as rejuvenated European production expands. Like it or not, we shall be thinking within a few years, not simply of Marshall plans but of wide international pools where supply and demand, production and need, can be brought together, with finance used primarily as a means of assuring production, transport, and consumption. (South America is putting that problem forcefully to the United States now at the current Economic Conference of American States in Rio de Janeiro.)

Americans who fret today at "giveaway" programs are more likely to be concerned tomorrow about how to assure supplies of material and to pay for them by overseas export.

America, like the Soviet Union, has a relatively favorable place in the economic struggle—a highly developed technology in a large land area where there is not too great a population. The catch is that the American position increasingly depends on crucial supplies from outside the American area, just as the German economy depended on such supplies and proved vulnerable in two world wars.

Conversely, whole populations outside the United States depend on our consumption and prices. As regional groupings grow, they will pool their economic trump cards—the Soviet Union is pooling the cards of the Communist world at this moment. Collective use of the economic power to refuse to supply or refuse to buy—or to barter here and withhold there—was a card the Nazi economists played with terrible effect. Add the resources of southeast Asia—rice, rubber, tin, etc.—to one or another of the regional combinations now in formation, and the world economic balance may be wholly upset. Almost of necessity, world pools or clearing unions will be the serious business of international economics a generation from now—unless, of course, the United States and the Soviet Union are prepared to shoulder indefinitely the job of equating the balances in their respective worlds. But this job increases in size each year; the capacity of either to pick up the international check is not unlimited, and it is a poor expedient at best.

These are gigantic problems. They are capable of solution only by organizing the economic affairs of great areas, if not of the entire planet. Where, in the present world, can all the claims be balanced except at the United Nations?

Resolution From the Final Declaration of the 41st National Foreign Trade Convention

UNITED NATIONS

It is imperative, in the interests of maintaining a sound and dynamic foreign economic policy, that our membership in the United Nations, and our support of any of its affiliated or dependent agencies, should not result in the loss of our economic independence, or lead to the imposition upon us of any economic doctrines or practices which we would not ourselves voluntarily adopt.

In seeking the advantages which membership in the United Nations can bring, we must not resort to compromise or expediency; we must not, whether by misguided action or through default, infringe or jeopardize our inherent right of economic self-determination.

COMMISSION ON INTERNATIONAL COMMODITY TRADE, U. N.

The convention affirms its wholehearted support of the position taken by the National Foreign Trade Council and by previous conventions against participation by the United States in intergovernmental commodity agreements. The opposition voiced by the 1952 convention to the International Materials Conference, and by the 1953 convention to the attempted effectuation of the commodity provisions of chapter VI of the Habana Charter, in face of Congress' refusal to countenance the charter itself, is reiterated now in the strongest terms in the particular instance of the proposed permanent Advisory Commission on International Commodity Trade within the Economic and Social Council of the United Nations.

Whatever guise they may take, and whatever high sponsorship they may have, agreements which are designed to establish controls over the production, distribution, or prices of commodities moving in international trade violate the principle of freedom of the market place, and should find neither support nor toleration from the government of a nation which is dedicated, as the United States is dedicated, to the free, private, competitive enterprise system. The solution of the problem of either overproduction or underproduction, in a private enterprise economy, is to be found in the operation of the law of supply and demand, and the convention holds that disregard of the principles implicit in that law would serve to aggravate, rather than to solve, the very problem with which it seeks to deal.

The specifications defining the functions of the proposed United Nations Permanent Advisory Commission on International Commodity Trade give particular cause for alarm. Not only would the Commission be authorized to instigate rigorous and restrictive barriers against the movement of the commodities falling within its immediate purview, but there would also be presented, by reason of the Commmission's responsibility for seeking just and equitable price relations between primary products and manufactured goods, a continuing invitation to regimentation and price fixing extending over the whole range of the economies of its member nations. The implications of this latter power are such as to make the proposed organizations even more obnoxious, by American standards, than the abortive organizations previously condemned.

The convention urges that our Government maintain the stand it has rightly taken in the United Nations by refusing, under any circumstances, to participate in the activities of the proposed Permanent Advisory Commission on International Commodity Trade. It also urges, and for the same reasons, that our

Government take an equally strong stand against any similar or related proposals which may be advanced at the forthcoming meeting in Rio de Janeiro of the Ministers of Finance or Economy of the American Republics looking toward a system of commodity agreements and price-fixing arrangements within the Western Hemisphere.

AD HOC COMMTTEE ON RESTRICTIVE BUSINESS PRACTICES, U. N.

The convention is opposed to the establishment of a specialized agency of the United Nations to act on complaints of restrictive business practices, as recommended in the report dated March 30, 1953, of the Ad Hoc Committee on Restrictive Business Practices of the Economic and Social Council of the United Nations.

MINERALS AND WESTERN HEMISPHERE DEFENSE—EXTENSION OF REMARKS OF HON. GEORGE W. MALONE, OF NEVADA IN THE SENATE OF THE UNITED STATES, THURSDAY, DECEMBER 2, 1954

Mr. MALONE. Mr. President, I ask unanimous consent to have printed in the Appendix of the Record an article from my pen, published in the September issue of the American Mining Congress Journal, reviewing accomplishments of the 83d Congress intended to aid and strengthen the American mining industry, and pointing to further legislation necessary to assure stability to the industry and security to the Nation.

There being no objection, the article was ordered to be printed in the Record, as follows:

MINERALS AND WESTERN HEMISPHERE DEFENSE—A CHAMPION OF DOMESTIC MINING TAKES A REALISTIC LOOK AT A VITAL PROBLEM

(By Hon. George W. Malone, United States Senator from Nevada)

American mining received what the New York Journal of Commerce truthfully declared a tremendous shot in the arm when the 83d Congress approved two measures that halted what might be termed the ebb tide of mining. Those two oustandingly important measures were the granting of depletion allowances of 23 percent to 32 critical minerals, and the killing of a provision for sponsoring mineral exploration and development in foreign countries by the Foreign Operations Administration.

Both those steps were the result of the findings of the Senate Minerals, Materials, and Fuels Economic Subcommittee, which completely disproved a long-current theory that the United States is a have-not nation as regards critical materials.

In its findings the committee demonstrated:

1. The Western Hemisphere can be defended and will be the only dependable source of the United States of critical raw materials in the event of a third all-out war.

2. During the last quarter century established procurement policies have dangerously increased our dependence for critical materials on nations across major oceans. Such dependence on overseas suppliers must be avoided.

3. Less than 1 percent of the area of this Nation has been included in geological investigations; only 12.7 percent has been geologically mapped, and 31.1 percent topographically mapped by the United States Geological Survey.

4. Federal tax laws definitely retard the production of critical materials in this Nation.

Given reasonable depletion allowance, such as the new code provides, and a tariff or duty based on fair and reasonable competition, private industry will explore, discover, and develop our natural critical and strategic mineral resources, to the extent that they may profitably do so in competition with producers in low-wage, low-tax foreign and remote areas of the world.

But one step further must be taken to assure our complete national self-sufficiency that would safeguard us in time of war.

The workingmen and investors in our critical and strategic minerals industries must have equal access to our own markets, stockpiles, defense plants, and arsenals with the minerals and materials of other nations. Such equal access is denied them now through the 1934 Trade Agreements Act—the so-called reciprocal trade.

They do not have such access because neither tariffs nor duties on imports of such minerals and materials equalize the difference in costs of production between this Nation and the foreign producers competing for our markets against American producers and American products.

Foreign producers in the past 25 years have not had to compete with American producers in reality. They have had the benefit of millions of dollars in American foreign aid, coupled with reduced duties or tariffs, to give them a preferential right-of-way into the American markets. The American subsidies and reductions in duties they have received more than counterbalance any transportation costs in shipping materials to the United States.

They have been given funds with which to explore and develop foreign properties. They have been given expert technological advice at the expense of American taxpayers on how to exploit these foreign properties. They have been given equipment to operate these properties, and great electric projects, financed at American taxpayers' expense, have been built to provide these foreign interests with the electric energy necessary to operate the equipment we have given them.

It was that international mining boondoggle which was stricken out of the foreign-aid bill as a step toward ending discrimination against our own producers.

The provision for depletion allowance was another step, and the third and final step will come when the Congress returns to the United States Constitution, article I, section 8, and levies tariffs on imports of foreign minerals and materials based on fair and reasonable competition equalizing the difference in low wage and low tax rates in foreign countries and high wage and tax rates in the United States.

The American mining industry finances its own exploration. It finances its own development. It finances its own research. It risks its own money, and often in huge amounts, instead of asking for handouts from the Foreign Operations Administration or Mr. Stassen at the expense of American taxpayers, as do their foreign competitors.

The American mining industry pays the highest waves for comparable work in the world, while the foreign producers who have benefited most from American aid pay the lowest wages in the world.

The American mining industry, heretofore starved between wars, has come to the rescue of the United States in two world wars, supplying our needs for critical minerals and materials when the rest of the world was cut off by the enemy.

The mining industry of the Western or American Hemisphere—North, South, and Central America—can and will supply our full needs for critical and strategic minerals, materials, and fuels in the event of another all-out war if given free and equal treatment with the rest of the world.

And in the event of such an all-out war, only that mineral wealth lying within the American hemisphere will be immediately accessible for our war needs.

SUBVERSION BY TREATY—EXTENSION OF REMARKS OF HON. GEORGE W. MALONE, OF NEVADA, IN THE SENATE OF THE UNITED STATES, THURSDAY, DECEMBER 2, 1954

Mr. MALONE. Mr. President, I ask unanimous consent to have printed in the Appendix of the Record an article titled "Subversion by Treaty," published in the September 10, 1954, issue of the magazine U. S. A., and reviewing part 4 of hearings conducted by the Minerals, Materials, and Fuels Economic Subcommittee of the Committee on Interior and Insular Affairs.

There being no objection, the article was ordered to be printed in the Record, as follows:

SUBVERSION BY TREATY

(By Newton H. Fulbright)

If Americans knew about how the State Department's extra-legal International Materials Conference operated during the Korean war, they would shake their heads in shocked disbelief.

It has been charged that young Americans were sacrificed in Korea because the International Materials Conference, an extra-legal creation of the State Department, withheld strategic raw materials from American industry. Disturbing questions asked about the IMC in Congress were never answered.

Now a subcommittee of the Senate Committee on Interior and Insular Affairs, headed by Senator George W. Malone, Republican, Nevada, has delved into the matter in connection with its 10-month study of raw materials.

The resulting 380-page report, Accessibility of Strategic and Critical Materials to the United States in Time of War and For Our Expanding Economy, condemns "second and third echelon planners" who have done serious harm to the American economy, either through stupidity or calculated subversion.

Witnesses testified that the IMC, implemented without congressional approval in the fall of 1950, was the brain child of Alger Hiss, Harry Dexter White, Frank Coe, and others who were later to appear before congressional committees investigating communism and subversion.

It was charged that the IMC's Marxist program of international price fixing and allocation of raw materials had deprived us of these materials at a critical time—that it authorized foreign raids on our military stockpile, and that materials that should have gone into armament were diverted to luxury goods and sold in competition with our home industry.

One witness, Representative Thomas E. Martin, Republican, Iowa, a long time member of the House Committee on Military Affairs, said the 1946 Stockpile Act, which he helped to write and which former President Truman reluctantly signed into law, because it contained a "buy American" provision, had been flagrantly subverted.

Representative Martin added that if the Korean war had become a general conflagration "the defense of this country would have been in a precarious position" because of unauthorized interference with the authority of the Munitions Board, now the Office of Defense Mobilization.

HEAVY BLAME

The International Materials Conference not only interfered with our stockpile accumulation, he said, but "may have been responsible for the shortage of ammunition at the front in Korea which was reported by General Van Fleet upon his return to this country."

While the Korean war was in progress, on March 9, 1952, House Republican Leader Joseph Martin, Jr., charged that the International Materials Conference was responsible for much of the Nation's unemployment. He said the organization, without benefit of any legal stand whatsoever, held a life and death grip over countless lives and jobs.

What was the International Materials Conference? How did we get into it?

The Senate investigators struck the first mention of such an organization in a State Department press release, dated January 12, 1951. It said the United States, the United Kingdom, and France were establishing an organization to deal with materials in short supply. Other countries, it added, would be asked to join; and eventually 25 more did come in.

It was noted that this announcement came close on the heels of Marxist Prime Minister Attlee's visit during which he pleaded for an increased share of the world's materials at prices Britain could afford.

Secretary of State Dean Acheson, in a press release on February 21, 1951, said an international organization of committees was being put together to control scarce commodities.

On February 24 the State Department issued the following:

"This new organization will bear the collective title 'International Materials Conference' and the first committee to meet will be called the Copper, Zinc, and Lead Committee of the International Materials Conference (IMC)."

Retracing Marxist intrigue, the investigating Senators uncovered a trail of international planning and conferring that went back at least 5 years, to November 1945. At this time the State Department began circulating a paper prepared by Hiss and others, containing four proposals for "expansion of world trade and employment."

FOUR STEPS TO DOOM

The subcommittee summarized and interpreted these proposals as follows:

1. Release from restrictions imposed by governments. This meant abolition of all tariffs.

2. Release from restrictions imposed by private combines and cartels. This meant setting aside our antitrust laws and subordinating them to the United Nations body.

3. Release from fear of disorder in the markets for certain primary commodities. This means intergovernment commodity agreements (or international price fixing).

4. Release from irregularity and fear of irregularity in production and employment. This meant world full employment planned by the U. N. body.

With these proposals before them, the Senators took a new look at Mr. Truman's reluctance to sign the 1946 stockpile act because of the objectionable "buy American" provision. They marked his language.

"It is the policy of this Government to work for international action to reduce trade barriers. We have proposed to other countries a set of principles governing trade, and look forward to the successful conclusion of broad international agreements embodying the essential principles of these proposals. Pending the conclusion of such agreements, it is the policy of this Government to avoid taking measures that will raise barriers to trade or prejudice the objectives of the forthcoming discussions."

What objectives? What forthcoming discussions?

Representative Martin told the investigators that few Congressmen in 1946 knew what Mr. Truman was talking about.

The Iowa Representative, producing documents, said he found it significant that while World War II was still being fought, second- and third-string policymakers in the State Department were busy planning the postwar world in which the United States was to underwrite the economies "of every other nation on the globe." Among these policymakers he named Alger Hiss in the State Department and Harry Dexter White and Frank Coe in the Treasury Department.

Tracing a series of international trade conferences, the subcommittee found that on February 18, 1946, the U. N. Economic and Social Council, advised by the British Marxist, David Owen, had agreed to sponsor an international conference on trade and employment in London. The agenda included the four State Department proposals with one added topic: International Agreement Relating to Industrial Production.

Out of it came the Marshall plan, devised chiefly by Hiss and Clark M. Eichelberger, the U. N. propagandist and espouser of left-wing causes, and Mr. Truman's point 4 program.

The State Department report stated the British Socialist, Sir Stafford Cripps, opened the conference by saying: "It will be necessary for nations to give up some of their sovereignty in the economic field; that, in the opinion of the United Kingdom, the fundamental idea in this field was that it must be both the policy and the duty of each separate nation to provide for full employment and to avoid the exporting of unemployment; and finally, that although risks must be taken in the field of international trade, it would not be possible to divert trade from its old channels unless there was some assurance that new channels would be created."

Representative Martin, an on-the-scenes observer, interpreted this doubletalk as meaning the Labor Party believed we should give up our economic sovereignty, and that we should not protect American workers in their wages and jobs through tariffs, as such action would export unemployment. But the Socialists would not give up the British Empire preference system unless we created new channels of trade.

An International Trade Organization was proposed and a meeting held in New York, under auspices of the U. N., from January 20 to February 25, 1947. Next in Geneva, in the spring and summer, came a preparatory Conference on Trade and Employment. The same delegates, with Mr. David Owen representing the U. N., then met in Habana, Cuba, on November 21, 1947, and deliberated through March 24, 1948.

Out of it came the so-called Habana Charter for an International Trade Organization, which Mr. Truman recommended to Congress. Mr. Acheson put in a personal appearance to urge ratification. But on May 12 the House Committee on Foreign Affairs turned thumbs down on the measure.

NO BY YOUR LEAVE

The record indicates that Mr. Acheson and the State Department thereafter declined to consult Congress on trade agreements. Together with the U. N., they simply acted, and the Congress learned about it later. The policy is still in operation, with Mr. Harold Stassen as the current front man.

The investigating subcommittee was a little surprised to learn from the State Department record that the British Socialists, during discussions that preceded the International Materials Conference formation, believed "that international allocation would penalize rather than help the United States and the United Kingdom" in the Korean war. But, despite these British misgivings, international allocations were agreed to, and the State Department submitted the following to the President:

"In reducing civilian consumption, minimum requirements essential to the operation of civilian economies here and abroad must be met. With respect to less essential civilian needs, the principle of equality of sacrifice, as among the United States and other free-world nations, should prevail. As the United States is now operating at higher levels of civilian consumption than a number of other Western European countries, this may mean greater cutbacks in this country than in certain other countries."

DOWN TO THEIR LEVEL

This Marxist planning in the State Department to cut back United States living standards to a level with that in less-prosperous countries—a continuing U. N. policy—was further revealed in a supplementary document:

"On cutting back civilian consumption, the minimum requirements essential to the operation of civilian economies must be met, and the principle of equality of sacrifice in relatively less essential activities should prevail. The United States can better afford to eliminate certain civilian uses of raw materials than can most of our allies, because the United States has a higher standard of living, more adequate supplies of consumer goods, and a wider range of use of raw materials in less essential fields.

"Nearly all our alies have been experiencing severe shortages of convertible currencies ever since World War II, and have been operating their economies in many respects on a minimum requirement basis, especially where raw materials from hard-currency areas are concerned."

The document containing the above was submitted to other of our Government agencies for comment. The Munition Board's staff, occupied with our war effort, commented as follows:

"The term 'equality of sacrifice' as applied to the United States in relation to other nations can be a most damaging application on the United States economy. Since the United States will be bearing most of the financial burden, if past patterns are a guide, we must also protect the United States economy. It is just as essential, if not more so, that the United States economy not be reduced or disturbed too severely."

While the State Department went ahead to implement the "equality of sacrifice" principle against American industry, the Munitions Board remained concerned over the possibility that the United States should be required to take materials from our stockpile and offer them on the international market. These fears seemed justified, since the International Materials Conference agreement had placed stockpiling on a lower priority than many civilian requirements in the United Kingdom and other countries. The Board remarked:

"Agreement should be sought from the United Kingdom that raw materials which are made available for development of export trade will be controlled so that nonessential luxury goods using scarce materials are eliminated or cut to a minimum. Also exports to Eastern Europe should not include scarce materials or end items containing such materials. Examples are molybdenum and export of graphic crucibles using scarce Madagascar flake graphite.

"Defense needs should be predominant. It should be recognized that the United States is currently imposing controls on short-supply materials. Stockpiling is a United States and allied defense requirement and should take precedence over United Kingdom normal business producing efforts."

The Senate subcommittee report observes that "After the International Materials Conference became effective, the normal civilian business of other countries, including the United Kingdom, did take precedence over our stockpile, and the so-called principle of sacrifice was adopted.

How did it work? The International Materials Conference was the title applied to seven commodity committees, a central group and a staff. The committees were copper-lead-zinc; cotton-cotton linters; manganese-nickel-cobalt; pulp-paper; sulfur, tungsten-molybdenum, and wool.

The first allocations of nonferrous metals, called entitlement for consumption, were issued on September 28, 1951. These allocations were designed to limit the amount of copper and zinc which the United States would be allowed to consume. The allocation and price-control powers of the Defense Production Act were used to enforce these regulations. The Congress had granted these powers to the Defense Production Administration but never suspected they would be delegated to an extralegal international agency.

FATAL FAIT ACCOMPLI

On September 30, 2 days after the International Materials Conference had issued its "entitlements for consumption" for copper and zinc, the Office of Defense Mobilization was obliged to announce ceiling price regulations on lead and zinc. It observed that international allocations had already been accepted for zinc, and added:

"The establishment of a ceiling which is somewhat below current world prices involves the calculated risk of some decrease in imports. * * * This action will tend to reduce the pressure of United States demands on free world supplies, ease the problems of friendly consuming countries, and make any international allocation arrangement more effective."

Mind you, this was while we were fighting a war in Korea.

As a result of this action, the investigating subcommittee found that by February 1, 1952, zinc was being taken out of our stockpile. Mr. Charles E. Wilson, the unhappy Defense Mobilizer of the time, was quoted in the New York Times as saying:

"Failure of zinc imports to reach normal volume was given * * * as the reason for diversion of the metal."

The subcommittee report states that "Actually, the failure of imports to reach normal volume was not a surprise—it had been planned that way."

Read into the record was the following from the IMC's report on operations for 1951–52:

"In developing plans of distribution for the metals it was necessary for the committees to consider what policy should be followed in allowing materials for stockpiling purposes during the period of scarcity. * * * The Copper-Zinc-Lead Committee on the Magnesium-Nickel-Cobalt Committee decided, in connection with their fourth-quarter allocations, to recognize, in principle, the requirements for strategic stockpile purposes; but, in view of the tight supply, they recommended a special allowance for such requirements in the plans for copper, zinc, and cobalt, only to the extent of a small percentage of consumption during a given base period.

"In the case of commodities where the shortage was more acute (nickel, tungsten, and molybdenum) the committees were unable to recommend any special allowance for stockpiling.

"In the allocation plans for the first quarter of 1952 the Copper-Zinc-Lead and Manganese-Nickel-Cobalt Committee found it inadvisable to provide any special allowance for stockpile purpose."

The investigating subcommittee learned that an informal group of "second-and-third echelon personnel" in the State Department, "operating without a charter or bylaws, decided to set aside the stockpile program authorized by Congress and for which appropriations were made."

The subcommittee examined an exhibit, marked International Materials Conference Memorandum No. 61. It was a letter dated May 1, 1951, from J. H. Critchett, of the National Production Authority, to E. T. Gibson, Acting Administrator of the Defense Production Administration and United States representative on the central group of IMC. It listed a United States requirement of 200,000 pounds of tungsten per month for heavy armor-piercing shells, but added:

"We need about 60 percent of all free world tungsten, a percentage we probably will not be able to obtain but certainly will not even approach under the present purchasing conditions."

WE FEEL THE BITE

Considerable light on these purchasing conditions is found in a speech delivered in the Senate, February 18, 1952, by Senator Homer Ferguson, Republican, Michigan, who had become aroused over widespread unemployment in the automotive industry. He said in part:

"I have before me an offer from a copper broker in New York, to supply as much as 1,000 tons of copper from Japan at 45 cents a pound, free on board Japan, with an indication that an additional 7,000 tons is available. There is nothing unique about this offer. There is copper in the world market. Employers in the United States are willing to pay the higher price, but they are prohibited from using this copper by the Defense Production Administration. The Defense Production Administration must prohibit the use of this copper because our Government is bound by a voluntary agreement to restrict our copper usage to the amount allocated by the International Materials Conference.

"If the American companies were to buy the Japanese copper, it might mean that other countries would be unable to get all the copper allocated to them by the International Materials Conference. For example, India is not a member of NATO, and has frequently voted against the United States on crucial issues in the United Nations. India is also a country which is not producing one gun or one tank, but it has been given a very liberal entitlement for consumption which is more than twice its 1947 actual consumption.

"All of this copper for India is for the production of civilian goods designed to raise the standard of living of the natives of India. I want to help the Indian people raise their standard of living, but not at the expense of the American workingman, and not at the expense of war production here at home."

You can't put it much plainer than that—or more in contrast with the Marxist philosophy that guides the State Department and its International Materials Conference.

Our domestic ceiling on copper at the time was 30½ cents a pound while the world market fluctuated at from 40 to 50 cents a pound. As a commentary, the subcommittee produced the following from the State Department files:

"It also can be argued on the basis of the attached table that we are receiving a smaller percentage of the free world's supply of tungsten (52 percent) under IMC than we did in 1950 (73 percent) or in 1949 (55 percent). Most agencies having an interest in the question are convinced that if there were no IMC and if the United States were to bring its full purchasing power to bear it would easily out-bid all other countries for the lion's share of the free world's tungsten production."

The Senate subcommittee commented: "The amount of tungsten that we obtained in 1950 without the IMC, contrasted with what we obtained under the IMC when we were shouldering most of the defense responsibilities of the free world, is a shocking indictment of United States participation in this unauthorized international cartel."

Additional comment seems unnecessary, except to remark that the handwriting of Alger Hiss looms large on the ledger of our betrayal.

THE POLICY THAT WRECKED THE AMERICAN MINING INDUSTRY—EXTENSION OF REMARKS OF HON. GEORGE W. MALONE, OF NEVADA, IN THE SENATE OF THE UNITED STATES, THURSDAY, DECEMBER 2, 1954

Mr. MALONE. Mr. President, I ask unanimous consent to have printed in the Appendix of the Record an article entitled "Are We a Have-Not Nation?" by Newton H. Fulbright, published in the magazine U. S. A., August 27, 1954, and dealing with Senate Report No. 1627 of the Minerals, Materials, and Fuels Economic Subcommittee of the Committee on Interior and Insular Affairs.

There being no objection, the article was ordered to be printed in the Record, as follows:

ARE WE A HAVE-NOT NATION?

(By Newton H. Fulbright)

Is our industry dependent on foreign imports? Has our rich supply of critical raw materials played out? Are we a have-not nation?

Many Americans would be surprised to learn that much of our foreign policy is based on the assumption that we cannot produce the raw materials for our civilian or wartime needs.

It is not generally known that the State Department, under the 1934 Trade Agreement Act, has entered into agreements with and extended financial aid to foreign countries for the development and production of strategic minerals which are ostensibly on short supply in this country. We extended $594,126,000 from July 1, 1950, through March 1, 1953, to this foreign minerals expansion program. But during the same period, we spent only $64 million for domestic expansion.

Was this policy justified? Was it necessary to turn to foreign sources or can we get everything we need within the Western Hemisphere?

Finally, have we been sold on the assumption that we are dependent on foreign nations as part of the Communist strategy concocted by the Harry Dexter White and Alger Hiss groups of subversives in the Government?

These questions are posed with some disturbing answers by the Minerals, Materials, and Fuels Economic Subcommittee of the Senate Committee on Interior and Insular Affairs, headed by Senator George W. Malone, Republican, of Nevada. The subcommittee, after an extensive study, has offered a highly informative report: "Accessibility of Strategic and Critical Materials to the United States in Time of War and for Our Expanding Economy."

It contains information that every voter should have in mental store when he casts his ballot in the congressional elections this November.

MINES FOR THE ASKING

Obviously, the availability of critical and strategic materials is a basic necessity. Our national survival in time of war depends on an ample and uninterrupted supply of some 77 critical materials. The subcommittee, basing its conclusions on the testimony of 360 witnesses heard in 56 hearings in Seattle, Los Angeles, and Washington, D. C., states without equivocation that this country and the Western Hemisphere can supply all our needs. It is disturbed to learn, however, that we are doing nothing to develop our mines.

Indeed, the subcommittee found that our policy, dictated by "second and third echelon" elements in the State Department, has effectively hamstrung our domestic mining industry.

"At a moment when the United States is using the greatest amount of lead and zinc in its history," the report states, "our lead and zinc mines are closing down, unable to meet in our domestic market the competition provided by foreign competitors. * * *

"An example in another direction is mercury, in which we are said to be singularly deficient and on which we rely principally on Spain and Italy for our source of supply.

"There is plenty of mercury on this continent. When World War II ended, the price was reduced to $80 per flask through European competition, and when our own producers were forced out the price climbed to $270 per flask." The subcommittee found that when a mine is closed, it requires from 3 to 6 years to get it opened again and back into production.

How did we get this way? What are the facts behind this foreign materials program?

After our experience in World War I, military and industrial experts concluded that an adequate defense required the accumulation of a reserve supply of strategic and critical materials. Congress, recognizing the necessity for stockpiling and the need for stimulation of domestic production, enacted Public Law 117 in 1939 The act provided for—

1. Acquisition and retention of stocks of strategic and critical materials;
2. Encouragement of conservation and development of the sources of these strategic and critical materials within the United States and thereby decrease and prevent wherever possible the dangerous and costly dependence of the United States upon foreign nations for the supplies of these materials in times of national emergency;
3. The act further provides for the creation of an industry advisory committee and designated the Secretaries of War, Navy, and Department of the Interior to purchase and acquire these stockpiles. (The functions of the Cabinet Secretaries were later delegated to the Munitions Board, now the Office of Defense Mobilization.)
4. The act further provided that we buy American.

The subcommittee observes that Congress, in this latter provision, was deeply aware that the success of the stockpiling effort depended as much, if not more, on the stimulation of a healthy going-concern mining industry as it did on the accumulation of materials. The Stockpile Act stated emphatically that it was necessary to stimulate and encourage the development of sources of strategic materials within the United States. But testimony before the subcommittee showed that "a drive has been made, evidently sponsored by the State Department, to eliminate the buy-American feature of the Stockpile Act."

BITING OUR OWN HAND

It asserts that former President Truman, "when he signed the 1946 Stockpile Act, issued a statement in which he said it was only because of the overriding importance of the act that he was able to overcome his reluctance in signing a bill with the buy-American provision." Mr. Truman was quoted in these words:

"Those provisions will * * * tend to defeat the conservation and strategic objectives of the bill by further depleting our already inadequate underground reserves of strategic materials. Furthermore, there can be a serious conflict between those provisions and the foreign economic policy which this Government is actively pursuing.

"This provision clearly indicates that the stockpiling program should not be used as a means of generally subsidizing those domestic producers who otherwise could not compete successfully with other domestic or foreign producers.

"It is the policy of this Government to work for international action to reduce trade barriers. * * *

"Encouragement of unnecessary domestic production and unjustified preferential treatment to domestic producers destroys trade and so undermines our national economic strength."

Who thought up this policy, the reader might well ask, with its implicit dire threat to the jobs and the wages of American miners? Who put these words in Mr. Truman's mouth?

The subcommittee claims to have found a clue in a Harry Dexter White memorandum dated March 7, 1944, which it obtained from the Princeton University Library and the files of the Treasury Department. It states that White, then Assistant Secretary of the Treasury, wrote a memorandum to Secretary of the Treasury Henry Morgenthau, Jr., setting forth a table of the United States domestic reserves of strategic materials as follows:

	Years' supply	
	Based on 1939 domestic consumption	Based on 1943 domestic consumption
Petroleum	16	13
Manganese	9	3
Tungsten	23	3
Zinc	17	8
Lead	7	6
Chrome	(1)	-1
Mercury	3	

[1] No record.

From this data he drew the theory:

"Although our domestic reserves of petroleum, tungstein, and zinc may suffice to meet consumption requirements for the next decade, they will be almost entirely dissipated by the end of that period, meaning the year 1954 or thereabouts."

Assistant Secretary White then concluded:

"The necessity of growing United States dependence on foreign sources of supply in order to satisfy anticipated postwar industrial requirements and to maintain adequate security reserves is inescapable."

Secretary Morgenthau, duly impressed, forwarded to the President on January 10, 1945, Mr. White's table of alleged reserves, and stated:

"I suggest consideration be given to a financial arrangement with the U. S. S. R. to provide * * * repayment to us chiefly in strategic raw materials which are in short supply in the United States.

"An important feature of this proposal is that we will be conserving our depleted natural resources by drawing on Russia's huge reserves."

The subcommittee, after hearing testimony from 360 witnesses, states that, "In retrospect it is shown that White's conclusions, assumptions, theories, and policies, which made the United States dependent upon offshore foreign areas, principally Russia, for strategic materials, were false and untrue.

"White's use of these statistical tables was either the result of gross ignorance or part of the machinations of an insidious, subversive policy to make this Nation dependent upon Russia and other offshore areas for the sources of our strategic and critical raw materials without which we could not fight a war."

PROVEN ERROR

The subcommittee report then states:

"It is interesting to note that in 1947 William Remington (since jailed for perjury) was chairman of the so-called secret ad hoc committee which was regulating the exports of strategic and critical materials from the United States, who when questioned concerning his reasons for approving certain strategic materials going to Russian satellite countries, explained that it was a quid pro quo with Russia whereby she was delivering to us manganese without which we could not make any steel.

"Testimony before this committee has established that we have all of the manganese we can use in the foreseeable future in the Western Hemisphere."

So much for Communist agent White and his statistics. Time has proved them utterly false, but his recommendations still guide our foreign policy.

Witnesses told the subcommittee that the Buy-American feature of the Stockpile Act—a feature that has been on the statute books, in one form of another, since March 3, 1933—has been attacked by former President Truman and by both the Paley commission and the Bell report dealing with strategic materials. It received the criticism of President Eisenhower last March 30. Bills were introduced in the 83d Congress to have it repealed. Henry Ford II, in an address before the Inland Daily Press Association in Chicago, in February 1953, said we should abandon the Buy-American Act because it forced American manufacturers to spend more money for domestic materials than they would have to spend for foreign materials.

The subcommittee found, however, that the Buy-American Act has been subtly thwarted. It reports that "80.1 percent of the present stockpile inventory was secured from foreign sources, largely at the expense of domestic production."

The report adds "This policy of saving our domestic sources and becoming dependent upon foreign materials evidently emanated from and is carried on through the lower echelons of the State and other departments who have controlled our foreign-trade policies.

"It was also found that generally foreign low-wage area producers were paid as much and often more per unit for such critical materials than was paid or offered domestic producers paying several times more in wages and taxes."

EXPLODED THEORY

But what about the supply of minerals and strategic materials here at home and in the Western Hemisphere?

The subcommittee seems to have gone thoroughly into the matter. It heard from top experts in the Bureau of Mines, the Departments of Agriculture, Defense and Interior, the Atomic Energy Commission and other Government agencies, and from operators of mines and related industries.

"These experts," the report states, "exploded the have-not theories, and they prove that this country can materially increase its economic production—often double, treble or quadruple; its supplies of critical materials; and that the Western Hemisphere can become self-sufficient. Each of the 77 strategic and critical materials has been separately studied and evaluated as to availability to the United States in the Western Hemisphere."

The Senate investigators found that industrial diamond was the only mineral that might have to be stockpiled from outside the Western Hemisphere. But they found that research and experimentation are developing substitutes for diamond in industrial drilling and grinding.

They also found that modern prospecting is uncovering immense new treasures of mineral wealth. "Until recently," the report states, "the discovery of mineral deposits was based entirely on surface showings or underground information gained from mines working in the same area. Most of the world's great mines were discovered in this fashion. But in recent years, new scientific principles have been developed making possible discoveries of mineral deposits far beneath the surface of the earth."

Many witnesses found a deplorable lag in basic geological mapping of our potential mineral reserves. The report found "Although the United States Geological Survey has been conducting mapping services since 1880, less than 1 percent of the area of the Nation has been included in geological investigations; 12.7 percent of the Nation's surface has been geologically mapped, and 31.1 percent topographically mapped." The subcommittee urged that this work be pushed with all possible speed.

To revive a healthy going-concern mining industry, it urged that the power to formulate trade agreements be taken away from "a group of little known persons of the second and third echelon in the State Department * * * and placed in the hands of men who have an intimate knowledge of our strategic and critical raw material needs."

The subcommittee states that a major step in the Communist conspiracy to destroy this Nation is economic. The first full-length stride in this direction, it believes, was the 1934 Trade Agreement Act which transferred the constitutional responsibility for regulating foreign trade from the legislative to the executive branch of government.

These conclusions seem self-evident: closed mines mean unemployment. Closed mines mean dependence on foreign countries. They mean loss of independence and are a serious threat to our security in the likely event of an open war with Red communism.

It is something for Americans to think about.

Senator Malone stated in a letter to this writer: "I came to the Senate to do the job represented by this report. I was in my eighth year before I could become chairman of a committee and arrange the proper setup for the work. I did not come here to just be another Senator.

"I think we have for 22 years dissipated our wealth and our resources and are slowly becoming dependent upon foreign nations across major oceans, and are in their power."

It is something for Americans to think about.

REPORT BY CED COMMITTEE CHALLENGED: ERRORS CITED AND DISSENTS NOTED—EXTENSION OF REMARKS OF HON. GEORGE W. MALONE, OF NEVADA, IN THE SENATE OF THE UNITED STATES, THURSDAY, DECEMBER 2, 1954

Mr. MALONE. Mr. President, within the past few days a statement on United States tariff policy was released by the Research and Policy Committee of the Committee for Economic Development. Many of the newspapers, in their coverage of this statement, attributed it to the board of trustees which includes numerous leaders of American industry who, I am sure, are not in complete accord with this statement.

The report by CED's Research and Policy Committee differs so materially from the announced position of some of the CED trustees that I believe it is important that the public clearly understand the distinction between a report by this committee and a report by the trustees themselves.

The Research and Policy Committee includes 33 individuals. Two of the 33, Mr. Harlow H. Curtice, president of General Motors Corp., and Mr. Philip D. Reed, chairman of the board of General Electric Co., have taken on position with respect to this policy statement, because of their absence from the country.

Two other members of the Research and Policy Committee. Mr. John D. Biggers, chairman of the board of Libbey-Owens-Ford Glass Co., and Mr Ernest Kanzler, vice chairman of the board of the Universal CIT Credit Corp. have dissented from the recommendations. The report also gives the impression that other members were among the minority who disapproved of its recommendations.

The dissent by Mr. Biggers and Mr. Kanzler reads as follows, and I quote:

"DISSENT BY JOHN D. BIGGERS, CHAIRMAN OF THE BOARD, LIBBEY-OWENS-FORD GLASS CO., TOLEDO, OHIO, AND ERNEST KANZLER, VICE CHAIRMAN OF THE BOARD, UNIVERSAL CIT CREDIT CORP.

"We are opposed to the CED's recommendations with respect to United States tariff policies. We consider them contrary to our national interest and based on academic theories rather than on actual conditions in the world today.

"1. The United States is already a low-tariff country. Of the 43 countries reporting to the International Monetary Fund, the United Nations, and other official sources, 35 have a higher percentage ratio of customs duties collected to total value of imports than the United States; only 7 countries have lower ratios.

"2. We should test the effects of adjustments already made before going further. The tariff reductions embodied in the so-called reciprocal trade agreements which have been made since 1934 have not been thoroughly tested under normal world conditions. Only during recent months has our economy been relatively free of abnormal or artificial stimulants, and already the ill effects of tariff reductions made during the past 20 years are being felt by a number of our industries in many communities and by thousands of unemployed workers.

"3. Other nations are pursuing nationalistic policies in their own self-interest. The committee's recommendations might be effective if we were living in an unselfish world, but such is not the case. Others are glad to invade our markets, but reluctant to have us share in theirs. They have erected tariff barriers, exchange regulations, import quotas, and even embargoes to protect their markets. We have received very few benefits in return for our large tariff reductions during the past 20 years.

"4. Our allies do not need additional tariff aids. Their industrial production has risen to levels 31 to 73 percent above those prevailing in 1938, and they have made further gains during the current year.

"5. We cannot permanently divert world commerce from its natural channels. Our allies are resisting and even ignoring our efforts to exclude them from their normal markets in Eastern Europe and Asia.

"6. We cannot buy support for our policies. We have not succeeded by giving outright aid nor can we by offering easy business on a platter.

"7. Further tariff reductions might boomerang. American communities, companies, and workers seriously injured by foreign imports would demand Government protection, and we might swing the pendulum too far in the direction of increased tariffs. This would be unfortunate.

"8. The sound policy seems to be to test the effects and consequences of the tariff reductions made during the past 20 years before making further unwarranted, unnecessary, and dangerous experiments."

CONFICTS BETWEEN CED REPORT AND SENATE SUBCOMMITTEE'S FINDINGS CITED

Mr. President, the report on United States tariff policy to which Mr. Biggers and Mr. Kanzler dissent is diametrically opposed to the findings and recommendations of the Subcommittee on Minerals, Materials, and Fuels Economics of the Senate Committee on Interior and Insular Affairs.

As chairman of the subcommittee and for the information of my colleagues, I shall analyze the CED group's report, point by point, basing my comments on the Senate subcommittee's own findings during an investigation and study of the problem over a period of 18 months.

The references I cite will be from the report of CED's research and policy group, each followed by my own comments and findings of the Subcommittee on Minerals, Materials, and Fuels Economics.

STATEMENTS IN CED REPORT AND COMMENTS BY SENIOR SENATOR FROM NEVADA

Reference, page 1, line 8:

Report reads: "In the years before 1860 the American economy was still predominantly agricultural and tariffs were generally low."

Comment: During the 25 years, 1791 to 1815, less than 5 percent of all imports were on the free list, average rate of duty was 12.6 percent. In 1830, average rate of duty on all imports, including duty-free products, was 45 percent. The Walker Tariff Act of 1846 classified imports into four schedules: luxuries, including intoxicating beverages, 100 percent; semiluxuries, 40 percent; commercial products from 30 to 5 percent; average duty on all dutiable imports, 1848–57, 26 percent. In 1953, the average tariff rates on free and dutiable goods was 5.3 percent, and on dutiable imports, only 12.2 percent.

Reference, page 3, line 13:

Report reads: "We enjoy higher real wage levels and living standards with foreign trade than would be possible if we relied solely on supplies and markets within our own borders."

Comment: This is only true if there is full use of our resources both in terms of capital and labor. If there is any substantial amount of unemployment or of idle capital in this country, we obviously are not enjoying higher living standards by receiving imports and supporting the displaced resources in idleness.

Reference, page 3, line 16:

Report reads: "The economic advantage of foreign trade is very clear when we buy abroad things which we don't produce at all at home—coffee, bananas, and tin."

Comment: No one has ever challenged this statement. That is why the United States free list has always included those products which cannot be produced in this country.

Reference, page 4, line 13:

Report reads: "All trading nations benefit in this way from an expanding world trade."

Comment: This is only true if all of the displaced resources throughout the world have been reemployed in a manner so as to maximize their comparative advantage. This is most unlikely in the real world in contrast with the world of the theoretical 19th Century classical economists.

SENATE SUBCOMMITTEE URGED ENDING DEPENDENCY ON DISTANT AREAS

Reference, page 4, line 17:

Report reads: "The health of key defense industries is likely to be the foremost example of a situation where overall economic efficiency becomes of secondary importance."

Comment: The Subcommittee on Minerals, Materials, and Fuels Economics, of the Senate Committee on Interior and Insular Affairs, in recommendation number 3 said: "We recommend eliminating our Nation's present dependency upon remote and possibly unfriendly or neutral areas of the world for critical materials without which we cannot conduct a war." The report also said:

"Strategic considerations today make it imperative that we maintain going-concern industries in the production of basic materials and manufactured goods essential to our security in the event of war.

"This automatically requires that those domestic industries which would be displaced by foreign industries enjoying a greater comparative advantage must be protected until the peace of the world is assured and strategic considerations can give way to welfare economics.

"Should world war III engulf this country, in addition to having a stockpile of strategic and critical materials, we should have a going-concern industry which could be expanded so as to meet the needs of any emergency.

"If we are dependent upon foreign producers whose governments may be unfriendly, unstable, or may even be displaced by Communist governments, as has happened already in Czechoslovakia, we are gambling with our own security.

"Even if foreign producers are able to produce materials, we still have the problem of getting them to our own shores. This requires convoy operations which are costly and will be even more difficult in world war III with the new modern submarines and atom bombs available to our enemies to destroy ports and industrial operations far from our shores.

"While the Navy may well be able to defend long sea lanes, no one could argue that the same commitment of manpower, surface ships, and aircraft could not be used more effectively in fighting the enemy if such convoy operations were not necessary.

"In all strategic considerations we are justified in increasing our dependence on Canadian and Mexican producers and to a less extent on the other countries of the Western Hemisphere, as such sources will be more easily defended rather than those located in Africa and the Far East across major oceans" (pp. 300–301).

FREE MOVEMENT OF CAPITAL AND PEOPLE IMPERATIVE TO FREE TRADE

Reference: Page 4, line 19.

Report reads: "The welfare of a particular domestic group might also on occasion be of overriding importance."

Comment: The theory of free trade contemplates unrestricted movement of people and capital so that all resources may be used to their maximum advantage. The report of the Subcommittee on Minerals, Materials, and Fuels Economics of the Senate Committee on Interior and Insular Affairs said:

"Implicit in the adoption of the free-trade philosophy is the specialization of each country and region in those products in which its comparative advantage is greatest.

"If the United States is to remove protection from those industries within its borders having a low comparative advantage, such action must simultaneously be accompanied by the removal of tariff barriers, quota systems, and manipulation of currency systems for trade advantage in all other countries.

"This obviously requires that Europe become a single economic unit as the barriers to trade between the countries of Europe are far more restrictive than those of the United States with the rest of the world. Furthermore, tariffs are only one form of restriction. Subsidies and other Government assistance to industries having a low comparative advantage are equally obnoxious" (p. 301).

"The forces which generate and create migrations of workers from one part of the country to another, as the very theory of free trade contemplates, are extremely painful while they are operative. Even assuming that after everyone had been relocated they would all be much happier, during the process great hardships would have to be endured. Ghost towns would develop.

"Schoolteachers, firemen, and other municipal workers in these areas would face great difficulties as the local tax base to support them would be destroyed. It is inconceivable that such a trend could develop to any great extent in this country as the people affected would demand relief.

"This relief could be a tariff or duty protection for the affected industry, or subsidies or grants-in-aid to the affected community. In this case, the Federal Government pays the local expenses of the community made necessary by the destruction of its tax base" (pp. 306–307).

EXCHANGE AND CURRENCY BARRIERS THE RULE IN MOST FOREIGN COUNTRIES, NOT IN UNITED STATES

Reference, page 4, line 21:

Report reads: "Then there are limitations to the general rule that expanded international trade serves the economic advantage of trading nations. For example, if the prices of imports are made artificially low for a time by foreign subsidies or dumping, the rules does not hold."

Comment: Almost all countries with the exception of the United States and Canada have inconvertible currencies, blocked exchanges, and multiple exchange rates which depend upon the purpose for which foreign exchange is to used. These multiple currencies are a method of subsidizing a country's exports and discouraging imports. Furthermore, there have been countless outright devaluations. The most recent example is Mexico, which devalued its currency early in 1954. This had the effect of lowering the price of lead and zinc in terms of the American market. These practices have a far greater effect on the volume of international trade than any possible change in the present level of American tariffs.

ALL FOREIGN COUNTRIES EXCEPT CANADA CONTROL DOLLAR EXCHANGE

Reference, page 5, line 1:

Report reads: "Tariffs inhibit the growth of American exports. Because our typical industrial and agricultural exports are the products of some of the most efficient producers in the world, other countries are anxious to buy more from us. But they are limited by their dollar earnings. Increasing the effective demand for United States exports depends upon increasing the supply of dollars abroad. The main way of doing this is by increasing United States imports.[1] Trade is a two-way proposition. While some dollars spent abroad may at times go into other countries' reserves, the vast demand for American products abroad assures that most dollars spent in other countries will come back here in one way or another in the form of increased orders for United States exports."

Comment: This development is superficial as it assumes that a country earning dollars will release those dollars to its nationals to purchase American goods which they desire in a free market. With the exception of Canada, all foreign countries control the dollar exchange earned by their nationals, and this exchange is then used by the government. Importers in foreign countries must secure import licenses and permission to pay out United States dollars before a transaction can be completed. Some types of goods are granted import licenses. Many are completely prohibited. Dollar and gold reserves outside the United States have increased substantially during the past 2 years. This would indicate that there is no real shortage of dollars on current account. The concept of free trade was developed in a multilateral trading world. The report of the Subcommittee on Minerals, Materials, and Fuels Economics of the Senate Committee on Interior and Insular Affairs said:

"Obviously the United States, as one country in the so-called free world, cannot by unilateral action overcome all of the impediments to free trade which exist in the world today.

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[1] Increasing imports is not the only way to enable foreigners to buy more of our products and services. To some extent, and for a time, exports can be increased by expanding the flow of American investment abroad. Increasing expenditures abroad by American tourists also helps expand our exports. Foreign aid, too, is a method of maintaining or increasing our exports, although it is not one on which we or other countries wish to rely indefinitely (p. 5).

"Certainly if comparative advantage is to be accepted as the criteria and the United States is to sacrifice those industries in which its comparative advantage is low, it must expect that the underdeveloped countries will not subsidize industrialization and will continue in the role of raw materials suppliers where their comparative advantage is high.

"Much of the difficulty in maintaining multilateral trading today can be traced to the fact that triangular trade between the Latin American and Indonesian areas with the continent of Europe has been broken by the actions of the governments of these underdeveloped areas.

"Imports from Brazil to the United States are under no restrictions, and their volume has been high, providing the Brazilian economy with an ample flow of dollars. Formerly these dollars were spent in Europe, which enabled Europe to settle its adverse dollar balance with the United States. Today Brazil, in spite of our purchases, has had great difficulty in settling its own commercial dollar transactions with the United States and it has been unable to furnish the market it formerly provided to Great Britain and the continent of Europe.

"It employs import controls and many restrictive devices at the present time. Foreign investment is discouraged as Brazil has reaffirmed its position that no foreign capital would be welcome in developing her potential petroleum resources.

"Brazil's insistence on virtually nationalizing the development of her natural resources has resulted in the ridiculous situation where the rationing of oil supplies is receiving serious consideration, as railroads are being converted to diesel power and automobile imports are increasing" (pp. 303–304).

TARIFFS APPLY TO ONLY FRACTION OF UNITED STATES IMPORTS

Reference, page 6, line 5:

Report reads: "Only a part of our imports are subject to tariffs or other import restrictions. * * * Only about $3 billion were subject to import quotas or to tariffs sufficiently high to have an appreciable effect on the volume of imports. This $3 billion consisted for the most part of agricultural products and finished manufactures."

Comment: It is difficult to see how the reduction of tariffs on this small portion of our total imports could balance our trade with the rest of the world. If these particular imports were freed of all restrictions, a few supplying areas would secure an increased market in the United States at the expense of hardship in certain areas of the United States economy where the dislocations would be concentrated. It is quite unlikely that the particular recipients of the benefits of our tariff reductions would purchase American goods with the dollars earned that would completely compensate for our own dislocations. Over the short run, it is certain that this would not be the case. Over the long run, it could only be accomplished if all other countries simultaneously reduced their own tariff barriers so that the dollars could come back to us through an involved series of multilateral exchanges.

OVER HALF OF WORLD'S TRADE SUBJECT TO FOREIGN IMPORT QUOTAS

Reference, page 6, line 16:

Report reads: "The economies of most other countries of the free world—particularly of our major allies—are considerably more dependent than our own on foreign trade. For example, Britain's imports are equal to about 22 percent if its gross national product, as compared with 3 percent for the United States. The corresponding figure for Holland is 38 percent; for Belgium, 30 percent; for Western Germany, 13 percent; for Italy, 14 percent; for Japan, 10 percent and for France, 7 percent. Because of this dependency on foreign trade, the future economic growth and health of many countries depend, in considerable part, on whether they have a sufficient opportunity to expand their trade with each other and with us. In this sense, tariffs have greater economic importance for our friends and allies than they do for our own economy. This is not to say that there is not considerable scope for more efficient use of resources within the United States by increasing our foreign trade."

Comment: The report of the Subcommittee on Minerals, Materials and Fuels Economics of the Senate Committee on Interior and Insular Affairs dealt with this subject as follows:

"Most discussions of America's foreign economic policy are in terms of changes in United States tariff laws. It should be pointed out that the United States, under the Constitution, can lay no taxes or other imposts on exports. The only restrictions on exports today are those exercised under the Export Control Act to prevent the flow of strategic materials to Iron Curtain countries.

"The United States does not use import quotas except for a few agricultural commodities where the maintenance of domestic price supports makes such action mandatory.

"More than half of the world's trade is subject to import quotas. Businessmen can adjust to fixed tarifls, but they never know how licenses will be issued to implement a quota. Under the General Agreement on Tariffs and Trade, the 33 signatories are not supposed to maintain such restrictions. However, in 1952 of the $56 billion imported into the General Agreement on Tariffs and Trade countries $38 billion was under import quota restrictions. At the present time, unrestricted dollar imports are not permitted by any signatory country to the General Agreement on Tariffs and Trade outside the dollar area. Almost all of the countries who are members of the Organization for European Economic Cooperation employ import quotas and other restrictions. The Organization for European Economic Cooperation has set a goal whereby 75 percent of the imports are to be free of quotas. In December 1953 Great Britain's percentage of quota-free imports was only 58 percent.

"The United States has no currency restrictions. It applies the most-favored-nation clause in all its trade agreements. It makes no distinction between luxuries and essential goods in its import policy.

"This should be contrasted with the British Empire preferential rates and the colonial preferences prevalent in the French colonial trading area.

"Blocked currencies are characteristic of most of the countries of Europe and in many cases in South America as well. Special preference for essential goods as determined by Government officials over luxury imports is prevalent in most of the so-called free-world countries today.

"Problems presented before the last meeting of the countries signatory to the General Agreement on Tariffs and Trade illustrate the obstacles in achieving free trade. Britain was granted a waiver to increase duties to assist fruit and vegetable growers hurt by removal of quotas under the Organization for European Economic Cooperation plan to liberalize intra-European trade.

"Great Britain was also granted a restricted waiver on the General Agreement on Tariffs and Trade rule forbidding increases in imperial preferences. Apparently Britain plans shortly to liberalize her trade with Western Europe and move away from import quotas. This action is to be coupled with tariff increases where necessary to protect local British industries, as well as the British balance of payments.

"Britain does not wish to increase the tariffs on Commonwealth imports when the rates are raised on West European goods. Australia at the start of the session appealed for modification of the General Agreement on Tariffs and Trade clause which prevents an increase in Empire preferences. She even threatened to withdraw from the General Agreement on Tariffs and Trade unless Empire preferences were broadened. Japan was finally admitted to a limited participation in the General Agreement on Tariffs and Trade; however, Britain and most of the Commonwealth countries voted against Japanese participation and will not give her goods the right to most-favored-nation treatment" (pp. 301–303).

The United Kingdom has been the leading advocate of United States tariff reductions and is responsible for the slogan "Trade, not aid." A New York Times dispatch from London dated August 18, 1954, said:

"The president of Britain's Board of Trade is touring the Lancashire cotton-textile industry to look into fears expressed there about Japanese and Indian competition.

"Peter Thorneycroft met today with chamber of commerce members in Manchester, Britain's textile capital. Afterward, an official said they discussed the serious implications to the Lancashire textile industry of the possibility of Japan's admission to the general agreement on trade and tariffs (GATT). Japan's admission would restrict the erection of tariffs against Japanese goods.

"The source said complaints also were aired about alleged infringement of British textile designs by Japanese traders.

"Rumblings about alleged Japanese undercutting in traditional British Commonwealth textile markets have been growing louder of late.

"'Meanwhile, London shipping quarters were turning their attention to the scheduled arrival on Friday of the Japanese cargo liner *Asakasan Maru*, opening a monthly freight service between Britain and Japan.'

"The Manchester Guardian said it marked the start of a new freight-rate war on the United Kingdom-Far East run and was causing some concern in London shipping circles."

STRENGTHENING ALLIES ALSO REQUIRES THAT WE NOT WEAKEN SELVES

Reference, page 7, line 6:

Report reads: "Our tariff policy affects the economic strength of our allies. Their economic strength affects their military strength and their political stability—in short, their value as free-world allies. Thus our tariff policy has a significant bearing on our own security, as CED has pointed out in earlier statements.

"Our tariff policy affects our ability to win allies and to keep them. It has become to our allies an important indicator and symbol of our attitude toward their economic problems. What we do about the tariff has significant psychological and political effects in strengthening or weakening our alliances. Low tariffs will help to strengthen the community of economic and political interest between our allies and ourselves—to increase their sense of solidarity with the United States."

Comment: Our tariff policy affects our own strength as well as the strength of our allies. The findings of the Subcommittee on Minerals, Materials, and Fuels Economics said:

"During the last more than a quarter of a century established procurement practices have dangerously increased our dependence for the critical materials upon nations across major oceans without which this Nation cannot survive.

"We must avoid dependence upon overseas suppliers to the extent that these suppliers could suddenly render us impotent by withdrawing supplies of critical materials during a world conflict, or could use such dependence as a political or economic bargaining lever.

"Testimony is abundant that our domestic and foreign policies have been based on the false assumption that the United States is a have-not nation insofar as the supply of critical raw materials necessary to this Nation in wartime is concerned.

"This testimony also shows that in many instances the United States has expended enormous sums of money to underwrite foreign fiscal systems and world policies of nations whose friendship is deemed of great importance because of their control and possession of raw materials" (pp. 5–6).

The assumption is implicit that American tariffs are the one barrier to the expansion of world trade. Studies by the United States Tariff Commission show that during the past 20 years our tariff rates have been lowered by almost 50 percent. We have received little credit for our leadership. It is doubtful whether anyone can buy allies by continually making additional concessions.

CED CONCEDES TARIFFS GIVE DEGREE OF PROTECTION TO UNITED STATES PRODUCTION

Reference, page 7, line 18:

Report reads: "Our tariffs to some extent protect productive capacity essential to national defense. A general and substantial lowering of tariffs might expose some essential defense capacity to damaging import competition, but exactly which industries are essential to national security and how much damage might result from tariff cuts can only be judged after careful examination of particular situations."

Comment: The State Department charged with the negotiation of tariff reductions is not in a position to judge the military potential which is sacrificed by a specific tariff reduction.

Reference, page 7, line 24:

Report reads: "In some respects, however, the tariff may be harmful to our defense production potential. Some tariffs protect industries making goods which are not essential in wartime. The labor, capital, the management in those industries would make a greater contribution to our security if, for example, they were employed in our major capital goods industries, many of which would expand if export opportunities increased."

Comment: This presupposes an orderly reemployment of the labor, capital, and the management in these industries by the major capital goods industries. There is no evidence whatsoever that this could be accomplished. The physical facilities would probably have no value. They may be badly located. The personnel would not have the requisite skills, and may also have to be moved to a new locality. If these resources were unemployed the country would be weaker, not stronger. Furthermore, many of these industries in time of war would provide the civilian goods which we could import in time of peace but which would not be available under wartime conditions and which may be badly needed to contribute to the morale and well-being of our own people.

Reference, page 8, line 12:

Report reads: "Tariff protection may reduce the incentive to engage in research by sheltering domestic industries from foreign competition."

Comment: This statement presupposes a domestic monopoly in a particular industry with no competition between producers of the same product, and no competition by substitute products within the American market. These are completely unrealistic suppositions. Tariff protection only shields the domestic industry from the competitive advantage given a foreign producer through lower wages and taxes in his own country. A tariff does not shelter any domestic producer from competition within his own industry or from other domestic industries who are seeking the consumer's dollar.

"HAVE-NOT" FALLACY OF EXHAUSTED RESOURCES ADOPTED BY CED

Reference, page 8, line 19:

Report reads: "Tariffs or other restrictions on imports of such commodities (lead, zinc, and some refined petroleum products) may result in speeding up the exhaustion of scarce domestic supplies, thus cutting down our reserves for an emergency and thereby tending to impair our national security."

Comment: A going concern industry is the basis of our national security where the production of minerals is concerned. Proved reserves represent only a very small part of our potential reserves of any mineral product. A prosperous domstic industry insures the necessary exploration and development activities to expand our proved reserves. Materials in the ground, which have not been located or discovered, are valueless when war strikes. Trained personnel and equipment will not be available to find these materials and to produce them in a usable form without an industry in being.

The Subcommittee on Minerals, Materials, and Fuels Economics of the Senate Committee on Interior and Insular Affairs devoted a large portion of its investigation to this specific problem. The following is taken from the findings of the subcommittee:

"This misconception that we are a have-not nation has found wide acceptance by the public through confusion between the statistical and engineering terms 'proved commercial reserves' and 'potential and latent resources,' " which include developed ore, probable ore, possible or inferred ore to designate supplies of ore in various states of development.

"This confusion has led to predictions over the past two decades that we would soon exhaust our supplies of petroleum, iron ore, copper, lead, zinc, tungsten, mercury, and other critical materials. Expert testimony before this subcommittee made it crystal clear that there were more known commercial reserves of critical materials in the United States than ever before in the history of this Nation.

"In the meantime we have consumed more than the total quantity of proven commercial reserves of two decades ago.

"The potential latent resources or reserves are more than ever susceptible to discovery today by modern techniques and exploration methods, requiring only a financial incentive to be found.

"Evidence was presented which showed that this country was led into the mistaken conclusion that, according to the known reserves of critical materials, including petroleum, tungsten, manganese, zinc, lead, and other minerals, we would exhaust our supplies and they would be virtually depleted within 2 to 12 years.

"Documents were introduced into evidence which stated that in 1944 the Government was advised to conserve its minerals and that it should purchase some critical materials from foreign countries, including Russia. It was testified that this advice played a part in the subsequent increase in United States dependence on foreign nations for critical materials which are available in this Nation and in the other areas of the Western Hemisphere" (p. 6).

"SUBSIDY" VIEWS IN CED REPORT CHALLENGED

Reference, page 8, line 23:

Report reads: "Protective tariffs are a form of subsidy for industry and tax on consumers. Our tariffs give an indirect subsidy to domestic producers by raising the domestic price of competing imported products. Thus, the tariff allows some domestic output to be sold at higher prices or in larger quantities than would be possible without tariff protection. At the same time, tariffs tax consumers of certain imported goods in order to discourage importation of these goods."

Comment: The Subcommittee on Minerals, Materials, and Fuels Economics of the Senate Committee on Interior and Insular Affairs said:

"A proposed to provide direct subsidies from the Federal Treasury to those industries now enjoying or needing tariff protection in lieu of that tariff has been advanced by some exponents of free trade. This suggestion requires critical examination. In the first place, tariff revenues increase Government receipts and the payment of subsidies involves a direct drain on the Treasury.

"Inasmuch as the budget is already unbalanced unless cuts in the foreign-aid program could cover the loss of tariff revenue and the payment of subsidies, we would be confronted with the necessity of imposing additional taxes on our own people.

"The present tax burden is admittedly too high, and this is not a happy prospect. Furthermore, it is essential that sufficient savings be developed to permit a recasting of the entire tax structure so as to restore incentive to our own producers.

"Additional Government obligations, accompanied by loss of Government revenues, make it more difficult to correct admitted inequities in the present tax structure" (p. 307).

CED REPORT DEFENDS LOW FOREIGN WAGE RATES

Reference, page 9, line 11, through page 11, line 19:

Report reads: "The fact that wages are lower in other countries does not mean that some American products cannot compete on even or better than even terms with foreign products. This is true because the price at which a product can be profitably sold depends not on wage rates but on unit cost of production.

"Unit cost of production, in turn, is determined by many factors in addition to wages—by the amount and character of capital investment that stands behind each worker, by managerial skill, by the prices of raw materials and power, by the quality of labor, and by the volume of output. The combination of these elements largely determines what is called productivity. In general, the high productivity of United States industries accounts for the low unit cost of many American products.

"The differences in average productivity between European and American industry are of roughly the same order as the differences in wage and social welfare payments per employee. It is the higher average productivity in this country that makes it possible for the average American worker to earn a higher wage than his counterpart in Europe. Conversely, lower European wage levels are conditioned by lower productivity in European industry. Many specific industries, of course, are exceptions to this general rule.

"Productivity varies widely as among individual American industries, while differences in wage rates tend to be less marked. For this reason, those American industries in which productivity is highest are likely to have the lowest unit costs and therefore the strongest competitive position in both the domestic market and overseas.

"Our highly mechanized mass-production industries are good examples of competitive advantage based on productivity. At home, the products of these industries have little to fear from foreign competition; abroad they have proved to be strongly competitive. In these industries, the combination of high capital investment per employee, relatively low raw material costs, American managerial skill, and volume runs based on mass markets combine to produce an efficiency so much greater than in other countries that our production can be sold profitably at prices fully competitive with foreign prices, despite the much higher wages prevailing here.

"United States industries may be at a competitive disadvantage with foreign producers in lines where the American producer has no special advantage in raw-material costs or volume of output, and where production techniques are about the same here and abroad. This could be true, for example, of products which are manufactured both here and abroad by much the same kind of machinery, and with about the same input of labor for each unit of production. In these cases American products are subject to foreign competition resulting in large part from lower wage rates prevailing abroad. Competition would be increased if tariffs were lowered. Products which appear to fall into this category include heavy electrical equipment, watches, woolen and worsted textiles, flat glass, rayon staple fiber, bicycles, some chemicals, and some machine tools.

"Another group of American industries subject to import competition includes handicrafts and other consumer goods industries where production is not highly mechanized and where there is a very high labor content—for example, leather goods, felt hats, and handblown glassware. In industries of this kind, American producers, paying higher wages, are at a disadvantage in competition with foreign producers, and, in general, the products of these industries have high tariff protection."

Comment: The Subcommittee on Minerals, Materials, and Fuels Economics of the Senate Committee on Interior and Insular Affairs dealt with this specific problem. It said:

"In a world operating under free trade, wages are established by those industries having the highest comparative advantage who would bid for labor in a free labor market. so as to obtain a labor force sufficient to their needs. In this country unions attempt through collective bargaining to negotiate wage agreements which raise wages in industries having a low comparative advantage to the level of those paid in our more efficient industries. For example, the automobile industry has always been a high-wage industry—long before the days of union organization.

"Unions in other industries, such as in textiles, have attempted to secure similar wages for their members. As long as a tariff was present this was possible. The abandonment of the tariff would require the abolition of union efforts to secure a uniform American wage based on a so-called American standard of living" (p. 306).

"It might also be questioned whether we might not give some consideration in adjusting tariffs to the great increase in our corporate income taxes, as well as the imposition of social security taxes, since 1934 when we started to reduce tariffs under the 1934 Trade Agreements Act.

"These increases in Federal taxes have increased the costs of the domestic producer. Inasmuch as a large portion of the taxes collected on United States corporations was used to finance the capital cost of foreign producers by direct Government gift, these United States taxes as a cost item should be given special consideration in the setting of future tariff policy" (pp. 299–300).

In the United States the capital investment per employee is a cost to the business enterprise as it has been contributed by private individuals who expect a return on their investment. Much of the capital employed by foreign producers has been supplied as a gift by the United States taxpayer. The American producer, in addition to having to charge depreciation on his plant and a reasonable profit as a part of his selling price, has been forced to include taxes to pay for the plant of his foreign competitor.

CED THINKS FARMERS WOULD FIND READY MARKETS ABROAD IF SUPPORTS REMOVED

Reference, page 11, line 20:

Report reads: "In the absence of price supports and other controls now in effect for many farm products, most of American agriculture would have a decisive competitive advantage over its counterparts abroad. The bulk of American agricultural production is of commodities such as wheat, corn, cotton, tobacco, and dairy products for which our plentiful supply of land can be used to best advantage, in combination with mechanized equipment, extensive use of fertilizer, and continual improvements in crop varieties. We produce large surpluses of most of such commodities. For a few agricultural products, reduction of the United States tariff would result in a substantial increase in imports—examples are apparel, wool, oats, cigar tobacco, and edible nuts. The great bulk of American agricultural imports, however, are of such commodities as coffee, jute, cocoa, raw rubber, sugar, tea, and bananas, which we either do not produce in sufficient quantity to satisfy our own markets, or do not produce at all."

SENATE SUBCOMMITTEE DIFFERS

Comment: The report of the Subcommittee on Minerals, Materials, and Fuels Economics of the Senate Committee on Interior and Insular Affairs dealt with this specific problem as follows:

"In the United States, agriculture is a way of life as well as an economic institution. Both major political parties are pledged to assuring the continued existence of an agricultural economy within the United States.

"In fact, the entire farm program including price supports was designed to permit those farmers to remain on the land, who without these aids would have been forced to leave the farm and migrate into the cities and secure industrial employment in those fields where this country does enjoy a high comparative advantage.

"Obviously if we adopt free trade we should abandon our entire price-support program. If we did not do this, we would be attempting to support farm prices all over the world at the expense of the American taxpayer. As soon as we accept acreage limitation and other similar devices in the farm program, we have departed from the free trade" (p. 306).

Reference, page 13, line 10:

Report reads: "Competitive adjustments of the sort that might result from changes in the tariff are basically no different, and have ordinarily been far less severe, than those which are continually taking place within our competitive domestic economy. Competitive adjustments of this kind are part of the growth of our productive efficiency and of the growth of our standard of living."

Comment: Competitive adjustments resulting from changes in the tariff are different from those which are continually taking place within our competitive domestic economy. Domestic competitors pay the same wages, are subject to the same laws and taxes. When one firm secures a larger share of the market under these conditions, it reflects real productive efficiency. When the Government, through arbitrary change in the tariff, changes the competitive position of an entire industry, there is not necessarily any gain in productive efficiency. This is particularly true if the imported products are produced with lower paid labor and under a less onerous tax burden than the domestic product. It is difficult to see how our standard of living is enhanced by displacing workers and reducing the Government revenues through lowered taxes on these workers and employers. This becomes an absurdity if we then have to find a way to subsidize these same formerly productive members of society at public expense.

HARDSHIP TO WORKERS AND COMMUNITIES ADMITTED WHEN TARIFFS CUT

Reference, page 13, line 16:

Report reads: "Nevertheless such adjustments involve social and economic costs. The costs may be of different kinds: Workers may lose their employment and have difficulty in finding new work. Labor skills acquired over long periods can be rendered obsolete by new competition. Plant and equipment made idle by new competition which cannot be converted to other uses becomes valueless. Local communities heavily dependent on a particular industry whose output and employment have been reduced can become chronically depressed. These economic and social costs of tariff liberalization cannot be overlooked. In making tariff policy they should be carefully weighed against the political and economic advantages to the United States of reducing tariffs."

Comment: This paragraph supplies abundant reasons for proceeding cautiously in lowering tariffs.

Reference, page 14, line 1:

Report reads: "American tariffs have been considerably lowered since the 1930's. About half of this reduction has been due to reciprocal trade agreements entered into with other countries and the other half to the effect of rising prices of imported merchandise on specific tariff duties. There are opposing views on the question of how much this reduction has reduced the general restrictiveness of the tariff. It is clear, however, that tariff rates on many products are still restrictive, in the sense that reduction of those rates would increase imports substantially—for example, the tariffs on woolens and worsted, apparel wool, cigar wrapper tobacco, sewing machines, optical instruments, fish fillets, edible nuts, and toys, among others."

Comment: Many American tariffs are levied at a specific rate rather than on an ad valorem basis. Many of these tariffs are no longer restrictive because of the rise in the price level since the Tariff Act of 1930. President Eisenhower, in rejecting the recommendations of the Tariff Commission to increase the duty on lead and zinc this summer, was influenced by the fact that any increase he was authorized to impose under existing law would be insufficient. The present stockpiling program for lead and zinc temporarily affords relief for the industry and raises the world price of these minerals. It cannot be continued indefinitely without incurring all of the problems which now confront us with agricultural surpluses. The CED say: "Reductions in tariffs would have only a small effect on our total imports, but would have a serious effect insofar as they were effective in substantially increasing the tariffs on woolens and worsteds, apparel, wool, cigar wrapper tobacco, sewing machines, optical instruments, fish fillets, and edible nuts." Each of these products is produced in an area which has become largely dependent upon its production for the employment and well-being of the community. A 2-percent increase in our total imports could very well result in a loss of 50 percent of the employment in some New England textile communities. It is difficult to reconcile the advantages of this proposed reduction with the political and social upheaval which would result in the affected areas.

CED REPORT CALLS BUY AMERICAN STATUTE RESTRICTIVE

Reference, page 14, line 12:

Reports reads "Tariffs are not the only restrictive feature of American commercial policy. The buy American legislation and our shipping policies also restrict imports of goods and services. Import quotas may well be as important in their effect on the overall volume of our imports as the tariff. Direct quantitative restrictions, such as those imposed on imports of wheat, cotton, sugar, butter, and cheese, are more important than tariffs in restricting imports of agricultural products." [2]

Comment: The United States must maintain a merchant marine in order to again have a necessary industry in being should it be required in time of war. The American taxpayer is making a substantial contribution to building and operating the United States merchant marine. So-called restrictive shipping policies tend to limit the burden which the American taxpayer would otherwise have to assume to maintain this industry. The Buy American Act is necessary to implement the Walsh-Healey and Bacon-Davis Acts. The report of the Subcommittee on Minerals, Materials, and Fuels Economics of the Senate Committee on Interior and Insular Affairs dealt with the Buy American Act as follows:

"Government contractors furnishing equipment and materials to the United States are governed by the Walsh-Healey Act, which enables the Secretary of Labor to establish minimum wages and other conditions of employment for anyone working on a Government contract, including subcontractors.

"The minimum wages established under the Walsh-Healey Act may be far higher than those specified in the Fair Labor Standards Act. In fact, within wide limits they may be set at almost any point which the Secretary of Labor finds proper.

"If this act is continued and the Buy American Act is repealed, American producers would be at a serious disadvantage competing with foreign bidders. Without the Buy American Act Government contracting officers would be required to accept the lowest bona fide bid.

"This would have serious repercussions on certain domestic producers. For example, it is difficult to see how the New England textile industry could hope to secure business from the Quartermaster Corps in competition with European textiles without a Buy American Act, if the Walsh-Healey Act remains on the books. Unless the Buy American Act and the Walsh-Healey Act are considered together, it is difficult to see how anything but chaos can result.

"Bills have been introduced in the 82d and 83d Congress to amend the Defense Production Act which would require the Secretary of Defense to give special preferences in the awarding of contracts to labor-surplus areas. If the Buy American Act is repealed, the sponsors of such measures must realize that no consideration could be afforded to labor-surplus areas.

"The Congress, in establishing the Small Business Administration, has directed that it assure small business its proper share of Government procurement. Special consideration for small business has been ordered in many Federal laws. If Government contracting officers are to be asked to purchase materials from the lowest bidder anywhere in the world, it is difficult to see how any special consideration for any particular class of American producer may be maintained.

"Another conflict which would arise if the Buy American Act is repealed comes from the provisions of Public Law 520, 79th Congress, which provides for the acquisition of a military stockpile. A buy-American clause was written in this law for the express purpose of developing and maintaining a going concern

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[2] In principle, the committee feels that quantitative import restrictions are an undesirable method of controlling imports but the question what to do about our agricultural import quotas is inseparable from the problem of domestic agricultural policy CED's Research and Policy Committee now has in preparation a policy statement on farm policy which will treat this subject, hence it is not discussed further here (p. 13).

mining industry so that our dependence on foreign supplies could be lessened. If we are to continue in a world when strategic considerations are to be given first priority, it is again difficult to reconcile a repeal of the Buy American Act with the objectives set forth in Public Law 520" (pp. 160–161).

CED CONDONES TRADE BARRIERS OF FOREIGN COUNTRIES

Reference, page 15, line 8:

Report reads: "Other countries' import barriers, which are generally higher than our own, also severely restrict foreign trade. These import barriers exist to protect domestic industries, to bolster a weak balance of payments, to safeguard certain social policies, and for other reasons. Many countries' restrictions on imports of American products are in part made necessary by their inability to earn enough dollars to pay for all the goods and services they want to buy from us. Lowering our barriers to imports would therefore make it possible for other countries to lower their import barriers. It would give us a basis and a justification for pressing them to do so. Our own willingness to lower our tariffs and other barriers to imports is affected—and properly so—by the willingness of other countries to liberalize their import policies. Thus, liberalizing the American tariff can be an effective means to expand world trade, provided other countries will also lower trade barriers."

Comment: The United States has consistently lowered its tariffs for the past 20 years. It has contributed billions of dollars in foreign aid, and it has provided a large part of the capital of the International Monetary Fund and of the World Bank. Despite this leadership, there is little evidence that other countries are ready to proceed with the abolishment of nonconvertible currencies, to lower their own tariffs to the level of ours, or to eliminate their other restrictive measures which impede the development of world trade.

UNCLE SAM MUST BE DOCTOR TO ENTIRE FREE WORLD, CED IMPLIES

Reference, page 20, line 7:

Report reads: "The survival of freedom and of western civilization depends in considerable part on whether this country is able to keep strong allies willing to work with us in strengthening the free world and resisting Communist subversion and aggression. A major aim of American foreign policy is therefore to strengthen the political and economic health of friendly foreign countries and to tighten the bonds of mutual interest and community of purpose which tie our allies to us and us to them. Our foreign economic policy and our tariff policy are intimately involved in this task. Trade among nations is a powerful force making for unity."

Comment: This presupposes that changes in our tariff policy "strengthen the political and economic health of friendly foreign countries." A complete reduction in our tariffs would still leave most of the countries of the world with very serious problems. We would have distress here in those industries which were affected by the reductions—but we would probably survive. It will take a great deal more than changes in American tariffs to establish a proper economic climate in most of the friendly foreign countries with which we are concerned. American foreign investment could play an important part in many countries if it were welcomed on a nondiscriminatory basis and with assurance that it would not later be subject to expropriation. More stable governments and the adoption of measures to expand their own domestic markets can have a far more pervasive effect on their economic health than anything the United States can do for them.

CED WOULD BIND FUTURE CONGRESSES TO LONG-RANGE FREE TRADE POLICY

Reference, page 21, line 11:

Report reads: "Although it is doubtful that lower tariffs would increase our trade with these countries greatly in the next few years, the longer run effects could be important if our tariff policy could be put on a stable basis so as to minimize uncertainty."

Comment: The problems confronting friendly foreign countries are acute. Remedies which will only be effective at some distant date can hardly be advanced as a solution to their current difficulties. The suggestion that our tariff policy be put on a stable basis so as to minimize uncertainty is totally unrealistic in that it is predicated upon having the present Congress bind future Congresses to a specified course of action. All businessmen desire stability in their economic environment. This desire is not confined to tariffs. It includes the entire field of legislation comprising taxes, labor, farm policy, etc. No one has seriously suggested that such stability was an attainable objective. American producers would also like assurances that foreign countries will not be taken over by Socialist governments who will then nationalize their properties.

CED WOULD SACRIFICE UNITED STATES JOBS, INDUSTRIES TO WORLD "PSYCHOLOGY"

Reference, page 22, line 7:

Report reads: "Moreover, the psychological and political effects of our tariff policy should not be underestimated. Adoption of a clear-cut policy of tariff liberalization would be signal evidence of our concern for the economic welfare of other free nations. It would therefore help to strengthen our alliances at a time when they badly need strengthening. Conversely, a reversal of our tariff policy would be interpreted by the rest of the world as a retreat from our present foreign policy."

Comment: This statement accepts all of the emotional connotations which surround the tariff issue. It advocates ruthlessly sacrificing American industries and their workers that foreign countries will not assume that we are reverting to an isolationist approach toward the world. Foreign countries have not hesitated to protect their own nationals. It is difficult to see how we will establish respect for our point of view by accepting unsound premises merely in order to create the correct phychological atmosphere.

Reference, page 22, line 17:

Report reads: "Tariff liberalization, by increasing imports, will permit other countries to buy more from us, particularly in the longer run. Our major export industries—for example, those producing earth-moving machinery, tractors, textile machinery, printing machinery, sewing machines, typewriters, refrigerators, diesel engines, motor vehicles, and agricultural machinery—are, in general, those with the highest relative productivity. As their output is increased and is exchanged for more import, the overall efficiency of the American economy tends to increase. In general, increased imports at costs and prices below those involved in domestic production raise our standard of living. Increased imports add to the variety of our consumption. They stimulate American industry to desirable innovations."

Comment: Inceased imports will not necessarily expand our exports unless there is a universal reduction of barriers between all other countries. The adjustment in any case would take a considerable period of time and if it resulted in idleness for American resources during the interim, the adjustment would lower our standard of living and not raise it.

REPORT PREFERS SLOW SUICIDE TO SUDDEN DEATH FOR HURT INDUSTRIES

Reference, page 23, line 3:

Report reads: "We favor a gradual approach to tariff reduction. We have pointed out the impossibility of forecasting accurately the effect of tariff cuts on imports and on the domestic economy. Because of that difficulty it is essential to reduce tariff rates gradually and selectively. The speed at which they are reduced should be subject to adjustment in the light of experience."

Comment: A protected industry confronted with a constantly declining level of tariff protection will probably be an industry that will have difficulty in attracting capital and recruiting young personnel so as to improve its competitive position. A gradual reduction in tariff means an eventual curtailment of the industry's employment potential. This places the power of life and death over entire communities in the hands of those who select the industries to be subjected to a gradual lowering of their tarff protection. During the past 20 years this power has been lodged in the State Department, who have no domestic constituency.

IMPACT OF TARIFF CUTS ON SOME FARM AND FACTORY PRODUCTS CONCEDED

Reference, page 24, line 14:

Report reads: "The competitive impact of even moderate tariff reductions might be more serious on some other products of industry and agriculture, particularly on products of the handicraft type and on a few agricultural commodities. In these cases it is doubly necessary to proceed cautiously and gradually with tariff reductions. Furthermore, there should be opportunity to correct errors in making tariff reductions on appeal by interested parties.

In cases where an industry is already declining absolutely, tariff reductions should ordinarily be avoided until the orderly transfer of labor and other resources to other uses is reasonably assured."

Comment: The suggestion that errors in making tariff reductions should be corrected by appeal by interested parties conflicts with the plea for stability in our tariff structure so that the foreign producer can make his plans regarding the American market. The approach implicit in this paragraph is one involving a degree of economic planning by Government officials, totally incompatible with our accepted concepts of a competitive private enterprise economy.

PLIGHT OF "DISPLACED WORKERS" VIEWED BY CED THROUGH ROSE-COLORED SPECTACLES

Reference, page 25, line 11:

Report reads: "The American economy has demonstrated many times in recent years its flexibility and adaptability in adjusting to changes greater than have been occasioned by tariff reduction. Though these adjustments may at times be painful, they are one of the sources of the dynamism of the American economy. Their final effect is not to reduce average American wages but to increase them. For after the adjustments have been made and the displaced workers have obtained employment in more efficient industries, our productivity will be increased. As a result, real wages will be, on the average, higher than before."

Comment: This paragraph again presupposes an orderly reemployment of the resources of the entire world so as to maximize their comparative advantage. There is little likelihood of an orderly transition, and it is far more likely that pools of unemployed labor and capital would result. They may remain with us for many years. This proposal is based on hope and suggests that this country make the grand gesture and accept the painful consequences so that our example will motivate others to take similar steps. If all nations ultimately follow this course the millennium might arrive. The statement made then might have some validity.

REPORT WOULD LIGHTEN BLOW TO SOME BY "GRADUAL" TARIFF CUTS

Reference, page 26, line 2:

Report reads: "Where tariff cuts result in a substantial reduction in output and employment and where alternative employment is not available for the manpower and facilities made idle, real hardship has been caused. The rule governing tariff liberalization should be to avoid making labor and facilities idle on a substantial scale in situations where they cannot be reemployed within a reasonable time. This criterion can be satisfied in the great majority of cases if tariffs are reduced gradually.

"Situations of hardship can be anticipated and avoided in most cases if tariff reductions are preceded by a careful examination of the possible results, product by product and industry by industry. Where reduction of domestic output would be substantial and where alternative employment opportunities take time to develop, a gradual approach to tariff legislation will, in most cases, allow sufficient time for the necessary adjustments. Adjustments which would involve serious hardship if they had to be made in 2 or 3 years might well be accomplished with little or no hardship in a longer period."

Comment: The executive branch of the Government would require sweeping powers to implement these criteria. "Idle on a substantial scale," "reemployed within a reasonable time," "gradual approach to tariff legislation" are all phrases which are meaningless until they are defined by an individual whose definition carries the powers of life and death to industries and the communities in which they are located.

PLANNERS WOULD RALLY GOVERNMENT AGENCIES TO AID OF STRICKEN INDUSTRIES, WORKERS

Reference, page 27, line 19:

Report reads: "Fortunately, there exist alternatives to compensation which avoid these difficulties. Much help by local, State, and Federal bodies is already available to facilitate conversion or readjustment to more promising activities for firms, communities, and workers affected by increasing competition. * * *

"State and Federal aid in various forms is already available for communities or firms that need it to diversify. A number of State governments have established industrial development or credit corporations which can assist firms and local communities. At the Federal level, the Department of Labor takes a special interest in depressed communities and advises them in the establishment of diversification programs. State and Federal employment services assist displaced workers through their retraining and placement facilities. The Defense Department is required by Executive order to give special attention to labor-surplus areas in placing procurement contracts. The Federal Government may grant accelerated tax amortization privileges for the expansion in labor-surplus areas of industrial facilities necessary for defense. Finally, the Small Business Administration, established in 1953, has authority to make or to participate with private institutions in making loans to small concerns. These loans, which may range up to $150,000, are made in order that small businesses unable to obtain credit elsewhere on reasonable terms may finance plant construction, conversion, or expansion."

Comment: These proposals endorse further Government intervention in the domestic economy. They propose alternatives for tariffs which involve far more interference with the economy than the tariff. The CED refers to the fact that the "Defense Department is required by Executive order to give special attention to labor surplus areas in placing procurement contracts." This Executive order is only possible because of the presence of the Buy American Act. Were it not for this legislation, the Defense Department would be required to award contracts to the lowest bidder, regardless of nationality and the Executive order could not be enforced. Howard S. Piquet considers the question of subsidies in his book entitled "Aid, Trade, and the Tariff." He said:

"One device that immediately comes to mind is direct subsidy. The idea of substituting direct subsidy for restrictive import tariffs has been a favorite with tariff reformers for a long time, but it needs to be considered with extreme caution. The theory has been that once the existence of special favors is brought into the open, such favors will fall of their own weight because of an aroused public opinion. The fact is that the country has so widened the use of subsidies that in many quarters outright subsidies might be viewed as a logical supplement to existing subsidies in other fields. It is not at all certain, therefore, that the substitution of direct subsidies for indirect subsidies in the form of restrictive tariffs would lead to the elimination of restrictions, as such.

"It is conceivable that in a few exceptional cases where industrial adjustment is impossible the Federal Government might directly assume the burden of liquidation indemnities. Such indemnities should not be confused with continuing operating subsidies. Financial payments made in the form of continuing subsidy would tend to perpetuate resistance to adjustment. 'Adjustment subsidies,' on the other hand, could continue for a stated period, say 5 years, and probably should be made reducible in amount during this period. Their purpose would be to facilitate exit from a certain line of production rather than continuance in that line. Adjustment subsidies would thus be the antithesis of operating subsidies.

"Against this approach to the problem of injury occasioned by increased imports it might be argued that indemnification of individuals, firms, or industries for losses sustained because of tariff action on the part of the Federal Government would set a dangerous precedent. Workers and capital displaced by improvements in technology or adversely affected by Government decisions in many fields might be able to show that their difficulties also were brought about in the larger national interest" (p. 58).

The Subcommittee on Minerals, Materials, and Fuels Economics of the Senate Committee on Interior and Insular Affairs said:

"Perhaps the most advantageous feature of a tariff lies in the fact that it requires the minimum of Government personnel and interference with the market mechanism to provide a given level of protection.

"It is certainly superior to quotas and similar devices which arbitrarily restrict trade. Direct subsidies are difficult to administer, are subject to abuse, and establish a trend which is difficult to check. Certainly few people are pleased with the operation of those subsidies already in effect" (pp. 307–308).

DEFENSE DEPARTMENT VIEWED IN CED REPORT AS BIG RELIEF AGENCY

Reference, page 30, line:

Report reads: "For example, in the case of military end-products, a standby military contract calling for modest current deliveries would allow facilities to be maintained and key personnel to be kept together. The contract could also provide for continuing research on product design and production methods."

Comment: The Defense Department and the Office of Defense Mobilization are charged with determining the necessary mobilization base. Their planning is based not only on maintaining facilities, but in converting organizations from civilian production to an expanded program of military production. The tariff protection afforded the chemical industry made it possible for that industry to maintain research laboratories and facilities available to the Government to produce a hydrogen bomb when the emergency arose. The Government could not have given the chemical industry a contract for continuing research with provisions to maintain key personnel which would have been as effective as the tariff protection the industry received. Under this encouragement it assembled from 1920 to 1940 the personnel and facilities for producing the many varied products our normal economy demands. These facilities were at the disposal of the Government when it became necessary to build an A-bomb in World War II. The suggestions in the CED proposals again involve widespread Government planning.

DIRECT SUBSIDIES EXTOLLED IN REPORT—CHALLENGED IN COMMENT AS SOCIALISM

Reference, page 30, line 14:

Report reads: "In other cases, a Government subsidy of some kind may be appropriate. A tariff is, of course, a form of subsidy. As a method of maintaining industrial capacity essential to defense, however, a direct subsidy may sometimes have the advantage over a tariff that its nature and purpose are clear and that its continuation from year to year would probably be subject to review in the light of changing circumstances. Subsidies are now used to protect from foreign competition some economic activities essential to national security, notably our merchant marine. A subsidy need not take the form of a cash payment. It might involve, for example, Government financing of certain capital equipment."

Comment: Many faults have been attributed to the tariff but it has never been charged that it led to socialism. Government subsidies and "Government financing of certain capital equipment," are the sure road toward socialism.

CED ADVOCATES "BUY FOREIGN" POLICY ON ESSENTIAL RAW MATERIALS

Reference, page 30, line 24:

Report reads: "In the case of essential raw materials whose output at necessary levels is threatened by tariff reduction. Government stockpiling at times of reduced demand may be preferable to continued tariff protection. In general, a liberal policy for imports of commodities which substitute for scarce, exhaustible domestic natural resources is especially in the national interest. Since the future rate of discovery of domestic reserves exploitable at reasonable costs is always in doubt, we ought, in time of peace, to use foreign sources of supply to meet a large part of our current needs for these commodities, safeguarding our reserves for future use in the event of an emergency. There may, however, be cases where for military or technical reasons the domestic output of basic raw materials, scarce or plentiful, should be maintained at a level higher than would be possible if the tariff were lowered. In cases of this kind purchasers of domestic output for the military stockpile or subsidies might be preferable to maintaining tariff protection indefinitely."

Comment: The CED has fallen into the trap which discredited the Paley Commission that "we ought in time of peace, to use foreign sources of supply to meet a large part of our current needs for these commodities, safeguarding our reserves for future use in the event of an emergency." Our reserves will never be discovered unless an industry in being is there to do it. They cannot be discovered, much less developed, under mobilization conditions. The stockpile goal is predicated upon supplementing a going concern industry in this country. To the extent that such an industry exists the amount of the stockpile can be reduced at a great savings to the taxpayers. The CED realizes that there may be cases where a going concern industry should be maintained. They suggest subsidies or stockpile purchases in lieu of tariff protection. Subsidies are subject to all of the criticisms previously advanced. Expensive stockpile buying is to be avoided as it is costly, wasteful and must ultimately collapse of its own weight. The CED assumes that reliance may be placed on foreign sources for critical materials and that the prices will be reasonable, even though we are no longer important producers here. This is wishful thinking. The price history of materials for which we were largely dependent on foreign sources proves otherwise. Rubber, sugar, quinine, potash, copper, mercury, and tin are classic examples. Once the domestic competition is no longer effective in controlling prices, the foreign price is raised immediately. During World War II, the United States was an important producer of mercury. After the war the European mercury cartel lowered its price until the domestic producers were forced out of business. The price was then raised far beyond previous levels. Lower prices would have been obtained if the domestic mercury industry had been kept in production. During the Korean emergency, Chile demanded and received a premium of as much as 12 cents a pound on copper over the United States controlled prices when copper was purchased by European countries with dollars furnished by ECA. We inevitably pay more than the price required to sustain the domestic industry, once the competitive control of domestic production has been destroyed.

Once closed down, mines take years of time and tremendous sums to reopen. This Nation could not disarm more effectively than to lose its power to produce metals in an emergency. With workers and staff gone, machinery liquidated, mine openings caved, much of the once available ore lost, we would be in sorry shape if we depended almost wholly on foreign imports and 90 percent of such shipments were torpedoed—as occurred in World War II. Harry Dexter White showed how well Russia appreciated this fact, by proposing at the end of World War II, that:

"The United States conserve its raw-material resources for the next two generations and import from Russia to meet domestic needs." (Time magazine, Nov. 23, 1953.)

UNITED STATES, AS ALWAYS, ASKED TO TAKE INITIATIVE IN TRADE CONCESSIONS

Reference, page 31, line 18:

Report reads: "The effectiveness of our efforts to expand world trade is not, of course, dependent on our policies alone. How other countries respond to our lead is equally important, and their response should condition the course of our tariff policy. We believe, however, that the case for our taking the initiative now is very strong."

Comment: One of the most important tenets of the United States foreign economic policy is the "most favored nation" clause, by which we extend any benefits granted one nation to all nations with which we have friendly relations. The suggestion that we should condition our tariff policy to the response of other countries could only be implemented by an abandonment of this historic policy. The United States would have to place itself in a position of favoring those nations who accepted our leadership as opposed to those who did not. There is no evidence whatsoever that we are prepared to accept the consequences of such actions.

Reference, page 32, line 8:

Report reads: "The best way to creat greater certainty about American tariff policy would be to extend the President's trade-agreements authority for a period of years. We favor extension for at least 5 years; consideration should be given to extension for a longer period. Business at home and abroad should not be subject to the uncertainties which have resulted in recent years from annual debate over the renewal of this authority."

Comment: This authority is meaningless as no Congress can bind a successor and legislation could be introduced at any time subject to veto to rescind this authority. If this country experienced any substantial amount of distress which could be attributed to imports, there would be no relief from the debate in the Congress concerning the President's authority to lower tariffs.

UNITED STATES NEAR BOTTOM OF THE BARREL ON TRADE GIVEAWAYS

Reference, page 33, line 5:

Report reads: "The President should be authorized to exchange tariff reductions for other kinds of benefits to the United States than tariff reductions abroad. The present law requires that tariff concessions by other countries on American products be received in exchange for any reductions of American tariffs. In the committee's opinion, it is questionable whether tariff concessions from other countries are always the best return we can get in exchange for liberalizing our own tariff. Among other things, American exports are frequently more limited by other countries' import quotas than by their tariffs.

"Reductions in our tariff, for example, might be exchanged for liberalization or elimination of other countries' import quotas on American goods, or on the goods of third countries. American tariff reductions might also be exchanged for concessions to American investors abroad—effective guaranties that American firms and investors would enjoy the same rights and privileges as local firms and investors; effective assurance against nationalization without compensation; or permission to withdraw profits and capital. Agreements of this kind could be helpful in increasing American private investment abroad.

"We recognize that practical difficulties will be encountered in carrying out this broadened concept of reciprocity. Some countries may resist extending the scope of negotiations about tariffs to include nontariff questions. Nevertheless, we feel that the advantages to the United States of being able to use tariff negotiation as a broader and more flexible tool of policy warrant a careful search for ways around these practical difficulties."

Comment: The United States has already liberalized its tariffs to such a point that further concessions are hard to make. In view of the vast expenditures this country is making for foreign aid, it would seem that the other concessions we are rightfully seeking could be negotiated through treaties and that foreign aid assistance should be conditioned on their acceptance. The CED approach has assumed that tariff reductions were the only benefit we could offer friendly countries in exchange for following our leadership in removing their own restrictive barriers. Far more use could be made of the bargaining power implicit in our foreign-aid programs, particularly those portions of the program dealing with technical assistance and economic aid as contrasted with purely military aid.

Any attempt to "use tariff regulations as a broader and more flexible tool of policy" requires abandonment of the most-favored-nation principle. This principle has been the keystone of United States foreign economic policy for the last 50 years. It cannot and should not be abolished without a great deal of thought and consideration.

Reference, page 34, line 10:

Report reads: "The present standards of procedures for valuation of dutiable merchandise should be revised. In particular, export value should be made the preferred, initial standard of valuation.

"In addition, a study should be made of the feasibility of making greater use of the actual invoice price of imported goods for valuation purposes." [3]

Comment: The recommendation of the Commission on Foreign Economic Policy, as well as the suggestion by the CED, is sound providing all countries operated under free enterprise and no one received subsidies to stimulate exports. The only reason that foreign value was used in the determination of duties is to assist in the prevention of dumping. Neither the Randall Commission nor the CED have provided any effective remedy for this practice.

CED WOULD GRANT LIFE OR DEATH POWERS OVER EACH INDUSTRY TO CHIEF EXECUTIVE

Reference, page 35, line 21, and page 36, line 21:

Report reads: "The peril-point and escape-clause provisions of the Trade Agreements Act in their present form are serious limitations on the President's ability to lower tariff rates.

"If there is to be effective liberalization of the tariff, the peril-point and escape-clause provisions of the Trade Agreements Act need to be modified. In their present form they are inconsistent with effective tariff liberalization.

"The President has asked that these provisions be retained. He has, however, stated his intention to base his decision on Tariff Commission recommendations on grounds broader than the Commission is empowered to consider. We agree that the President should be free to set aside Tariff Commission recommendations when he finds that the national interest requires it."

Comment: It was intended that these provisions of the act would act as a deterrent in the removal of tariff barriers. Unless we wish to lower these barriers, regardless of any potential damage to domestic producers, these provisions are necessary and should be retained.

The CED recommends that the President should have unfettered authority to destroy a domestic industry "when he finds that the national interest re-

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[3] Under present tariff legislation, the value of imported merchandise for duty purposes is normally based on foreign value or export value, whichever is higher. The foreign value is the price at which similar merchandise is offered for sale for home consumption in the exporting country. The export value is the price at which the merchandise is offered for sale to American importers. Foreign value represents neither the price paid for the goods nor the price for which they are sold in the United States. The determination of foreign value is costly and time consuming. Neither importers nor customs officials know the foreign value without investigation in the country of origin. Elimination of foreign value as a standard of valuation would thus greatly reduce uncertainty about duty to be paid and delay in determining it. The use of the actual invoice price for valuation would further simplify and expedite valuation (p. 34).

quires it." This philosophy of government is not in consonance with accepted American ideals and practices.

Senator MALONE. And if at any time you would like to discuss it further, Mr. Hoffman, I would be glad to discuss it with you.

But I think you could discuss it with your own board of directors and it would be much improved.

Mr. HOFFMAN. May I make one observation?

Senator MALONE. Yes.

Mr. HOFFMAN. I have great confidence in Mr. Biggers, he runs a very successful business.

Senator MALONE. I don't know him, but I believe he is successful.

Mr. HOFFMAN. I am sure he would be able to meet any situation that develops.

Senator MALONE. He could do just what you did in South Bend, lower wages to meet competition.

Mr. HOFFMAN. Not at all.

Senator MALONE. I don't know how else you are going to do it, assuming that you each have equal machinery—I have been in all these nations, England, Scotland, Ireland—and I have high regard for the Japanese. A technically trained Japanese worker is a trained worker, and he goes right at it just like a terrier after a rat—and I cannot believe that if you furnish the same machinery to these workers and furnish them the market, that there will be one iota of difference in the efficiency.

Mr. HOFFMAN. May I say, sir, I think I know something about what you are talking about. When it comes to getting this produced and on the market, there are many factors entering into it.

One is merchandising, and merchandising in the United States market it——

Senator MALONE. We are doing the merchandising for them.

Mr. HOFFMAN. Merchandising in the United States market is a very, very rocky proposition itself. There are many protections against foreign competition. There are many protections against foreign competition other than the tariff itself.

May I say for CED, while I am a trustee of CED I have not given much time to it, and I am not an active member of their Research and Development Committee. But I think that American business by a vote of 10 to 1 would take very short issue with your statement that CED had not served the interests of the small-business man, the small investor, and labor, very well, because if it hadn't been for CED—it was one of the instruments, not the only one, one of the instruments that was responsible for the fact that the 8 to 10 million unemployed never developed.

Senator MALONE. I myself do not think so.

Mr. HOFFMAN. I would say that business sentiment in this country—which I think I know—I think you would find solidly behind the activity of CED by 10 to 1.

Senator MALONE. I have watched the CED very carefully, and it has always advocated the policies you are advocating now. In my opinion it was organized to spearhead such a movement.

Mr. HOFFMAN. I know all about why CED was organized. I was present when it was organized. I know who organized it, and all about it. I was there; I am an eyewitness.

Senator MALONE. Who put up the money for it?

Mr. HOFFMAN. It was organized for this purpose. There was deep concern over postwar unemployment. That was the one——

Senator MALONE. There is now.

Mr. HOFFMAN. There was deep concern about it, and it was organized under the Business Advisory Council in order to see if business itself could not by forward planning and by bold planning do something to meet this problem.

I think the record will show clearly that CED did. And I think that the very good businessmen on that who have been giving their time for free are entitled to that small word from me.

Senator MALONE. I think so myself. There are a lot of them that didn't know the objective of CED.

Mr. HOFFMAN. They are all children; these businessmen don't know anything; they are just little children. They are fooled so easily. Most of them are very successful businessmen, they have been up against the hard facts of business life, and they aren't easily fooled, Senator.

Senator MALONE. I think you are fooling them.

Mr. HOFFMAN. They knew what CED was organized for; they know about it now, and as that report shows, any trustee has a right to dissent, and many did dissent—you can't find unanimous agreement anywhere—but to make the statement here that these people are baffled by some mysterious force; I can't help but demur to that.

Senator MALONE. I think that you are fooling them now, I think that your testimony today——

Mr. HOFFMAN. I am not active in CED, and I am not smart enough to fool any of them.

The CHAIRMAN. May I ask the Senator from Nevada if he can complete the examination of the witness by 1 o'clock so that we can adjourn for lunch.

Senator MALONE. I think so.

The CHAIRMAN. I would ask as a favor from the Senator to try to conclude by 1 o'clock, because we have 10 other witnesses this afternoon.

Senator MALONE. I think you have a very important witness in front of you; one that is in the news constantly, and it is well to have his complete philosophy in this record so that we know exactly what he is advocating.

The CHAIRMAN. The chairman would be glad to have the record include any further documents or statements, but I do hope we can conclude by 1 o'clock so that we can have a noon session and night session, too.

Senator MALONE. I have in mind 1 o'clock. I was here until 9 last night.

The CHAIRMAN. I expect you will be here until 10 tonight, because there are 10 more witnesses. We have been taking an hour on each witness since these hearings started.

Senator MALONE. I want to say now, Mr. Chairman, that I think we are now debating the most important thing facing this Nation today.

We talk about Communists; we talk about the political approach to destroying this Nation.

This is the economic approach to destroying this Nation, and it is not new; it is shopworn. In 6 months from now, in my opinion, everybody will know.

The CHAIRMAN. I agree with you, as to the the importance of this matter, and the Chair doesn't want to curtail examination, but I do hope we will have some modification, because it isn't fair to keep the witnesses here all day and all night. That is what is going to happen if we continue the examination at this length.

Senator MALONE. I have the greatest respect in the world for you, Mr. Chairman——

The CHAIRMAN. That is certainly reciprocated.

Senator MALONE. And I would never do anything to combat what you are trying to do. I will cooperate with you if I have to sit here all night.

The CHAIRMAN. I thank you for your cooperation.

I want to say to the Senator that after 6 o'clock he is likely to be here alone.

Senator MALONE. Mr. Chairman, I worked in the mines one time, and I worked three straight shifts once, and when the first shift came back and found me there one of the men said, "Malone, you had better go home."

The CHAIRMAN. The Senator and I are very good friends.

Senator MALONE. I will say we are. If they were all like you, Mr. Chairman, these people that we are talking about now would still be in business.

I will try to finish by 1 o'clock, Mr. Chairman, but I think this is a very important witness; he takes up probably more newspaper space than any one man I am aware of.

Now, I would like to know if the witness is aware that these trick organizations throughout tahe world, having official or semiofficial standing, are all based, all have their base back in this act that the witness is testifying should be extended. One in particular is the General Agreements on Tariffs and Trade at Geneva, an organization that in secret sessions has cut tariffs a considerable amount without the people affected knowing what was being done until the tariff reductions were announced.

I have in mind also the International Materials Conference that was formed by the State Department to take the place—surreptitiously, I might say—of the International Trade Organization which came before this Congress 3 or 4 years ago and was turned down. And I presume the witness is aware that another world trade organization is being organized in the United Nations, without our vote, I am happy to say, because we had some of the members of the State Department before our committee, and they said they would not go for it, and they did not. But according to these officials we are bound anyway. This great organization that will consist of numerous nations, including the 34 countries now in GATT. The number is not important anyway because when the tariff is cut, it applies equally to all nations, I am sure you understand, under the most-favored-nation clause. The favored-nations clause is a fallacy and a farce, but nevertheless it is a way of getting the work down. The State Department often will make an agreement with a nation that doesn't produce very much or buy very much of the material or commodity that is being traded on—and the major producer, another nation entirely, comes in under the most-favored-nation clause. We are told: "It is terrible, but it won't hurt very much, because it is just that one nation."

But they all come in just the same.

Now, are you aware, Mr. Hoffman, that if we do not extend this act, and we go back to the 1930 Tariff Act that does specifically say—the principle is laid down by the Congress on the basis of fair and reasonable competition—that the one criterion it can consider is the difference in cost? That difference becomes a tariff, and as the chief competitive nation raises its living standard or cost of production the tariff goes down.

If the foreign nations ever reach approximately our living standard they would have the free trade that we all would like to see sometime. It has been the objective of all of us—but what we want is for them to come up, not for us to go down. If the tariff-making procedure goes back to that policy, to the principle set down by Congress, then the Tariff Commission, an agent of Congress, sets the rates. Then the General Agreement on Trade and Tariffs, the new worldwide United Nations organization, the International Trade Organization, the International Materials Conference, and all of such extraneous organizations that are like a poker game waiting for the prize sucker to come into town, fold up because the sucker no longer is willing to make up the pot. Of course, all of these nations could play poker among themselves. But the chances are that there is no game, because the sucker is not in it with his money and his markets; do you understand that those organizations fall on their face of their own weight if we just withdraw the markets of the United States from the pot?

Mr. HOFFMAN. Not having full knowledge of all these organizations, I don't know.

Senator MALONE. Do you know what they are based on?

Mr. HOFFMAN. I can say this to you, sir, that I think an abandonment of the Reciprocal Trade Agreement——

Senator MALONE. Where do you get the name "Reciprocal trade"?

Mr. HOFFMAN. I will say a failure to pass H. R. 1 would, in my opinion, whether rightly or wrongly, give the entire free world the impression that America was going to very restrictive trade practices, and at a time when, in my opinion, the free world needs our goods, wants our goods, and the whole trend should be toward freer trade——

Senator MALONE. That is your opinion?

Mr. HOFFMAN. Certainly. Haven't you a right to your opinion?

Senator MALONE. Yes; you have. You are making a positive statement now.

Mr. HOFFMAN. I have said several times I am for free trade.

Senator MALONE. That is right.

Mr. HOFFMAN. I have on numerous occasions made what I consider an important distinction. I am for freer trade, not free trade; I think that free trade is something that is quite a long way off.

I think we have got to introduce this policy of gradualism, but I do want to see America work toward free trade.

All I am advocating now is the freer trade that H. R. 1, in my opinion, would bring about.

Senator MALONE. Now, we just differ in this one particular, and it is a very important particular. We both have the objective of free trade. That is my objective. But I want to keep our standard of living while we are bringing up the standard of living in the other nations. I want the policy established by Congress—and Congress is where this responsibility lies, I think you will agree with that, under article 1, section 8, of the Constitution, the Congress is charged with setting the duties or the tariffs, and regulating foreign commerce.

Now, I am for this, and for doing it on a basis of fair and reasonable competition so that any money they have, any earning power of any nation—we are friendly with all nations as far as I am concerned—they can spend here or spend it where they can get the article they want the cheapest, which they do anyway.

Of course, that is their prerogative—but I want to bring it about gradually. I want to bring it about by a gradual reduction of the tariffs on a flexible basis as laid down in section 336 of the Tariff Act; as they raise their standard of living the tariff goes down.

There is nothing you can call a high tariff, just the differentiation. Then our workingmen can pay for houses, buy their houses and know that unless they are displaced by a domestic concern, which no one objects to whatever, why, they are safe. That is what I want.

What you want is to gradually cut it below, continually cut it below that differential, and force many of them out of business before the time comes that there is a domestic competitor that can put them out of business.

Mr. HOFFMAN. I think, sir, I haven't made myself clear.

Senator MALONE. You have made yourself very clear.

Mr. HOFFMAN. I couldn't have, because you seem to think that I want to see the workingman deprived of wages, and small investors put out of business, and all that is as far removed from my actual thinking as anything I can imagine.

It happens that we have a difference of opinion here.

Senator MALONE. What is your opinion?

Mr. HOFFMAN. I think our difference is this—and this is guessing on my part——

Senator MALONE. You know what mine is. What is yours?

Mr. HOFFMAN. I have great faith in the American enterprise system. I believe the American enterprise system is fully capable of meeting any of these problems that might arise through a policy of gradually freeing our trade.

Senator MALONE. Such as low wage competition?

Mr. HOFFMAN. Of freeing our trade.

Senator MALONE. Of lower wage competition?

Mr. HOFFMAN. I do not believe for one moment that under the provisions of H. R. 1 there would be too precipitous a drop in the tariffs, I think it would come about gradually, the world would know that we don't propose to go back to the juggling of tariffs.

Senator MALONE. Do you understand what this Tariff Act is?

Mr. HOFFMAN. I understand.

Senator MALONE. There could be no juggling.

Mr. HOFFMAN. There was this 1932 you were talking about——

Senator MALONE. 1930. There could be no juggling, because it was assigned to the Tariff Commission on a basis of fair and reasonable competition to fix these flexible duties on the basis of the difference in cost, and to readjust them as the difference in the relationship of the economies of the two countries changed.

It was assigned definitely to the Tariff Commission. It doesn't come back to Congress at all unless we introduce a bill and bring it into this committee on a certain commodity.

In other words, they recommend that difference. There could be no juggling. That is a thing you have put out a hundred times in publicity.

Mr. HOFFMAN. I never put it out once.

Senator MALONE. I have read it.

Mr. HOFFMAN. I never said that.

Senator MALONE. You didn't call it juggling, but you indicated that the tariffs were high or low. I have read that stuff for 20 years, and I don't like any of it, as you can see by the debate I had on the Senate floor, and what I have put in the record—and I hope you read that.

What I get from your testimony is that you want the continual pressure of tariffs below the cost of production to put the heat on business to get the most out of them or go out of business.

Mr. HOFFMAN. The burden of proof that the tariff is needed should rest on those demanding the tariff.

Senator MALONE. It is on them.

Mr. HOFFMAN. The peril point gives them this protection now.

Senator MALONE. I am talking about the 1930 act. When they call you in, the Tariff Commission holds these hearings, and there is only one criterion.

If you are talking about automobiles going in and advocate free trade, and another wants a tariff, they weight that, and the same on minerals, and everything else, the same on crockery.

But they have one criterion that they use to decide. They take your testimony that you want free trade, or a little heat on business.

But the Congress says they don't want the heat put on, they want that differential on production, and to keep it that way.

Mr. HOFFMAN. I think the slight pressure to bring down costs—not wage reductions, but through greater efficiency—to bring down costs——

Senator MALONE. You admitted yourself that wasn't the right way to do business.

Mr. HOFFMAN. I don't admit that at all. I think that is a very unfair statement.

I said the situation was one which——

Senator MALONE. You couldn't compete if you had it.

Mr. HOFFMAN. I simply said that we could give our people much higher, much larger monthly wages, with a lower hour wage.

Senator MALONE. Because you could work longer and produce more?

Mr. HOFFMAN. Because we had a standard workweek. I said we wanted to bring our prices down, which we did.

Senator MALONE. Is that what you want the boys to do if they want to stay in the mining business or the glass business, you want to adjust their wages so——

Mr. HOFFMAN. I think that is absolutely unfair——

Senator MALONE. Is that what you want to do?

The CHAIRMAN. I think the witness should be permitted to answer the question.

Senator MALONE. I think he has answered the question already.

The CHAIRMAN. If he has answered it that should be sufficient.

Senator MALONE. Go ahead. Why did you lower your wages?

The CHAIRMAN. The witness may answer in his own language.

Senator MALONE. He is answering it.

Mr. HOFFMAN. I said, we were in a situation where our hourly rates were higher than the hourly rates in Detroit.

We felt that everyone would benefit, the public through lower prices, our workers through more work, if we reduced the hourly rate.

And we were therefore able to give our people steady employment. It has worked out that way. Our people have steady employment. And their monthly checks are about double what they were. It was a good idea.

Senator MALONE. And you are making more automobiles?

Mr. HOFFMAN. We are making more automobiles, too. And dragging that in constantly as proof of lower wages—if we could be paid more wages, I would like to have that differentiation.

Senator MALONE. I am sure of that.

Mr. HOFFMAN. As far as the domestic economy is concerned—this is my opinion, I am sure—I am sure that if we reverted back into the 1930 tariff it would not only have a psychological effect throughout the world and be a terrible thing, a terrible disadvantage in this cold war we are in, but would result in greater restrictions on trade, and I want to see freer trade. That is my honest opinion. You have a right to your judgment, I have a right to mine. I respect your judgment. I hope you respect mine. All we can do is give our opinions honestly.

Senator MALONE. I will just say to you that there is no cold war except on our part, all other nations are trading with the so-called potential enemy very freely, and have been since 1948.

Mr. HOFFMAN. I will have to say this, if you had stayed the 2½ years I did in Europe you would know there was a cold war on.

Senator MALONE. There is a cold war on our part.

Mr. HOFFMAN. There is a cold war on the part of Russia against us.

Senator MALONE. All of our allies, so-called, are trading with Russia, they are trading with the Iron Curtain country and trading with China, they are advocating the recognition of Communist China, and I think they are committed to it. How do you like that? And I think they are, and I think in a reasonable time we will have two Chinas, just like we have two Indias, two Indochinas, and we have two Koreas. But if there is a cold war, except on our part—how do you conduct a cold war, do you still furnish them everything they need to fight us with? That is what they are doing.

Mr. HOFFMAN. I was talking about only one fact. I said, in my opinion, there was a cold war on between the Kremlin and the free world.

Senator MALONE. Between us and the Kremlin?

Mr. HOFFMAN. Between the Kremlin and the free world.

Senator MALONE. But Europe is selling everything the Kremlin needs and they are selling to China, and when we were fighting over in Korea, they were selling it to the Iron Curtain countries and to the North Koreans, 75 percent of this stuff that was shot at the boys was paid for by their fathers in this country. That is what happened. And you were pretty close to this setup.

Now, let's get back to the main subject. I would like very much to close this. But our disagreement, as I see it, is that I want to do this under the 1930 act—and we can call it the 1954 Tariff Act, whatever you want to call it—which was never utilized, as you probably know. It is flexible, Congress laid down a principle of fair and reasonable competiton that could be raised or lowered as the economic relationship between the two countries, the major competitor in each product and this nation changed, and it could be done at your request as an interested party, at the request of the President, either House of Congress or, in fact, anyway at all on their own motion. Now, what you want is to give this power to one man to slowly reduce these tariffs even below that point. Is that right?

Mr. HOFFMAN. I would keep the heat on, yes.

Senator MALONE. By reducing the tariffs below this differential?

Mr. HOFFMAN. I would say very gradually, just a tiny bit of heat.

Senator MALONE. They reduced them 50 percent and then 25 which made it 75, and they would have it 3 years in addition.

Mr. HOFFMAN. Yes.

Senator MALONE. And you are for the act?

Mr. HOFFMAN. I certainly am.

Senator MALONE. And you are for keeping the tariffs below that differential of cost to keep the heat on the workingman and the investor of this Nation?

Mr. HOFFMAN. I would say rather to keep the heat on the industry to become more and more efficient.

Senator MALONE. You are for lowering it below this differential of the cost of production in any case?

Mr. HOFFMAN. If I understand this peril point—I have already said that I think if the pluses and minuses were added together, I am probably against the peril point, but the peril point is in there.

Senator MALONE. The peril point is not effective and has never been effective, and it was put in to wet the people down for 3 or 4 years, unless they have a way to get out from under it.

Mr. HOFFMAN. I think the peril point was not effective for a different reason, because so seldom do the fears that people have as to what is going to happen to them actually become realized. If there was any tariff lobby that didn't hit me when I was with ECA I don't know what it was. And they wanted two things, they wanted protection for American industry and assurance from me that we would buy their products to send abroad.

Senator MALONE. Neither of them made any sense.

Mr. HOFFMAN. Unfortunately, I was trying to save our money and I wanted to increase imports if I could so that we could bring down the cost of this program.

Senator MALONE. Let's get back to the peril point and finish it up. The peril point has been before the Tariff Commission several times. On several occasions they have recommended after a full study that the industry was hurt. But in only one-third of the cases has it been invoked. In other words the peril point, if they ask for it before they make the trade agreement, as I have already explained, they may or may not take the peril point which, of course, is a point where the tariff ought to be at that moment, and then in 10 days from that or 6 months from that, if the relationship between the countries changes economically the Tariff Commission could adjust it. But the State Department can't. In other words, they make a 3-year agreement, most of which run until the President asks for cancellation. So, then it doesn't make any difference what the other countries do—and as your board of directors pointed out, they do plenty—they can nullify the trade agreement as far as they are concerned and still we have the trade agreement. And it is a one-way street. And that is what 90 percent of the foreign countries with which we have trade agreements have done from the beginning. Now, the peril point is not effective, and was never intended to be in my opinion. It was to hold out a hope that only in a very few cases has ever been realized. The Trade Agreements Act itself gives you what you say you want, and that is that one man can judge and lower the tariff below that economic point, below that point of differential between the cost of the chief competitive nation and this Nation on each product, and thus keep the heat on the workingman and investor to the extent of rearranging this industrial map to the extent you described. If they are out of work one place they go to work in another place.

Mr. CHAIRMAN. We will adjourn until 2 o'clock.

(Whereupon, at 1:10 p. m. the committee adjourned until 2 p. m. of the same day.)

AFTERNOON SESSION

Present: Senators Carlson (presiding), Millikin, Martin, and Malone.

Senator CARLSON. The committee will come to order.

The first witness this afternoon is Mr. Daniel T. Buckley, of the National Coal Association.

Mr. Buckley, we are very happy to have you here. You may proceed in any way you care to.

STATEMENT OF DANIEL T. BUCKLEY, NATIONAL COAL ASSOCIATION

Mr. BUCKLEY. My name is Daniel T. Buckley. I reside at Arlington, Mass. My appearance before the committee today is on behalf of the producers of bituminous coal and the following organizations: National Coal Association, the trade organization of the bituminous coal producers; Southern Coal Producers' Association (which organization will present supplemental views in writing); American Coal Sales Association; American Retail Coal Association; Foreign Oil Policy Committee; and coal section of the American Mining Congress.

Senator CARLSON. At that point, I ask you how many different individual corporations or companies do you represent?

Mr. BUCKLEY. I would say, considering the group, there are at least five or six hundred.

Senator CARLSON. About how many men would they employ, roughly?

Mr. BUCKLEY. On the basis of the entire coal industry, excluding the anthracite industry, I would say the potential employment would be in the neighborhood of 350,000 men.

Senator CARLSON. Thank you.

Mr. BUCKLEY. The question of competition between the coal industry and the oil companies who import foreign residual oil into the United States has been a matter of serious concern to the entire industry since the close of 1948. Residual oil is a heavy black oil, also referred to as No. 6 or No. 5, bunker C or black oil. It is the residue left after crude oil has been refined.

This foreign oil had serious competitive effects on the bituminous coal industry in the latter part of 1948, because this oil was dumped indiscriminately at ports along the Atlantic seaboard at abnormally low prices resulting in the displacement of many millions of tons of bituminous coal.

Because of this serious competition, in September 1949 the coal industry supported an amendment to the extension of the Reciprocal Trade Agreements Act of that time which would have restricted these imports. The amendment unfortunately was not adopted. The Reciprocal Trade Agreements Act was passed by the Senate which confirmed previous House action and foreign residual oil continued to pour into the Atlantic seaboard.

The United States Senate in May 1950, unanimously adopted Senate Resolution 274, introduced by Senator Neely, of West Virginia, which authorized the Senate Committee on Labor and Public Welfare to investigate the causes of unemployment in the coal industry and other specified industries.

During the course of these hearings the subcommittee, comprised of Senator Neely as chairman, the late Senator Elbert Thomas, of Utah, and the late Senator Robert Taft, of Ohio, conducted lengthy hearings that ran from May 22, 1950, to June 16, 1950, and heard numerous witnesses from the coal, oil, and other industries, as well as representatives of the State Department and several oil companies. As a result of these hearings, the Senate Committee on Labor and Public Welfare unanimously approved Senate Report 2042, 81st Congress, 2d session, and recommended that something be done to curb the imports of foreign oil. The late Senator Robert A. Taft in his supplemental views ably stated the case,

> Residual oil is in direct competition with coal and imported residual oil has undoubtedly replaced a number of millions of tons of coal because of the fact that it sold for a much cheaper price.

Again he said:

> The imported oil is a direct damage to the coal industry. It is produced abroad as a byproduct.

And again,

> Being a byproduct it is very difficult to determine the cost and those who produce it are attempting to sell it at any price obtainable in order to get rid of it. This imposes a great handicap in the coal industry and is responsible for the closing of many mines.

And finally,

> It is contended that the price of coal in this country is too high and its use too indefinite by reason of the tremendous increase in labor costs. Nevertheless it seems to me that we have to assume that the prices now in existence in this country is one entitled to protection so that there is fair, and no cutthroat, competition.

During the hearing before the Senate subcommittee, I appeared on May 22, 1950, as a witness for the coal industry and testified at some length with respect to the damage that cheap foreign oil was doing to our industry. So that your committee may be informed with respect to the seriousness of this situation, I attach exhibit 1 captioned, "Comparative Statement of Imports of Residual Fuel Oil by Months, Years 1948 to First 4 Months 1954, Inclusive," which I believe graphically portrays what has happened as a result of the foreign oil competition. Because the disruption of normal markets, a rate case was brought before the Interstate Commerce Commission by one of the coal-producing districts, and I appeared before an Examiner of the ICC on March 1 and submitted this data to show that a disruption of normal market relationships was due to excessive imports of foreign oil.

You will note from exhibit 1 that during 1948 there was imported 53,246,000 barrels of residual oil, and the maximum imported oil for any one month was 5,454,000 barrels in February of 1948. You will note also that 1948 was a normal year in the coal industry and evidently in the oil industry. However, during the last 2 months of the year and carrying over into the following years, oil continually increased and reached a peak monthly movement in December 1952, at which time 16,595,000 barrels moved into the United States, although the annual total for 1953 was in excess of what moved in 1952. Now, there was a reason why the movement of foreign oil continued to increase, and I call your attention to exhibit 2, captioned, "Comparative Statement of Price of Residual Fuel Oil Per Barrel, New York Harbor, 1948, to First 7 Months 1954, Inclusive," which was introduced by me in a recent ICC docket. An examination of this exhibit illustrates the problem that has confronted the bituminous coal operators since 1948. At the close of 1948 you will note the price of oil dropped from a high of $3.05 in November to a low of $2.72 in December.

Beginning with the calendar year 1949 for the first time oil competition, which the coal industry was forced to meet, was not primarily limited to residual oil produced in the southwest part of our country. This oil was offered at such low prices that the electric utility industry in the East spent many millions of dollars in converting plants to burn oil and considered this expenditure justified because between December 1948 and June and July 1949, at which time there were no strikes in the coal industry, the price of oil dropped to a low of $1.60 per barrel, which represented a decline compared with the November 1948 price of $3.05. This in terms of bituminous coal eqivalent meant a reduction of $6.43 per ton. On the basis of oil at $1.60 per barrel it would mean the equivalent of coal at $6.04 per net ton, delivered price at New York Harbor, which was a price no producer of coal could possibly meet.

You will note that after the outbreak of the Korean war in June 1950, oil prices stabilized at a reasonable level until June 1951. When prices were increased 30 cents per barrel, remained at this level for 1 year and were reduced 35 cents per barrel in August 1952. During the same period there was a continuing loss of coal to oil and as will be noted from my exhibit 1 the trend still continues.

My exhibit 3, captioned, "Electric Utility Company Generation and Fuel Consumption, Boston Edison Co., Edgar Station, Years 1948 to 1953, Inclusive," sets forth very graphically what has happened to the shipment of bituminous coal to a New England utility since the dumping of foreign oil along the Atlantic seaboard.

I might say, Senator, that this is representative of all the utility plants north of Boston and along the Atlantic seaboard in an area of 50 to 100 miles contiguous to the seaboard. We are able to compete on utilities far removed from the seacoast with coal.

You will note from this exhibit that in 1948 the installed capacity of this plant per million kilowatt-hours was 157.9 and the coal consumption based on the power generated was 448,300 tons. The oil consumption was 11,000 barrels. In 1953, with an increase of the installed capacity to 320.4 million kilowatt-hours, the coal consumption dropped to 1,400 tons and oil increased to 3,397,300 barrels. In other words, coal was eliminated from this plant and instead of the plant consuming approximately 1 million tons of coal annually, it is presently consuming no coal and is burning foreign oil 100 percent.

My exhibit No. 4, captioned, "Tidewater Shipments of Bituminous Coal Via Hampton Roads, 1948 to 1954, Inclusive," depicts the inroads made by the foreign oil shipments into the ports of the Atlantic seaboard. The movement of coal over Hampton Roads ports to New England and other coastwise destinations in this period dropped from 17,568,000 tons to 7,261,000 tons, or 10,300,000 tons. The loss of this tonnage, in addition to affecting all those connected with the transportation of the coal and its dumping, had a very material effect on the producers of coal in the low volatile fields of Virginia, and southern West Virginia, and the high volatile fields of east Kentucky.

My exhibit No. 5, captioned, "Tidewater Shipments of Bituminous Coal via New York Harbor, 1948 to 1954," sets forth the coal dumped over the piers at New York Harbor for movement within the New York area to plants in the New York area and to New England destinations. This indicates that, using 1948 as a base year, the dumpings dropped from approximately 31,800,000 tons to 9,170, 000 tons in 1954, or a decline of 4,600,000 tons; practically 100 percent of this tonnage originated from the low volatile fields of central Pennsylvania. Taking the two ports of Hampton Roads and New York Harbor, in the 6-year period (1948–54) the coal industry sustained a loss of 15 million tons, which can be traced directly to the competition of foreign oil.

My exhibit No. 6, captioned, "Comparative Statement of Actual United States Imports of Crude Petroleum and Refined Products by Eleven Principal Importing Companies, Years 1948, 1954, and Estimated Imports Scheduled First 6 Months of 1955" sets forth just who has been bringing this oil into the United States since 1948.

In the year 1948, in addition to a reasonable importation of crude oil, there was imported approximately 160,000 barrels per day of refined petroleum products, the bulk of which is residual oil. The total importations for 1948, both crude and refined products, were 512,000 barrels per day.

It is quite evident why the bituminous coal industry has suffered such substantial losses to foreign oil when we compared the importations of refined petroleum products, which are primarily residual fuel oil, the first 6 months of 1954 on a per diem basis with the actual imports per day of residual oil in 1948. This indicates an increase of 260,000 barrels per day in the first 6-month period of 1954, and 241,000 barrels per day increase for the second 6-month period of 1954. The scheduled barrels per day to be imported in the first 6 months of 1955 indicate a further increase in such imports and will average approximately 471,800 barrels per day.

Because there has been considerable talk with respect to a voluntary agreement on the part of the various oil companies presently importing oil, may I point out that it would be practically impossible to obtain a voluntary agreement because of the companies importing this oil—there is one company, the Shell Oil Co. and its subsidiaries, whose financial control is outside of the United States It is my opinion that irrespective of any agreement reached by the American companies relating to the control of voluntary imports, they will be confronted with the fact that the Shell Oil Co., operating through its various subsidiaries, would not be subject to a United States agreement unless they so desired. Now, the importance of this is best evidenced when you examine my exhibit No. 6. You will note that in 1948 the Asiatic Petroleum Corp. imported 9,100 barrels of refined products per day, and the Shell Oil Co. 5,300 barrels per day. Practically 100 percent of these imports is residual oil. The combined imports of these 2 companies in 1948 was 14,400 barrels. However, an examination of the exhibit for the first 6 months of 1954 indicates that Asiatic Petroleum Corp. imported 5,100 barrels, Shell Oil Co. 18,800 barrels, Shell Caribbean 113,500 barrels, or a total of 137,400 barrels per day, and in the second 6 months of 1954 Asiatic Petroleum imported 4,200 barrels, Shell Oil Co., 18,000 barrels, and Shell Caribbean 109,700 barrels, or a total of 131,900 barrels. The scheduled rate of imports for the first 6 months of 1955 for Asiatic Petroleum is 6,300 barrels, Shell Oil Co. 22,400 barrels, and Shell Caribbean 122,900 barrels, or a grand total for the 3 companies of 151,600 barrels imported per day.

I submit, Senator, that an increase of 11 times since 1948 is not a normal import rate. I would like to make the one observation on the Standard Oil Co. of New Jersey, because they have indicated through the press that they are cooperating in the reduction of imports of oil. I think we will find that with respect to their projection for the first 6 months of 1955, they do show a proposed reduction of approximately 25,000 barrels per day from what they imported on the average in 1948, but on residual oil, which they refine mostly in Arabia and South America, the average barrels per day in 1948 was 78,000 barrels per day. It was 158,000 barrels per day in the first 6 months of 1954. It is 148,000 barrels a day in the last 6 months of 1954. For the first 6 months of 1955 they imported 198,000 barrels per day. They are the company that feels the recommendation of the committee for imports of oil are very generous, and they could get along with them. So would I get along if any imports that I had would double that of 6 months ago.

Is it any wonder when we consider the volume of foreign residual imports by one company, operating through several subsidiaries, that we have very serious doubts as to the efficacy of enforcing any voluntary agreement between the major importers of foreign oil—even if the Attorney General approves such voluntary agreement as not being in violation of the anti-trust laws. It is perfectly astounding to find that the continuing increase of imports, from a combined total of 512,000 barrels per day in 1948, rose in 1954 to an average of approximately 1,070,000 barrels per day, and the projection for the first 6 months of 1955, covering imports of both crude and refined petroleum products indicates that 1,236,300 barrels will come in each day, a substantial increase over the 512,000 barrels that were imported daily in 1948.

Exhibit No. 7 is captioned "United States Imports of Crude and Residual Oil—Daily Average Barrels per Week, Beginning With the Week Ending December 3, 1954 and Ending With Week Ending February 11, 1955."

Since preparing this, out of the press I was able to get figures for the week of February 28, which I will mention later.

This sets forth the daily average number of barrels of both crude and residual oil imported each week, as well as the grand total. The purpose of this exhibit is to show that in spite of any scheduling or projections within the oil industry, the volume of movement in specific weeks has reached a high in excess of 600,000 barrels of residual oil in 3 out of 10 weeks, namely, the week ending December 17, week ending January 7, and week ending Janary 28, with a peak movement of 639,000 barrels.

However, since I wrote this a week ago I am informed that for the week ending February 25, the imports of residual oil in the United States was 644,400 barrels per day, and crude was 692,000 barrels per day.

The imports of crude continued to increase and we find that in 4 weeks imports of crude oil were in excess of 800,000 barrels per day with a peak daily import of approximately 880,000 barrels per day for the week ending January 28.

The amount of foreign residual oil imported does not tell the whole story. An additional source of coal competition is residual oil derived from foreign crude oil refined in this country. It has been estimated by the Bureau of Mines that approximately 30 percent of the foreign crude oil imported moves into the trade channels as residual oil in competition with bituminous coal. Most of the major American companies who import foreign oil are also major foreign producers. I direct your attention to page 461, hearings on causes of unemployment in the coal and other specified industries, conducted by a subcommittee of the Comittee on Labor and Public Welfare, United States Senate, 81st Congress, 2d session, on Senate Resolution 274, where the following colloquy took place between Senator Neely and Mr. M. J. Rathbone, director, Standard Oil Co. of New Jersey:

Senator NEELY. While you are off your manuscript for a moment, may I ask you another question: The report of your company for 1949 indicates that production by the Standard Oil Co. of New Jersey and its affiliates is 957,000 barrels a day. What part of that production is domestic, and what part of it is foreign?

Mr. RATHBONE. 1949: 620,000 barrels a day were in other Western Hemisphere countries than the United States—that is the foreign oil—and 337,000 barrels a day were produced in the United States, roughly 2 to 1.

On Thursday, January 20, 1955, Mr. Monroe J. Rathbone, president of the Standard Oil Co., page 430 of the hearings before the Committee on Ways and Means, House of Representatives, on H. R. 1, in response to a question by Congressman Simpson of Pennsylvania, who asked him what part of his production and refining was done abroad, stated he did not have this data before him but would submit it for the record, and on January 26, 1955, Mr. Rathbone by letter advised the Honorable Jere Cooper, chairman, House Ways and Means Committee, as follows:

Production: In 1954, Jersey affiliates produced 1,889,000 barrels of crude oil per day, of which 1,441,000 barrels, or 76 percent, were produced abroad and 448,000 barrels, or 24 percent, were produced in the United States.

It is quite evident that since 1949 the Standard Oil Co. of New Jersey has increased its production 932,000 barrels per day. However, of this increase only 111,000 originated in the United States and 821,000 represented an increase in their foreign production. I think it quite apparent that increasing the production of foreign oil is very important to this company. I think the committee would find that a somewhat similar condition exists with respect to the other major importing companies.

On February 26, 1955, Mr. James C. Hagerty, press secretary to the President of the United States, issued from the White House report on energy supplies and resources policy. This report set forth that on July 30, 1954, the President established an Advisory Committee on Energy Supplies and Resources Policy. The Director of the Office of Defense Mobilization was designated as Chairman and the heads of the following agencies served as members: Departments of State, Treasury, Defense, Justice, the Interior, Commerce, and Labor.

The White House directive respecting the committee's assignment included the following specific statements:

At the direction of the President the committee will undertake a study to evaluate all factors pertaining to the continued development of energy supplies and resources fuels in the United States, with the aim of strengthening the national defense, providing orderly industrial growth, and assuring supplies for our expanding national economy and for any future emergency.

The committee will review factors affecting the requirements and supplies of the major source of energy including coal (anthracite, bituminous, and lignite, as well as coke, coke tars, and synthetic liquid fuels), petroleum, and natural gas.

The committee has been aided greatly by an able and representative task force appointed pursuant to the President's instructions.

This report was not available at the time the coal industry, through Tom Pickett, executive vice president, of the National Coal Association, presented its views to the committee during the course of its hearings on H. R. 1. However, I would like to direct your attention to the following language set forth under item 4 of the White House report, Crude Oil Imports and Residual Fuel Oil Imports:

An expanding domestic oil industry, plus a healthy oil industry in friendly countries which help to supply the United States market, constitute basically important elements in the kind of industrial strength which contributes most to a strong national defense. Other energy industries, especially coal, must also maintain a level of operation which will make possible rapid expansion in output should that become necessary. In this complex picture both domestic production and imports have important parts to play; neither should be sacrificed to the other.

Since World War II importation of crude oil and residual fuel oil into the United States has increased substantially, with the result that today these oils supply a significant part of the United States market for fuels.

The committee believes that if the imports of crude and residual oils should exceed significantly the respective proportions that these imports of oils bore to the production of domestic crude oil in 1954, the domestic fuels situation could be so impaired as to endanger the orderly industrial growth which assures the military and civilian supplies and reserves that are necessary to the national defense. There would be an inadequate incentive for exploration and the discovery of new sources of supply.

In view of the foregoing, the committee concludes that in the interest of national dsfense imports should be kept in the balance recommended above. It is highly desirable that this be done by voluntary, individual action of those who are importing or those who become importers of crude or residual oil. The committee believes that every effort should be made and will be made to avoid the necessity of governmental intervention.

The committee recommends, however, that if in the future the imports of crude oil and residual fuel oils exceed significantly the respective proportions that such imported oils bore to domestic production of crude oil in 1954, appropriate action should be taken.

The committee recommends further that the desirable proportionate relationships between imports and domestic production be reviewed from time to time in the light of industrial expansion and changing economic and national defense requirements.

In arriving at these conclusions and recommendations, the Committee has taken into consideration the importance to the economies of friendly countries of their oil exports to the United States as well as the importance to the United States of the accessibility of foreign oil supplies both in peace and war.

We do not agree with the report that imports of crude and residual oil should in effect be related to the daily imports of crude and residual during the calendar year 1954, and it is our opinion that legislation should be enacted to restrict the importation of foreign oil on the basis of the following:

That section 2 of the act entitled "An act to extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended" approved July 1, 1954 (19 U. S. C., sec. 1352a), is hereby amended by inserting "(a)" after "Sec. 2" and by adding at the end thereof a new subsection as follows:

(b) In order to further the policy and purpose of this section—

(1) the President shall take such action as is necessary to restrict imports of commodities whenever such imports threaten to retard the domestic development and expansion or maintenance of domestic production of natural resource commodities or any other commodities which he determines to be essential to the national security;

(2) the total quantity of crude petroleum and petroleum products (including oil for supplies for vessels at United States ports but excluding oil for manufacture and reexport) which may be imported into the United States in any calendar quarter of any year shall not exceed 10 per centum of the total domestic petroleum demand (as determined by the United States Bureau of Mines) for the corresponding quarter of the previous year: *Provided*, That the total quantity of residual fuel oil which may be imported into the United States for consumption therein in any calendar quarter of any year shall not exceed 10 per centum of the domestic demand for residual fuel oil (as determined by the United States Bureau of Mines) for the correponding quarter of the previous year: *Provided further*, That the quotas established under this subsection may be suspended by the President during any period in which he finds that fuel supplies are inadequate to meet current national consumption; and

(3) the provisions of this section shall be effective notwithstanding the authority granted in section 350 of the Tariff Act of 1930, as amended, or any foreign trade agreement to which the United States is a party.

It is our belief that the restrictions of the imports of foreign oil will enable the coal mines, both north and south, who have traditionally served the eastern seaboard of the United States with high quality coal, to restore reasonable working time, the effect of which will be to furnish employment to the mines, employment to the railroad industry, and enable the bituminous coal operator to keep his mine in such shape that he can meet any emergency, and we sincerely believe that the enactment of this legislation will mean that the bituminous coal industry will regain a substantial portion of the 50 million tons which it has lost to cheap foreign oil.

Thank you very much, Mr. Chairman.

(The newspaper clippings from the Sunday New York Times, March 6, 1955, submitted for the record by Mr. Buckley, are as follows:)

JERSEY STANDARD SETS INCOME HIGH—PROFITS RISE TO $584 MILLION, BUT SHARE EARNINGS EASE ON BIGGER CAPITALIZATION

The Standard Oil Co. (New Jersey) last year had record net earnings of $584 million, the company reported yesterday in a preliminary statement.

This is equal to $9.55 each on the average number of 61,180,000 shares outstanding during the year. At the year end there were 65,434,474 shares outstanding .

The estimate includes the net income of affiliates in Europe and North Africa that have been restored to Standard of New Jersey's consolidated statement. Including the earning of these affiliates, the company said, net income in 1953 approximated $582 million, or $9.61 each on the 60,571,092 shares outstanding at the end of 1953.

Excluding the European and North African affiliates, Standard of New Jersey had reported for 1953 a consolidated net income of $552,826,000, or $9.13 a share.

Capital and exploration expenditures by affiliates last year were placed at $754 million, compared with $747 million in 1953. Last year's expenditures included $600 million for additions to property, plant and equipment and $154 million in the search for oil, the latter being charged against current income.

BIG OIL COMPANIES TRY IMPORT CURBS—SEEK TO MEET CABINET UNIT'S PROPOSAL TO MAINTAIN 1954 DOMESTIC-FOREIGN RATIO—LIMIT SEEN AS GENEROUS—BUT ANTITRUST LAW IMPEDES VOLUNTARY CONTROLS—CRY FOR UNITED STATES ACTION GROWS

(By J. H. Carmical)

The big oil companies are acting on their own to restrict oil imports as recommended by the President's Cabinet Committee.

An executive of a leading company said last week, the program should be given a try. However, because the antitrust laws forbid the importing companies to agree on limitations, he said there might be some difficulty in meeting the formula outlined.

The Cabinet committee recommended that the imports of crude and heavy fuel oils be held to "the respective proportions that these imports of oils bore to the production of domestic crude oil in 1954."

The Standard Oil Co. (New Jersey) already has said that it planned to limit crude oil imports this year to 79,000 barrels a day. This would compare with 80,000 barrels a day last year and 84,000 in 1953. The peak of crude oil imports by affiliates of Standard of New Jersey was in 1948, when they averaged 105,000 barrels a day.

10 PERCENT FOR CRUDE, 6 PERCENT FOR HEAVY

According to the Bureau of Mines, domestic crude oil production last year averaged 6,344,000 barrels a day, excluding 674,000 barrels a day of liquids obtained from natural gas. Imports of crude oil and products came to 1,074,000 barrels a day, 651,000 of crude, and 374,000 of heavy fuel oil, with the balance mostly asphalt.

Crude oil imports thus were roughly 10 percent of domestic production. If domestic output this year should expand to 7 million barrels daily, imports of crude oil would be held to about 700,000 a day, under the formula. Such a restriction is generally regarded as very generous.

Heavy fuel oil imports last year were about 6 percent of domestic crude oil production. If domestic crude output should advance to 7 million barrels a day, heavy fuel oil imports would be limited to about 420,000 a day.

Virtually all the heavy fuel oil imported here comes from the Caribbean area. Affiliates of Standard of New Jersey and the Asiatic Petroleum Corp., a member of the Royal Dutch-Shell group, are the principal importers. Imports by Standard last year averaged 160,000 barrels a day.

PRICE RISE POSSIBLE

The restriction of heavy fuel oil imports over a relatively long period, however, may result in some advance in prices. With the high cost of crude oil and the greater use of modern refining facilities that recover more high-grade products, the quantity of heavy fuel oil being produced by east coast refineries has been declining steadily. A factor has been the increased demand for gasoline and other lighter oil products, which command higher prices.

Refineries in the Caribbean are all modern and just as well-equipped to make high-grade products, but they make a larger proportion of heavy fuel oil because they process crude oil of a lower gravity than that of United States petroleum. Furthermore, the Caribbean refineries must tie their operations to market demand, including that for heavy fuel oil on the eastern seaboard.

The belief in some quarters is that voluntary restrictions will not work. The recent sharp trend in imports is cited.

In the week ended on February 25, imports were 1,507,300 barrels a day, including 692,500 a day of crude and 644,400 of heavy fuel oil. For the 4 weeks ended on that date, imports averaged 1,356,200 barrels a day, nearly 300,000 barrels a day more than in 1954.

HOW MUCH FOR EACH?

The question arises as to what limit each company should undertake. Last year, some companies held back imports in order not to aggravate the situation. This raises the question whether these companies should restrict imports this year in the same proportions as others that increased their imports last year.

Further, some companies that imported little or no oil last year are planning to do so in the future. Some are building refineries along the east coast to process foreign oil and also are building huge tankers in foreign shipyards to transport it. Should this group voluntarily cancel its plans? If not, what quotas should they assign themselves under a voluntary arrangement?

If the voluntary restriction plan should fail, the Cabinet Committee said, "appropriate action should be taken." This could mean legislation or an order by the executive branch of the Government.

The oil industry generally does not want legislative restriction on imports. Largely for this reason it is considered likely that a determined effort will be made on the part of the importing companies separately to limit imports to a level that will "supplement rather than supplant domestic crude oil production."

PRESSURE FOR ACTION RISES

The position of some segments of the industry, however, is that the time has come for "appropriate action." However, this group, which is composed principally of domestic oil producers, is divided on whether this should take the form of legislation. They fear that any such legislation might be the entering wedge for further governmental controls over the industry.

But unless some steps are taken immediately to curb oil imports, the consensus is that there may be some legislation enacted on the subject. Senator Price Daniel, Democrat of Texas, last week pointed out that Texas wells have been operating only 15 days a month, while imports were about 27 percent higher than a year ago.

"Voluntary restrictions have failed," he told the Senate. "Some type of legislation to protect the domestic oil industry ought to be enacted for the sake not only of the industry but in the interest of national defense and security."

CRUDE OUTPUT AT HIGH

CARACAS, March 6.—Venezuelan crude oil production in January was at a new record high of 2,111,418 barrels a day, Dr. Edmundo Luongo Cabello, Minister of Mines and Hydrocarbons, announced today. It was the third consecutive month in which output topped 2 million barrels a day. The average daily production in 1954 was 1,895,309 barrels, compared with 1,746,988 in 1953.

(The statement on residual oil, pages 26 through 35, inclusive, from the report of the coal industry, prepared by staff consultants of the task force of the Cabinet Committee on Energy Supplies and Resources Policy, submitted by Mr. Buckley, is as follows:)

REPORT OF THE COAL INDUSTRY

(Prepared by staff consultants of the task force of the Cabinet Committee on Energy Supplies and Resources Policy—November 29, 1954)

B. RESIDUAL OIL

1. IMPORTS AFFECT COAL

The enormous expansion which has taken place in the importation of residual oil since the end of World War II poses serious questions of public policy. The importation of this foreign source of energy has displaced millions of tons of bituminous coal from the energy market. The direct result has been to impair seriously the ability of the coal industry to meet the traditional demands made upon it in a wartime economy. Equally serious and immediate issues of public concern raised by this tonnage displacement—which now constitutes more than 10 percent of the commercial coal production in the Appalachian coal-producing States—are unemployment and the needless waste of capital investments in mine plants and facilities. Overall railroad revenues, to which bituminous coal is the largest contributor, are being impaired. Corollary to its impact on the bituminous coal industry, the importation of foreign residual oil has retarded the development of domestic self-sufficiency in the overall energy market, thus threatening the abilities of fuel sources other than coal to fulfill the wartime responsibilities imposed on them.

There are no existing economic limitations—either by way of supply, price, or tariff restrictions—which in any wise impede the devastating flow of foreign residual to our east coast.

As a product of foreign crude, residual fuel oil, directly competitive with coal, enters this country under a nominal tariff of 5¼ cents per barrel. This is in contrast to the 10 times greater tariff on gasoline, a higher use product which is not coal competitive.

Imports of residual do not represent additional demand for fuel which domestic suppliers are unable to meet. On the contrary, American producers of both coal and oil are cutting their production. Markets formerly supplied by them are now supplied by imported foreign residual oil.

Thus, the oil industry itself has recognized that within the framework of its own industry if "imports continue to increase without regard to the principle of only supplementing the domestic production of crude and products, they will seriously damage the oil industry and thus adversely affect the national economy and the national security."

This was the January 1950 finding of the National Petroleum Council, an advisory group appointed by the Secretary of the Interior, which represents all branches of the petroleum industry. A similar conclusion was made in the same year by the Senate Committee on Labor and Public Welfare. Thus, that committee found: "The evidence before the committee makes it crystal clear that oil imports should only supplement and never supplant oil production in this country. Flagrant violations of this sound policy are occurring every day in the year" (S. Rept. 2042, 81st Cong., 2d sess., p. 14).

The same Senate committee recognized also the soundness of the principle that residual imports should supplement and not supplant the Nation's most available energy supply. It thus found that "because of increased residual imports" coal "production is shrinking," and that "*an insufficiency of coal production in the event of another war could conceivably cause a greater disaster than the Nation has ever known*" (S. Rept. No. 2042, 81st Cong., 2d. sess., p. 16). [Emphasis added.] This finding was made in 1950. Today, the situation has intensified. Yet no remedial action by the executive or legislative departments of our Government has been taken.

These considerations make imperative the evolvement, consonant with the public interest, of a national policy which will preserve coal's continued availability. Such a policy must necessarily accommodate the broad consideration of encouraging free trade with the maintenance of domestic self-sufficiency in the energy market which is consistent with the needs of the national interest.

2. RECOMMENDATIONS

(a) *The industry's first recommendation*

The coal industry has heretofore recommended to the Congress the establishment of a quota of 5 percent on residual oil imports, based upon the total domestic demand for residual oil in the corresponding quarter of the prior year. It is submitted that such a policy would be consonant with the public interest. The importance of international trade and the economic dependence of many foreign countries on the exportation of their products is not discounted. This report shows in a subsequent portion that there can be no sound justification for the artificial marketing in this country of an unnatural percentage of foreign residual oils in relation to the higher grade oils and gasolines which the foreign exporters arbitrarily abstain from supplying American consumers and industry.

A program should be evolved which will either:

(1) Restrict the importation of residual oils as heretofore urged by the coal industry, or

(2) Permit the importation of residual oil without limitation so long as, in a particular quarterly period, residual oil and other products, respectively, are imported in the same ratio as the domestic demand therefor during the corresponding quarter of the prior year.

(b) *Industry's additional recommendation*

The public interest requires the importation of petroleum products other than residual in amounts which are responsive to the needs of our domestic economy. There exists a grossly unequal tariff treatment of residual oil and products other than residual. The removal of such unequal treatment will benefit our international trade in an enlightened way, in recognition of our own needs and our responsibilities to our foreign neighbors.

In order to eliminate discriminatory tariff treatment and to insure our economy with a greater supply of essential products, therefore, it is recommended that the current tariff excises upon residual oil on the one hand, and gasoline and the superior refined products on the other hand, be equalized.

3. FACTUAL BACKGROUND

(a) *What is residual fuel oil? Where does it move? What are its uses?*

Residual fuel oil is a heavy black oil. Generally, it is a byproduct remaining after crude has been refined. In the trade, it is known as No. 6, No. 5, bunker C, or black oil. Currently, more than 91 percent of imported residual fuel oil is produced from crude originating in Venezuela. Practically all of it originates at oil refineries owned by two large corporations located in Venezuela and on the Dutch Islands of Aruba and Curaçao off the coast of that country.

Residual fuel oil is used principally as a boiler fuel by industrial installations. As a source of heat and power, it has no practical value to the homes, although it is used in some large apartments and hotels.

Foreign residual oil, in the main, is pushed into the industrial fuel markets of the eastern seaboard and into a territory approximately 100 miles inland. The marketing of coal throughout the entire area east of the Mississippi is adversely affected.

(b) *Residual imports soar to high levels as coal production declines*

Direct residual oil imports have risen from 11 million bituminous coal equivalent tons in 1946 to 33 million tons in 1953. The residual oil imported plus the residual produced from imported crude, making up the total of residual fuel oil of foreign origin, has thus skyrocketed from 17 million coal equivalent tons in 1946 to 50 million tons in 1953. All but one or two million tons enter the east coast markets.

Currently, residual imports stand at some 300 percent of the 1946 level (up 200 percent) although industrial production in the United States in 1953 was up by only 25 percent and the competitive fuel market for coal, oil, and gas in the Nation was up only 20 percent. In contrast, bituminous coal production in 1953 was down 15 percent, from 534 million tons in 1946 to 453 million tons in 1953. With annual coal production currently running at a level of some 370 to 380 million tons, the economic impact of 50 mililon tons of coal equivalent residual imports entering a highly concentrated fuel market is self-evident.

(c) *Foreign residual oil has a free hand to oust coal*

From the standpoint of supply, there is apparently no physical limitation upon the capacity of world oil interests to lay down residual fuel oil on the east coast at an arbitrary price of its own choosing. The lower costs of transportation enjoyed by foreign residual oil imports through availability of foreign flag vessels gives imported residual oil a market price flexibility which coal does not have.

In the 22-year period between 1924 and 1946, the posted residual oil prices (bunker C, New York) averaged 114 percent of the price of crude in the gulf coast fields. In the first 3 postwar years, 1946–48, when residual oil imports took a sharp upward turn, prices of total residual averaged 94 percent of crude oil prices. In the period 1949–52, total residual prices ranged between 59.7 percent and 72.5 percent of the price of United States crude, showing the effects of the relatively low prices on imported residual oil.

The devastating impact on the domestic oil and coal industries of the mobile pricing practices of those controlling the importation of foreign residual is made clear by the facts. A 15 cent per barrel variation in the price of residual oil is the equivalent of an approximately 60 cent per net ton variation in the price of bituminous coal. Between November and December 1948 the price of foreign residual at New York Harbor declined 33 cents per barrel from $3.05 to $2.72. By April 1949 the price had dropped to $1.82 and by June 1949, to $1.60. Thus, between November 1948 and June 1949, the price of residual had dropped $1.45 per barrel. In terms of coal equivalent, this represented a reduction of $6.04 per net ton, delivered price.

Between January 1949 and July 1954, the price of foreign residual at New York ranged from a high of $2.45 to a low of $1.60. Oil at $1.60 per barrel at New York is the equivalent of coal at $6.67 per net ton delivered at the harbor. It is this type of competition which coal cannot meet.

The electric utilities are now coal's major market. In 1951, residual fuel oil, principally of foreign origin, held 97 to 100 percent of the utility market in Maine, New Hampshire, and Vermont, 55 percent in Massachusetts and Rhode Island, and 37 percent in New Jersey. Yet, to force these markets still further, and in the face of the severe and uneconomic downgrading already existing, posted prices on residual fuel oil were suddenly slashed in mid-1952 and early 1953 by 45 cents a barrel and in some areas the price concessions were even more severe.

In the same period the administration, under the 1952 Supplementary Trade Agreement with Venezuela, effective October 11, 1952, reduced the tariffs on residual fuel oil from an average of 16.2 cents per barrel (average under tariff quota) to the present 5¼ cents per barrel. In coal equivalent, this represented a reduction of 68 percent, from 68 cents per net ton to 22 cents per net ton. The corresponding reduction on crude oil was from 16.1 cents (under tariff quotas) to an effective 9.6 cents. The duty of 52.5 cents per barrel on gasoline was left unchanged in the agreement.

Following these developments in late 1952 and early 1953, the imports of residual fuel oil quickly rose to historic highs. At the time east coast residual fuel oil prices were cut 35 cents from $2.45 to $2.10 per barrel (August 1952), the prices of household and light commercial heating oils (Nos. 1 and 2) rose at Boston, New York, and Baltimore the equivalent of 33 to 47 cents a barrel. Chicago prices, unaffected by foreign residual, on these household fuels remained unchanged. As these products all come from a common barrel of crude, the effect was to force one group of petroleum conusmers to subsidize the severe price cuts found necessary to dispose of the excessive supplies of residual fuel oil being dumped into what had been coal markets.

Price considerations to one side, the dominant marketing and distribution position of those interests which control the importation of foreign residual, has received congressional recognition. A report by the Senate Committee on Small Business made to the Federal Trade Commission[1] on August 22, 1952, stated that one of the outstanding characteristics of the world's petroleum trade is the dominant position occupied by 7 international companies. The 7 companies include the 2 companies which control the production activities in Venezuela and the refinng facilities of the Caribbean Isles from which practically all of the United States residual oil imports emanate.

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[1] The report makes the following statement, referring to the 7 international companies: "All 7 engaged in every state of operation, from exploration to marketing. The typical movement of petroleum from producer until acquired by the final consumer, is through intercompany transfer within a corporate family"

* * * * * * *

"Each of the 7 international petroleum companies is integrated, from crude production, through refining, transportation, storage terminals, and docks to wholesale and retail distributing and dispensing equipment. It is the rule, rather than the exception, for petroleum products to move from producer to consumer by company-owned facilities within one corporate hierarchy."

(d) All prior efforts to stem the impact of residual imports have failed

It was in 1949 that coal for the first time was forced to meet the competition of foreign residual oil in highly intensified form. In September of that year an amendment to the etxension of the Reciprocal Trade Agreements Act, which would have restricted imports of foreign residual, was introduced into the Senate. The amendment failed to pass by one vote.

In May 1950, there was passed Senate Resolution 274. That resolution authorized the Senate Committee on Labor and Public Welfare to investigate the causes of unemployment in the coal industry and in certain other industries. Thereafter, that committee found, among other matters (S. Rept. No. 2042, 81st Cong., 2d sess.) :

(1) "* * * United States Senators, governors of States, Members of the House of Representatives, and prominent spokesmen for the coal, oil, and railroad industries testified that if oil imports continue at present levels, these industries will suffer lasting injury." They pointed out "* * * that oil imports would not be a dependable source of fuel supply in a war emergency and that a curtailed domestic coal industry would be unable to supply wartime demands" (p. 15).

(2) "It would be unwise for the Nation to curtail domestic production, lock up its existing reserves in peacetime, and import its oil" (p. 16).

(3) "Both crude and residual fuel oils have been imported in greatly increased quantities during the past 2 years—much of the time at prices so low that competing domestic producers have been forced to curtail their output. The imports do not represent additional demand for oil which domestic suppliers were unable to meet. On the contrary, domestic suppliers of both coal and oil have been forced to cut production as markets which they formerly supplied are now purchasing imported crude and residual oil" (p. 17).

(4) "The indispensability of the coal, oil, and railroad industries to our national economy and security requires that measures be promptly taken to prevent their deterioration" (p. 17).

Despite the unanimity of view of this Senate committee, no legislative measures were taken to forestall the "deterioration" of three of the Nation's key industries.

In 1953, the House Committee on Ways and Means reported out House Resolution 5894 (H. Rept. No. 777). That resolution, as reported, would have restricted the importation of residual oil to a quota limitation on such imports for any calendar year equal to 5 percent of the domestic demand for such oil in the United States during the corresponding quarter of the previous year. The resolution was recommitted to committee and no further action taken.

In June 1954, the Reciprocal Trade Agreements Act was extended for 1 year.

(e) In 1953, the importation of foreign residual directly preempted markets that could have been served by 24 million tons of bituminous coal

While there may be room for disagreement as to the extent of the effect, there is no disagreement as to the fact that the importation of residual fuel oil has had an adverse impact on the Nation's coal industry. Thus, as far back as 1950, the Senate Committee on Labor and Public Welfare (S. Rept. No. 2042, 81st Cong., 2d sess., p. 4) reported that "* * * a director of the importing Socony-Vacuum Oil Co., as a witness for his corporation" testified before its members:

"I do not deny that oil is in competition with coal or that fuel oil, which is being imported, is taking business that if it were not imported would probably be supplied by the coal industry. * * *"

* * * * * * *

"Now there is no question in my opinion but what to the extent that foreign oil is soming into this market and replacing coal to the extent of 9 million tons, if that oil were shut out, the particular phase of the market would likely be taken over by coal because domestic oil is not available for it."

Total supplies of residual fuel oil from all sources on the east coast in 1953, including imports as well as that produced from domestic crudes, totaled 69 million tons coal equivalent. No issue is raised concerning residual refined from domestic crudes nor indeed is any question raised as to residual fuel oil refined in this country from foreign crudes. The coal industry's proposals herein go only to the direct imports of the residual fuel oil. Excluding bunker fuel and United States Government purchases, the importation of residual on the east coast directly competitive with bituminous coal is now at the rate of some 24 million bituminous coal equivalent tons, or less than half of the total east coast supplies of the heavy fuel oil. In short, while all three sources of residual fuel oil (direct imports, residual from imported crude, and domestic residual) have a compounding effect on coal, the industry's recommendations go to only direct imports.

(f) The impact of foreign residual on defense and security

Coal is a basic source of energy in this country and it is expected that it will continue to be so in the future. By maintaining adequate productive capacity in times of peace, it offers the only source of energy which can be expanded rapidly. It is indispensable to steel production; it accounts for 80 percent of the fuel used in the generation of electricity in the vast area extending from the Rocky Mountains to the Atlantic seaboard, excluding only the Gulf Coast States. It is the primary fuel of heavy industry. In short, America cannot mobilize without coal or the railroads that transport the coal.

Coal, including anthracite, bore 81 percent of the added coal-competitive energy requirements (excluding motor fuel) in the first year of World War II (158 million coal-equivalent tons) and 61 percent of the peak added requirements (278 million tons) in 1944. The production of the bituminous coal industry is currently running at a level some 18 percent below 1953, or, in terms of tonnage, at an output between 370 to 380 million tons. This compares with a level of close to 600 million tons during the 3-year period 1946–48 when imports of residual were one-third below the current rate. These startling figures are offered as indicating not merely the tragic decline in coal production in the postwar period, but the distance coal must come back to meet defense requirements.

World War II demands for energy rose 19 percent in the first year of the war over 1940, and 33 percent in the third and peak year 1940. In 1953 the coal competitive energy supply in the United States approximated 1,240 million bituminous coal-equivalent tons. Accepting this experience as being the best available indication of potential war requirements in the immediate years ahead, the increased energy needs in a new conflict would rise over 230 million coal-equivalent tons in the first 12 months of the conflict and approach 400 million coal-equivalent tons in the year of peak war effort.

In contrast to these needs, the World War II experience shows that the production in the United States of crude oil remained practically unchanged in the first calendar year of war (1942) as compared with 1940 and actually declined in relation to 1941. It rose less than 80 million coal-equivalent tons in the peak war year as compared with 1940.

Of prime importance is the fact that the Nation can place no reliance on foreign oil during war. A summary of the World War II supply figures for the east coast, based on water movements from the gulf coast and the receipts from Venezuela, shows the following:

Index of east coast crude and residual supplies received by tanker

[1940=100]

Year (1)	Residual (2)	Crude (3)	Residual from crude [1] (4)	Total residual (5)
1940	100.0	100.0	100.0	100.0
1941	114.6	96 9	100 0	110.2
1942	44.8	19.8	19 5	37.2
1943	41 7	7.3	9 8	32 1
1944	60 4	26 6	34 1	52.6
1945	74.0	71.4	82 9	76.6

[1] Includes residual produced from foreign and domestic crudes.

The foregoing figures indicate that in the first 2 years of the war some two-thirds of the waterborne supplies of residual fuel oil failed in relation to the prewar years of 1940–41.

(The exhibits Nos. 1 through 7, submitted by Mr. Buckley, are as follows:)

EXHIBIT No. 1

Docket Nos. ICC 31437, and Sub 1, Sub 2
PUC Pa. C–16031, C–16146
Exhibit No. 141
Witness: D. T. Buckley

Comparative statement of imports of residual fuel oil by months, years 1948 to first 4 months 1954, inclusive

[Thousands of barrels]

Month	1948	1949	1950	1951	1952	1953	1954
January	5, 093	5, 131	10, 204	13, 842	12, 739	15, 549	15, 055
February	5. 454	4, 296	7, 189	12, 089	11, 855	12. 642	13, 521
March	5, 205	4, 939	11, 680	11, 347	12, 691	13, 127	12, 141
April	4, 686	5, 537	10, 528	10, 577	10, 473	10, 519	9, 962
May	3, 734	4, 966	9, 302	9, 768	10. 849	11, 394	----------
June	3. 574	5, 385	9, 043	8, 682	8, 929	9 543	----------
July	4, 123	5, 813	8, 429	6, 672	7, 997	8, 818	----------
August	4, 453	5, 985	9, 251	7, 357	6, 656	7, 394	----------
September	4, 332	7, 185	9, 097	6, 532	7, 790	8, 846	----------
October	3, 106	8, 181	10, 846	9, 737	11, 323	10, 286	----------
November	4 112	7, 597	11, 778	10, 583	10 582	12, 997	----------
December	5, 374	10, 160	12, 689	11 980	16, 595	15, 094	----------
Total	53, 246	75, 175	120, 026	119, 166	128, 179	136, 209	----------

Source: Bureau of Mines.

EXHIBIT No. 2

Docket Nos. ICC 31437, and Sub 1, Sub 2
PUC Pa. C–16031, C–16146
Exhibit No. 142
Witness: D. T. Buckley

Comparative statement of price of residual fuel oil per barrel New York Harbor—Year 1948 to first 7 months 1954, inclusive

Month	1948	1949	1950	1951	1952	1953	1954
January:							
Low	$3.00	$1.8879	----------	----------	----------	$2.00	----------
High	3 05	1.9055	$2.05	$2.15	$2 45	2 10	2.25
February:							
Low	3.00	2.07	----------	----------	----------	----------	----------
High	3.05	2.10	2.05	2.15	2 45	2 00	2 25
March							
Low	3 00	1.9413	----------	----------	----------	----------	----------
High	3.05	1 9609	1.90	2.15	2 45	2.00	2.25
April.							
Low	3.00	1.8214	1.90	----------	----------	2.00	----------
High	3.05	1.8357	2 05	2.15	2.45	2.10	2.25
May:							
Low	3.00	1.6833	----------	----------	----------	----------	----------
High	3 05	1 7214	2 05	2.15	2.45	2.10	2.25
June:							
Low	3 00	1 6000	----------	2.15	----------	2.10	2.15
High	3 05	1.600	2.05	2 45	2.45	2.25	2.25
July							
Low	3.00	1.60	2.05	----------	----------	----------	2.15
High	3.05	1.60	2.14	2 45	2.45	2 25	2.25
August:							
Low	3 00	1.6870	----------	----------	2.10	----------	----------
High	3.05	1.6957	2.15	2 45	2.45	2 25	----------
September:							
Low	3 00	1.7952	2.15	----------	----------	----------	----------
High	3.05	1.8428	2.25	2 45	2.10	2.25	----------
October.							
Low	3 00	1 95	2.15	----------	----------	----------	----------
High	3.05	1 9786	2.30	2.45	2.10	2 25	----------
November:							
Low	2 9048	2.05	----------	----------	----------	----------	----------
High	3.05	2.05	2.16	2.45	2.10	2.25	----------
December:							
Low	2.7239	2.05	----------	----------	----------	----------	----------
High	2.8326	2.05	2.15	2.45	2.10	2 25	----------

Source. Platts Oil Price Handbooks and National Petroleum News.

EXHIBIT NO. 3

Docket Nos. ICC 31437, and Sub 1, Sub 2
PUC Pa. C–16031, C–16146
Exhibit No. 146
Witness: D. T. Buckley

Electric utility capacity, generation, and fuel consumption, State of Massachusetts

Boston Edison Edgar station	1948	1949	1950	1951	1952	1953
Installed capacity (thousand kilowatt-hours)	157.9	239 1	239.1	239.1	320.4	320 4
Generation (MK-kilowatt-hours)	854.4	811.9	1,299.7	1,354.2	1,471 1	1,759.1
Coal consumed (thousand tons)	448.3	149 5	26.7	1 2	1.6	1.4
Oil consumed (thousand barrels)	11.0	1,182.5	2,508.6	2,727.3	2,997.3	3,397.3

Source· FPC.

EXHIBIT NO. 4

Tidewater shipments of bituminous coal via Hampton Roads, 1948–54

[Net tons]

Years	To New England destinations	To other coastwise destinations	Total New England and other coastwise
1948	12,523,070	5,045,354	17,568,424
1949	6,460,857	3,856,790	10,317,647
1950	6,837,541	4,407,761	11,245,302
1951	7,288,680	4,306,495	11,595,175
1952	7,373,168	3,465,980	10,839,148
1953	5,949,397	2,825,564	8,774,961
1954	5,259,145	2,002,661	7,261,806

Source: Reports of the U. S. Bureau of Mines.

EXHIBIT NO. 5

Tidewater shipments of bituminous coal via New York Harbor, 1948–54

[Net tons]

Years	To New England destinations	Harbor movement	Total New England and harbor movement
1948	1,098,786	12,700,154	13,798,940
1949	410,341	8,244,284	8,654,625
1950	692,909	9,238,475	9,931,384
1951	711,214	10,507,128	11,218,342
1952	942,428	9,902,937	10,845,365
1953	1,051,210	8,593,080	9,644,290
1954	952,110	8,220,604	9,172,714

Source: Reports of the U. S. Bureau of Mines.

Exhibit No. 6

Comparative statement of actual United States imports of crude petroleum and refined products by 11 principal importing companies, years 1948, 1954, and estimated imports scheduled 1st 6 months 1955

Importing company	Crude oil				Refined petroleum products				Total imports			
	Average barrels per day 1948	Average barrels per day, 1st 6 months 1954	Average barrels per day, 2d 6 months 1954	Scheduled imports, 1st 6 months 1955	Average barrels per day 1948	Average barrels per day, 1st 6 months 1954	Average barrels per day, 2d 6 months 1954	Scheduled imports, 1st 6 months 1955	Average barrels per day 1948	Average barrels per day, 1st 6 months 1954	Average barrels per day, 2d 6 months 1954	Scheduled imports, 1st 6 months 1955
Standard Oil of New Jersey	104,900	81,900	79,500	79,000	79,400	158,500	148,200	198,000	184,300	240,400	227,700	277,000
Gulf Oil Corp	74,200	112,300	123,400	134,500	8,800	8,500	4,600	4,500	83,000	120,800	128,000	139,000
The Texas Co	11,900	62,400	63,300	71,200	5,000	4,100	1,100	3,000	16,900	66,500	64,400	74,200
Socony Vacuum Oil Co	55,800	88,700	92,700	107,000	1,400	6,700	8,400	7,800	57,200	95,400	101,100	114,800
Atlantic Refining Co	24,500	61,500	63,900	61,500	----------	----------	----------	----------	24,500	61,500	63,900	61,500
Standard Oil of Indiana	10,400	15,800	14,800	14,600	15,100	16,500	13,200	18,600	25,500	32,300	28,000	33,200
Standard Oil of California	13,300	97,000	86,200	105,800	500	----------	----------	----------	13,800	97,000	86,200	105,800
Sinclair Oil Corp	24,600	64,800	65,400	66,000	----------	600	1,800	400	24,600	65,400	67,200	66,400
Shell Oil Co	600	----------	----------	----------	[1] 5,300	18,800	18,000	22,400	5,900	18,800	18,000	22,400
Shell Caribbean	----------	----------	----------	----------	----------	113,500	109,700	122,900	----------	113,500	109,700	122,900
Asiatic Petroleum Corp	600	----------	----------	----------	9,100	5,100	4,200	6,300	9,700	5,100	4,200	6,300
Cities Service Co	18,400	8,300	14,300	30,000	----------	----------	----------	400	18,400	8,300	14,300	30,400
Total 12 companies	339,200	592,700	603,500	669,600	124,600	332,300	309,200	384,300	463,800	925,000	912,700	1,053,900
All other imports	12,800	41,100	74,200	94,900	35,400	90,300	91,800	87,500	48,200	131,400	166,000	182,400
Total imports	352,000	633,800	677,700	764,500	160,000	422,600	401,000	471,800	512,000	1,056,400	1,078,700	1,236,300

[1] Since year 1948: Figures individual companies submitted by companies to subcommittee of House Small Business Committee.

Source: Texas Railroad Commission, February 1955.

EXHIBIT No. 7

United States imports of crude and residual oil—Daily average barrels per week beginning with the week ending Dec. 3, 1954, and ending with week ending Feb. 11, 1955

[Net barrels]

Week ending—	Crude imports, daily average barrels per week	Residual imports, daily average barrels per week	Total crude and residual, daily average per week
Dec. 3	678,800	468,300	1,147,100
Dec. 10	676,200	400,900	1,077,100
Dec. 17	651,700	639,400	1,291,100
Dec. 24	652,100	419,300	1,071,400
Dec. 31	831,400	569,800	1,401,200
Jan. 7	677,400	633,300	1,310,700
Jan. 14	637,100	552,100	1,189,200
Jan. 21	630,700	457,100	1,087,800
Jan. 28	879,700	636,400	1,516,100
Feb. 4	849,800	416,500	1,266,300
Feb. 11	811,300	534,800	1,346,100

Source: American Petroleum Institute, statistical bulletins.

Senator CARLSON. I want to express my personal appreciation to you and your organization for submitting for the record this splendid group of statistics on the importation of oil. I think it is going to be very helpful in the committee as well as in the Senate when we consider this legislation.

As I understand it, you mentioned the President's Commission on Energy Supplies and Resources Policies, and their statement. I take it that you feel that their recommendation of percentage increase based on domestic production is too high.

Mr. BUCKLEY. I do, sir. I endeavored to check with the members of our industry who were members of the task force. I stated that my feeling in the matter, considering what the imports were in 1948, is that to set a level of 1,054,000 barrels was not realistic when various oil companies were quoted in the New York Times in Mr. Carmical's article of last Sunday that they felt the President's recommendation was very generous. In view of my statistics, you can see why they felt it was generous, where we would feel they were overly generous.

We feel if 1948 was a rather normal year—and following Senator Millikin's thoughts expressed this morning as to the effect of a war economy—if 1948 was the in-between year between the Second World War and the Korean war, it represents, so far as our industry was concerned, a normal period of operation. It represented in the oil industry a good period of earnings from what I have been able to determine, and therefore, in my opinion, it was a normal period.

Why, then, in view of the fact that that was a normal period and imports of residual oil were approximately 53 million barrels that year, which meets this 10 percent of demand test, and the imports of crude oil were approximately three and fifty-some-odd-thousand barrels, I cant' see in the light of that, if 1948 was a normal year, why we should jump from 1948 to 1954, and say 1,054,000 barrels per day is proper.

I might say this, if I may, Senator. When I appeared 5 years ago, unemployment was rampant in the coal industry, and I recall distinctly, as the several oil witnesses appeared, the statements they made of what they intended to do. In those days the imports weren't as great as they are today, but we were seriously affected because the price broke so precipitously. As the oil continued to increase, then the Korean war broke out in June 1950, and the report of this committee came out, which was unanimous, that something should be done.

We complied with all the recommendations of the committee, including Senator Taft, about going to the Tariff Commission. The Tariff Commission did nothing about it. As a matter of fact, they recommended at least after the Mexican Treaty went out the window and the Venezuelan agreement was made, that the tariff for oil should be $10\frac{1}{2}$ cents per barrel, and President Truman reversed that and brought it down to $5\frac{1}{4}$ cents per barrel.

There has been one extension of reciprocal trade agreements law, and that was in 1951. I believe 2 years ago you, Senator Millikin, recommended that a commission be appointed to study the imports for 1 year. They set up the Randall Commission, and you were a member of it. Last year there was a 1-year extention.

The oil industry has attempted to be our spokesman. They said, "You lost so much to diesel oil. You lost so much to natural gas," and so on.

What they have neglected to tell you is that actually the problem from the standpoint of the domestic oil industry in the United States is where 1 barrel of residual oil is equivalent to 5 barrels of crude, considering a ratio of about 20 percent in the refining process. They quote 120 million tons lost to locomotive fuel throughout the country. They are very careful to skirt the question that the competition generally is north of Florida in an area within 50 to 100 miles contiguous to the Atlantic seaboard. That is where the competition is. We can take care of ourselves elsewhere in the country.

What I tried to spell out here, with all the talk of hundreds of millions of barrels annually, just what the situation is that confronts us. Here is a statement that shows what imports were, barrels per day. This is what it has been running, and it is continuing to increase.

I recall in 1950 when the late Senator Taft was sitting there, when oil witnesses admitted there was nothing to prevent them bringing in 5 million barrels a day.

Seriously, I don't know how you can control the Shell Oil Co. I don't know how you are going to control them.

I don't think you can make an agreement with the Shell Oil Co., because they are a foreign-controlled corporation. Even if domestic oil importer corporations voluntarily agreed to limit foreign oil imports, there would be nothing to prevent Shell from expanding its imports to offset the entire reduction. The only safeguard would be a statutory quota limitation.

Here is a new company, Shell Caribbean. They propose 123,000 barrels a day of residual oil to be brought in. They imported nothing 6 years ago. The other two companies are Asiatic Petroleum and Shell.

We have had the most stable labor relations in our industry of any industry in the country since early 1950. We have had no strikes. We have had no troubles in our industry. We have had no difficulties in 7 years with the exception of that period in early 1950. So it is not a matter of strikes.

I do hope I have been helpful in giving you Senators a little picture that I think is different than the story that has been told in recent years.

Senator CARLSON. I want to say, as one member of this committee, I for several years have been concerned about the ever increasing amount of imports of oil. Last year I introduced legislation which would limit it to 10 percent. I am a cosponsor of legislation this year for 10 percent. I arrived at that figure because I have no other information. I noticed by the Commission reports that we are averaging 16.7. It is something I really hope this committee will have an opportunity to go into thoroughly after we conclude the hearings, and I for one do not know where it should be, but I think we must do something.

Mr. BUCKLEY. About a month or so ago I read an article that was most interesting. All my life I have spent along the Atlantic seaboard. We used to look to the gulf area, which comprised Texas, Louisiana, and the midcontinent, along that area. Almost a hundred percent of the crude refined along the Atlantic seaboard came from this area.

Now in the area from Philadelphia through New England—65 to 75 percent of that oil presently being refined is of foreign origin.

Suppose we were shut off from the Middle East, as was testified before the House Small Business Committee in 1949. What would happen if you were denied 75 percent of your oil for refining, which oil was of foreign origin? That is something to think about.

Senator CARLSON. Senator Martin?

Senator MARTIN. Where do you get the estimate of the importation of oil for the first 6 months of 1955?

Mr. BUCKLEY. That was the Texas Railroad Commission who issued these reports late in February, which they didn't have before the House Ways and Means Committee. They are actual figures submitted by the oil companies to the Texas Railroad Commission.

Senator MARTIN. Thank you.

I have no further questions.

Senator CARLSON. Senator Malone?

Senator MALONE. I think you have made a very good statement. Do you see any difference in your situation, in your production being curtailed through imports with cheap material, than any other industry being displaced in the United States for the same reason?

Mr. BUCKLEY. I have made no study of other industries. We have been confronted with this serious problem for the last half-dozen years. I have had to concern myself with our own industry, and the only thing I know of of the other industries is some of the things I have heard of during committee hearings that you have conducted or others have conducted, but I am not qualified to talk for any other industry.

Senator MALONE. Then just for a question, assume that there are other industries being displaced in part or in whole, and that the same situation existed, would you think they should have relief also?

Mr. BUCKLEY. I would think so if it was true that the conditions were similar to what I have cited here. I would think so, yes, sir, if it could be proven.

Senator MALONE. You are familiar with a suit brought by the Morgantown Glass Co., of Morgantown, W. Va., which has lost half of its employees, and they are one small glass company, and others are affected similarly. Do you think they ought to have relief in some manner?

Mr. BUCKLEY. I am not familiar with that.

Senator MALONE. I am not asking you if you are familiar with it. I am telling you that they lost half of their employees. Just think of you losing some of your employees. If the situation is brought about through cheap labor imports, such as yours is here, do you think they ought to have relief?

Mr. BUCKLEY. I would think so; yes, sir.

Senator MALONE. I don't understand that your industry has ever objected to domestic competition if you are curtailed through the production of domestic oil or gas, which pays about the same wages as you do, the same taxes, lives under the same conditions, same cost of doing business, you have not objected to that curtailment.

Mr. BUCKLEY. No; never objected to fair domestic competition.

Senator MALONE. In other words, if you were put out of business through domestic production of oil or gas or even nuclear fuel, you would never raise your voice because they are paying the wages that you are.

Mr. BUCKLEY. That is right, I have no objection to that so long as it is fair and equal, but in the case of Government-subsidized competition, we do object.

Senator MALONE. It is only when they are imports from some foreign nation that pays less wages or has less cost of doing business or in some way can undersell your product or a like heating product coming from a foreign nation, that you object to.

Mr. BUCKLEY. That is right, sir.

Senator MALONE. I want to ask you: Are you opposed to the extension of the 1934 Trade Agreements Act that is proposed under H. R. 1?

Mr. BUCKLEY. I would be frank—all I can say with respect to that is that up until now this tremendous flood of foreign oil, I never really had a position with respect to the Reciprocal Trade Agreement Act. I felt during the beginning of the depression the idea in back of it might accomplish a certain amount of good. Since that time my feeling is that there have been such changes in the domestic economy of our country and the economy of the world that I think the factors that I have stated on so many occasions, the factors that entered into the enactment originally, have changed materially today, and I don't think the law is sufficiently flexible to provide for the changes that have taken place.

It has been my opinion—and I have so expressed on many occasions—that I think some provision must be made to provide for these changes that have taken place. I was interested in Mr. Hoffman's statement this morning, and I understand what you were driving at. The original purpose of the Foreign Aid Assistance Act of 1948—its author was Senator Vandenberg—was to help out these various countries and help to rehabilitate them, to restore the plants destroyed as a result of the war and put them on their feet.

But they began to build new refineries. They began to build new textile plants. That was contrary to the original intent of the law. As a result, American industry has become subject to foreign competition financed by Marshall plan dollars. I know in our own case that residual oil has even been imported from France from a refinery that was built with ECA dollars.

Senator MALONE. Mr. Buckley, there was a great difference of opinion as to why we were giving them the money in the first place.

Mr. BUCKLEY. I think they had to give them a certain amount of it, Senator.

Senator MALONE. I put into the record at that time a table showing their relative position before the war and after the war, and there were only 2 nations less than about 97 percent recovered, 98 percent recovered on the basis of their own prewar production at the time we passed the Marshall plan. The 2 nations were Germany and Austria that we had deliberately held down. We divided Germany into 4 parts, and most of Austria was under the domination of another nation entirely. So there was some serious differences of opinion as to whether we were trying to get them to recover or give them the money to buy something that we were producing that was not otherwise salable.

Then, as pointed out this morning, if you were here, we overbuilt their industry beyond their ability to consume, and they had no markets then, outside of their own nation, because they don't sell to each other in quantity in Europe. I guess you are aware of that. They have their tariffs and their different obstructions, so the Italian oranges cannot be sold in England to any degree, or the Belgian steel in Italy. They don't buy from each other. They want some of our markets, and then they want money to buy from us.

So without discussing that further, there was a serious difference of opinion. Right now these countries are producing 140 to 170 percent over their prewar record, so certainly we weren't trying to have the nations recover. We are trying to build a capacity for them to far outproduce their ability to consume.

As I pointed out on the Senate floor in 1948, we were going to be just in the position we are in now. We would either have to buy their surplus or we would be threatened, and we are faced with that situation now, as you heard Mr. Hoffman explain.

Mr. Buckley, a subsidiary of Standard Oil of New Jersey, or at least a distributor of this oil in the Middle East testified before our committee that they did not want a tariff or anything making up that difference in cost of production in foreign oil and in the oil of the United States. They wanted to be the judge as to how much would come in and how much would be produced here.

You are familiar with that?

Mr. BUCKLEY. I am familiar with it.

Senator MALONE. You had it in your statement.

Mr. BUCKLEY. Yes, sir, that is right.

Senator MALONE. If there was a tariff that made up that differential of cost of production between this Nation and the chief competitive nation, which probably is the Middle East, then that would come in on the same basis of cost as the domestic production, and you still would not be in danger very much.

Mr. BUCKLEY. I could never agree on a tariff in the light of oil that pours out of the ground in Saudi Arabia and some of these places at the rate of 10,000 barrels per day as compared with an American oil well of 10 or 15 barrels a day.

Here I read in the last couple of days that Venezuelan oil production is running at 2,100,000 barrels a day compared with 1,370,000 barrels a day in 1948, and, in my opinion, a tariff per se is not the answer. I think you have to have an absolute quota because I believe with what they are able to absorb, plus the fact that tankers today carry up to 400,000 barrels as compared with the T-2 tankers of World War II of 60,000 barrels, a tariff is not the answer to the problem. I think it has to be an absolute quota.

Senator MALONE. Mr. Buckley, you know that Congress can always take up any particular problem, just like they did with sugar, and provide for quotas and tariffs and every other safeguard. But I want to point out to you that perhaps you haven't thought the other thing quite through, that that differential of costs provides for all of these contingencies that you have enumerated, and if you are aware of what happens, if this act is allowed to expire, on a commodity on which there is no trade agreement, it reverts immediately to the Tariff Commission on the basis of fair and reasonable competition.

The exact wording is the difference in the cost of production between this Nation and the chief competitive nation. It doesn't say anything about the production or how much or anything about it. But if it comes in the cost is equalized.

Now, on this fuel, the trade agreement has been made. Therefore, it would remain in effect until the President served notice for cancellation on the country with which such trade agreement has been made. Then it would revert to the Tariff Commission. So it isn't necessary to go into the amount produced or the cost of production until the Tariff Commission again acquires the right to obey the congressional mandate as laid down in 1930 to determine what that difference of cost is, and then they are met at the dock with that cost. So when it comes in, the effect is that it doesn't come in except where it is needed. If it is needed on the basis of domestic price, as I understand you to say, you are not objecting to the domestic price. If the domestic price is maintained——

Mr. BUCKLEY. That is right.

Senator MALONE. That is all you want?

Mr. BUCKLEY. Absolutely, that is right.

Senator MALONE. Under this condition, I want to point out to you that the situation in the tariff law of 1930—which was never used because in 4 years the 1934 Trade Agreements Act interceded—you would have exactly what you apparently require, and what I think you ought to have; in other words, you would have a competitive condition here where you are really only competitive to the cost of the production of domestic fuel, and that is what you really want.

Mr. BUCKLEY. That is right.

Senator MALONE. You are aware, no doubt—and then I will come back to the extension of this act—that if this act is extended, that prolongs the life of GATT, General Agreement of Trades and Tariffs, at Geneva, it makes possible the organization of other trick organizations, as I call them, the Assembly of the United Nations having just created another one by resolution that would take in all the markets of the world and divide them among the nations on the basis of that great phrase that was created by one of them, "entitlements for consumption," which can only mean in the language of the everyday man—and I think I am one of them—divided on the basis of population.

There is nothing to divide unless our markets are in the pot. If you extend this act, our markets are still in the pot. If you don't extend it, we are not sitting in the game, and, therefore there is no game, just like any sucker poker game.

So I again ask you if you are in favor of extending the act after this information.

Mr. BUCKLEY. Mr. Pickett of National Coal Association testified for the industry before the House Ways and Means Committee and opposed H. R. 1 in its present form because it usurped some of Congress' constitutional powers. I know some of these evils, too. I am not as familiar with it as you are. I know the Reciprocal Trade Agreements Act, and I know, Senator Millikin's position on the peril point—and Senator Millikin has always argued that so forcefully—I think they tried to put some of these safeguards in.

Part of the difficullty has been the law itself. It has been the discretionary powers granted to the President in spite of the unanimous recommendation of the Tariff Commission. That is what President Truman did on the Venezuelan tariff agreement when they reduced the tariff from 10½ to 5¼ cents in spite of a unanimous recommendation.

Our experience in going through the Tariff Commission with the time that it takes and to do the things you want, the most direct way that I can see is, as we state in this recommendation, to make it on a quota basis. Then we solve the problem. Maybe it is necessary in some other commodity to do what you want to do, you see, but I think for our immediate problem, the answer is that which we recommend.

Senator MALONE. I say to you, Mr. Buckley, that nearly everybody, if you come right down to it, and it has been coming down for 50 to 75 years, wants free trade on what they buy and a tariff on what they sell. Many people think what has happened to you is a very good thing.

Mr. BUCKLEY. We had oil competition, foreign oil competition prior to World War II. There was always a certain amount of oil that came into the country. We never had a problem, sometimes depending on supply, prices were lower than coal, and they went into certain plants. But this enormous foreign production that took place in the postwar period, something we never had to contend with from the time the east Texas field was brought into production in 1932, and certain conservation practices were put into effect down there. This is something really new. It is subsequent to 1948. This is an entirely new development, this phenomenal development in the Middle East.

Senator MALONE. In many other industries we furnish the money for the production, so anything they do toward the sale of it is pure profit. It is a phenomenal thing because it happened to you. It is happening to 500 other industries.

Mr. BUCKLEY. These companies engaged in foreign production, American oil companies, they put up their own money, that I am pretty sure of.

Senator MALONE. They didn't put up all of it.

Mr. BUCKLEY. They put up most of it, I think.

Senator MALONE. It is not what we think. The record is there. During the war there were millions of dollars put up in the Middle East. You should be familiar with that.

That is neither here nor there. This thing has happened to you, and I know it is very close to you, but it has happened to 500 other industries, and probably will happen to 4,000 more. Do you think the thing to do is for all of them to fix a quota or some trick amendment to protect themselves and leave everybody else on the limb?

Mr. BUCKLEY. I don't know about other industries.

Senator MALONE. The mineral industry is in bad shape, as bad a shape as the coal industry.

Mr. BUCKLEY. I just don't know.

Senator MALONE. The glass industry is just as badly off as the coal industry, maybe a little bit worse in spots. The crockery industry is just as badly off. Fifty other industries I could name offhand, if I wanted to take the time of the committee, are just as badly off.

You have already testified that all you want is a fair competitive chance with the domestic fuel.

Mr. BUCKLEY. That is right.

Senator MALONE. So if any imports come in on the domestic price, that is, they are met with the payment in the difference in cost of production here and the chief competitive country, which would be this country you are describing, then you would still only be competing with the domestic price.

Mr. BUCKLEY. That is the effect of it, yes, sir.

Senator MALONE. If that is the effect of it, you wouldn't object to it, would you?

Mr. BUCKLEY. No, I couldn't object to that.

Senator MALONE. In other words, if you are put out of business by a nuclear fuel or oil or gas or any other fuel that might yet be discovered, but that industry is paying the same wages and taxes and existing under the same situation, we would hear nothing from the coal industry.

Mr. BUCKLEY. That is right.

Senator MALONE. I understand your situation perfectly, and I also understand the frantic way you are going about this, because your people are in bad shape.

Mr. BUCKLEY. That is right; yes, sir.

Senator MALONE. You are taking the place, generally speaking, of Mr. John Jones who used to appear before us?

Mr. BUCKLEY. No. I am the industry representative. Mr. Kennedy will appear for the United Mine Workers.

Senator MALONE. You are the industry representative? You are very close to it? You represent the unions?

Mr. BUCKLEY. I represent the various coal associations. I mentioned in my forepart of the statement that I spoke for various groups. I mentioned them. Senator Byrd was desirous of having 1 person speak for an industry in various branches of it.

Senator MALONE. You heard Mr. Hoffman testify this morning that he thought, in addition to this fair and reasonable competitive price, there should be 1 organization or some 1 man—as there is in this bill, the President of the United States. We think it is the State Department, although for technical purposes the President is named. He should have the right to reduce the tariff below that difference in cost of production. You heard him say, I think, that if an industry couldn't compete under those conditions, perhaps they would be going out of business for other reasons. Do you agree with that?

Mr. BUCKLEY. I can't agree with the philosophy of Mr. Hoffman. I don't agree with his philosophy. I don't want to belabor the point. I just don't agree with his philosophy. I have heard witnesses before committees of Congress advocate that American industry go out of the window. If they are to go out of the window if they cannot meet this competition, I don't subscribe to that philosophy.

Senator MALONE. You gathered during the conversation that I didn't exactly agree with that, either.

Mr. BUCKLEY. Yes, I agree with you.

Senator MALONE. I am sorry I misunderstood just whom you represented, and I will wait for the other witness. In any case, all you want is a fair and reasonable competitive basis to do business.

Mr. BUCKLEY. That is absolutely right.

Senator MALONE. If you can meet that——

Mr. BUCKLEY. We have no complaint.

Senator MALONE. But you do want that fair and reasonable competitive basis.

Mr. BUCKLEY. That is what we want.

Senator MALONE. Regardless of how it is done?

Mr. BUCKLEY. That is right.

Senator MALONE. If it can be done, then, by the 1930 Tariff Act, which has never become operative really under the conditions outlined, you would be satisfied?

Mr. BUCKLEY. Yes, but I would still stick to my 10 percent for now, as the best way to get it.

Senator MALONE. I can see you kind of left the crowd, and if you can take care of it yourself, everything would be all right, and I think some industries do take that viewpoint.

Mr. BUCKLEY. I don't feel that way. I think from the standpoint of our own problem, this is the better way to meet it. Maybe they have a different way in some other industry. For our industry this is the only way we can meet it. That is after mature consideration of the other angles.

Senator MALONE. Has this other method had a trial in the meantime?

Mr. BUCKLEY. It had a trial to an extent. I might say it this way. That was merely a recommendation of the Senate Labor and Education Committee. Nothing was done because the Korean war broke out, and the various things have happened since then. No, it hasn't had a trial.

Senator MALONE. Of course not. I can see your point perfectly. It seems to me if the 5,000 different industries and products all came in with a little patent medicine, we will have a little difficulty here, because there will be an awful lot of these kinds of remedies.

But if a principle would do the work, then Congress has before now gotten together on a principle, and it has not been too difficult, and the principle is laid down in a law that has been dormant almost since its passage.

I am very sympathetic with your problem. I am sympathetic with your thinking on it. The point is, does it answer your own problem—you think it does. Let's explore that just a minute.

Suppose you are limited to 10 percent of the domestic market. You know now, of course, that it is more than that 10 percent. How can you tell that if you limit it to 10 percent, that will be the remedy? By what reasoning do you know it wouldn't be 9 percent or 12 or 8 percent?

Mr. BUCKLEY. That is a matter of trial and error anyway. As I understand this bill, H. R. 1 extends the act for 3 years. You don't have permanent legislation. If you had permanent legislation, you would be bound forever more. We wouldn't hesitate to come up here and point out the facts to the Congress where we differed. We have the right of appeal to Congress. It is Congress that enacts the legislation. Congress in the past has made changes in laws when it deemed it necessary.

We are never just barred forever from changing positions. I think all of us in the course of our lifetime have had to change our position on various matters. I mean we have to. I think you have to have a certain amount of flexibility. There is a right for us to come back to Congress if we were hurt. That would be my opinion.

Senator MALONE. What do you mean when you say you pass the law and it is permanent legislation?

Mr BUCKLEY. On the Reciprocal Trade Agreements, it has been for 3- or 2-year periods. During the past 2 years, since the time Senator Millikin set up the legislation for the Commission to study the problem, which then became the Randall Commission, then there was a 1-year extension of the law to permit the Commission to function, and last year there was another 1-year extension of the Trade Agreements Act, because there wasn't enough time to act.

The law didn't die. This year, because they decided they could have an extension based with certain changes on a 3-year extension of the law, that is what H. R. 1 provides for. Under a 3-year extension of the law, you can, unlike the last 2 years where it has been 1 year, hurt us very seriously if the corrections we recommend are not made in the law.

Senator MALONE. You are for the extension of 3 years? What about 1 year?

Mr. BUCKLEY. I think a 1-year extension is preferable if there is to be an extension.

Senator MALONE. If you didn't get your 10 percent, what would you be for?

Mr. BUCKLEY. If we didn't get the 10 percent?

Senator MALONE. Yes.

Mr. BUCKLEY. We would continue to fight for it. We haven't given up in 5 or 6 years. We have been at this thing since 1949, and we never give up.

Senator MALONE. If you run out of a job, come to my office.

Mr. BUCKLEY. I never give up.

Senator MALONE. I think that is a very laudable trait, and I hope you don't.

All I was trying to say to you was that if each industry goes out for itself, it is going to be a little difficult—there are so many in trouble.

Mr. BUCKLEY. How can you talk about other industries when you don't know the other industries problems? We have a devilish time to take care of your own industry.

We have had a handful in our industry. You don't have the time to study the other people's problems. There are certain people who appear before you who are better equipped to talk about it than I am.

We in coal have had a 100-percent job on our hands in the last 7 or 8 years.

Senator MALONE. I would think it would be advantageous to industries that are in trouble to make their position known to Congress, to talk to each other a little bit, but that is only a suggestion, and, Mr. Chairman, those are all the questions I have.

Senator CARLSON. Are there any further questions?

Senator MILLIKIN. Thank you very much.

Senator CARLSON. Thank you.

The next witness is Mr. Walter J. Tuohy, president of the Chesapeake & Ohio Railway Co.

We are glad to have you here, Mr. Tuohy. You may proceed in your own way.

STATEMENT OF WALTER J. TUOHY, PRESIDENT, THE CHESAPEAKE & OHIO RAILWAY CO.

Mr. TUOHY. Mr. Chairman, distinguished Senators, gentlemen, my name is Walter J. Tuohy. I am president of the Chesapeake & Ohio Railway Co., with headquarters in Cleveland, Ohio, and Richmond, Va.

I am grateful for this opportunity to appear before your committee as a representative of a railroad that serves more bituminous-coal mines than any other road, mines which originate one-eighth of all bituminous coal produced.

I am speaking for the railroad industry generally in opposition to the unrestricted importation of foreign residual fuel oil. Our industry supports the amendments to H. R. 1, proposed by Senator Neeley and 16 other Senators.

I should like to make it clear at the outset that the Chesapeake & Ohio, as one of the Nation's leading transportation facilities, serving the great port of Hampton Roads, Va., is definitely not opposed to foreign trade. We have a vital stake in the free flow of commerce, domestic and foreign, import and export, consistent with the best interests of the national defense of the country. It is my fervent hope that the real issue before this committee will not become obscured. There is at stake here much more than an abstract question of free trade.

In speaking on this issue—and it is a narrow issue from the viewpoint from which we approach it—we have no position on the matter of free trade or otherwise.

This committee has before it an issue which goes to the very vitals of the strength of America and its ability to defend itself in time of crisis. Although representing railroad interests, it is essentially from the standpoint of an American citizen that I appear here today, and not as a solicitor of coal traffic. Certainly all of the railroads would be glad to regain any portion of the much-needed revenues that imported residual fuel oil has taken from them. But the problem has broader aspects than the condition and needs of the railroads and far transcends any consideration of self-interest within our industry.

The railroad industry represents an investment of over $26 billion. Since 1946, over $9 billion has been spent in improving the plant and facilities of the railroads. These improvements have been made despite the fact that the railroad industry has been able to realize the extremely meager return of only 4 percent on invested capital in recent years. In 1954, the second most prosperous year for industry since the war, the railroads' return was only 3.28 percent.

The railroads are essential to both the national economy and the national defense. In World War II—as an indication of the importance of railroads and the extent of reliance upon rails versus any other form of transportation—the railroads handled 90 percent of all military freight, 97 percent of all organized military travel, and 87 percent of the total increase in all intercity traffic.

Notwithstanding the essentiality of the railroad plant, the Government permits foreign residual oil to be dumped on the eastern seaboard, displacing coal and thereby impairing the adequacy of the railroad system.

I repeat, our discussions are confined to that point, the adequacy of the railroad system and its effect upon the national defense.

This practice is permitted in full knowledge of the past experience that import oil dries up in a national crisis. At the same time the Government demands that railroad facilities be kept in a high state of efficiency to cope with a possible war emergency. The Defense Transport Administration has, in recent years, urged the railroad industry to increase the freight-car fleet by at least 100,000 cars. Yet in the winter of 1954 an average of 36,600 coal cars were stored, in serviceable condition, on railroad sidetracks, an idle investment of some $220 million, plus a substantial unused capacity in roadway and terminal facilities for handling coal.

Unless these facilities and equipment are utilized, it is elementary economics that they will not long be maintained. The railroads, under present conditions, cannot continue to maintain on a standby basis a vast portion of their coal-carrying capacity, so sorely needed in times of emergency. The erosion caused is a double-edged sword thrust at the two basic industries so vital to victory in war. The coal market is lost; railroad equipment is unused; so both contract and are weakened instead of strengthened.

The railroads handled approximately 85 million tons of coal in 1948 destined for consumption in eastern seaboard territory. In 1953, they handled only 56 million tons into that market, down a third. Imported residual fuel oil consumed in this same territory that year was equivalent to 32 million tons of coal. Thus, the loss of coal about equaled the amount of imported residual oil. The revenue loss to the railroads approximates $85 million a year. Unless the flooding of these markets with foreign residual oil is curtailed, the traffic loss may be even greater and even more disastrous to the railroads than that now suffered. If I may refer to the preceding witness' testimony, it is evident that the present calculations point to such an increase in rail traffic loss.

The three Pocahontas railroads (the Norfolk & Western, the Virginian, and the C. & O.) originate a quarter of all the bituminous coal produced in the Nation; that is, we serve mines that originate that tonnage. They have invested well over half a billion dollars in railroad facilities and equipment designed and built for the transportation of coal through Hampton Roads ports. This tidewater-coal tonnage is particularly vulnerable to the unfair competition of foreign residual. In 1948 in aggregate of 17,873,626 net tons moved from Hampton Roads to markets along the eastern seaboard. By 1954 this tonnage had declined to 7,301,590 net tons. This diversion has been from coal to an imported fuel which is a waste product, sold at any price that will capture the market.

Again referring to the previous witness' testimony, I was interested in one thing especially. When you hear the name of a big customer that you once had and now has been lost, of course you perk up your ears. I refer to Boston Edison Co. I remember that for many, many years one of the large coal operations on the Chesapeake & Ohio in West Virginia supplied most of the coal tonnage through Hampton Roads to the Boston Edison Co. The operator produced something over 4 million tons of coal a year and always made pretty good money. I remember that the witness said that the Boston Edison Co. in 1948 used 448,000 tons of coal. In 1953 that company used 1,400 tons of coal, down from 448,000, although at the present time by reason of the natural expansion in the power business, the company is using residual fuel oil equivalent about 1 million tons of coal, whereas no actual coal is going into that Boston Edison plant at the present time.

Referring also to the coal company that used to supply this tonnage to the Boston Edison Co., that company, I know, last year had a very substantial reduction in coal production and, instead of making a profit in the seven-figure mark, lost over a million dollars in operations in 1954.

The huge loss of coal tonnage on the eastern seaboard has caused a severe impact upon employment, on railroad labor, upon employment on coal-mining labor, and particularly in the large coal-producing States within the Pocahontas region. For example, in West Virginia, having the largest bituminous production, 40 percent of all wages and salaries paid in recent years were to employees of coal companies and to railroad workers who move coal. In those States having such a huge stake in the coal industry, any decline in coal production has immediate and serious effect on the internal economy.

I would like to refer particularly to another factor that hasn't been brought out very often. The coal-producing capacity of the area served by the three Pocahontas lines is of critical importance to the national defense. This area has the largest reserves and supplies a great amount of the metallurgical coal that goes into the making of steel. War means steel and steel means coal—and a lot of it. When the capacity of the mines in the Pocahontas area is impaired, the availability of this steel-plant coal is affected, as well as the transportation facilities to handle it. The disastrous effects which will follow are only too clear when it is considered that there is no substitute for metallurgical coal in the making of steel.

This Nation knows too well from its bitter experience in World War II that it cannot look to import oil for fuel supplies in time of war. Domestic sources will have to furnish that supply. It takes precious time, much too long and costly in delay, to reopen and reactivate mines that have been forced down by reason of the invasion of this dump product that has penetrated inland markets as far as 100 miles from the eastern seaboard and which in 1953 displaced 32 million tons of coal.

In time of war the flow of import oil abruptly stops. The supply of foreign oil failed almost entirely in the first full year of World War II. In such an emergency it would be impossible to acquire new railroad facilities to take the place of those eliminated by the diversion to residual oil. Railroad locomotives, cars, and other transportation facilities cannot be provided overnight. It would take many months, running into years, to construct and acquire those facilities which would be necessary. The railroads cannot operate on a standby basis. The facilities must be used, must be allowed to be productive, or they will not be available.

I have an abiding faith in the future of coal and railroads, provided that the operators and the carriers are permitted to live and breathe under policies that are designed to make America strong. Such strength is the very objective of our foreign-trade program. But that objective is defeated when the importation of foreign residual fuel oil is permitted to imperil the capacity of these vital links in the chain of national security—coal, rails, and steel.

I should like to emphasize that what we are talking about is not a product which is sold in this country under fair competitive practices and one which fills a domestic need. It is, instead, a waste product which is the result of a refining process that American refiners have declared to be economically unsound. The proceeds from its sale at any price is velvet. The sole criterion in establishing price is whatever it takes to undercut coal.

Any concept of free trade that will make for a strong America must be predicated upon the considerations of fair play and fair competition that govern our domestic commerce. It is essential that in our foreign commerce, as in our domestic trade, there be recognition of the dividing line between fair and unfair competition; and the need for that recognition is doubly acute in this instance where the very security of our Nation is involved.

The railroad industry is not asking for special favors or special treatment. It is fully cognizant of the necessity for trade, the necessity for strengthening the economic status of our allies, and for doing everything which may be required to preserve our democratic way of life. There must be, however, a reasonable balancing of the equities between our foreign goals and the maintenance of a sound domestic economy. In the final analysis, strong industry at home is our principal, and certainly our last, line of defense which cannot be maintained without a healthy coal and railroad industry.

Thank you very much, gentlemen, for your patience, and I sincerely hope and believe that you will consider this presentation from the narrow viewpoint in which it has been submitted to you; namely, that of national defense.

Senator CARLSON. Senator Millikin?

Senator MILLIKIN. Thank you very much.

Senator CARLSON. Senator Martin?

Senator MARTIN. Just one question. Hasn't the fact that the railroads are now using diesel oil eliminated the use of a large tonnage of coal?

Mr. TUOHY. Yes, sir.

Senator MARTIN. No further questions.

Mr. TUOHY. May I add one word. Mr. Senator, for clarification and for distinction, that we are referring here in our testimony to a foreign product——

Senator MARTIN. I understand that.

Mr. TUOHY. This is diesel oil to which you refer for the use of the diesel locomotives. The entire supply of that comes from this country, and not from a foreign source.

Senator MARTIN. Part of it would come from refining imported oil; wouldn't it?

Mr. TUOHY. I don't know how much, Mr. Senator.

Senator MARTIN. There is over a million barrels of oil imported a year, and, of course, a great amount of that lands on the eastern seaboard, and is refined in the Delaware Valley.

Senator MALONE. A million barrels a day.

Senator MARTIN. I mean a million barrels a day. Wouldn't a lot of that be refined?

Mr. TUOHY. I would think so.

Senator MARTIN. You understand I am fully in sympathy with you, but I think we ought to have all of those things in the record. I think the railroads made quite an advance when they started to use diesel fuel, although I am frank to say I was sorry it had to come about.

Mr. TUOHY. Mr. Senator, I was a coal man myself, before getting into the railroads; you weren't and couldn't have been as sorry as I was to swing over. But it was economically impossible to operate the railroad any other way. While my colleagues in the coal industry might not agree with me in this particular statement, I can say to you that, in my judgment, while dieselization has been in one way directly adverse to the coal companies, the coal companies would otherwise be paying higher freight rates than they are today—high as they allege they are—if we were not burning diesel oil.

Senator CARLSON. Senator Malone?

Senator MALONE. Mr. Tuohy, you are president of the Chesapeake & Ohio Railroad, aren't you?

Mr. TUOHY. Yes, sir.

Senator MALONE. You cannot operate your road profitably without the coal freight that you have customarily had?

Mr. TUOHY. That is correct, sir.

Senator MALONE. Have you studied transportation problems in general to the point where you know that there are other railroads in the United States in the same situation in regard to other types of freight?

Mr. TUOHY. I am speaking for the railroads generally, Mr. Senator, and I have studied as a general thing the traffic trends of those other railroads, and when I present the stand that I have, I am reasonably sure that I am presenting almost a hundred percent, if not a hundred percent, the position of the railroad industry.

Senator MALONE. I will put the question in just a little different way. If there are other railroads, carriers in the Nation that are in the same position that you are in, through the deletion of the freight, regardless of whether it is coal or minerals or some other type of freight on account of imports into this country, and a change in the industrial map, then you would be in favor of those roads getting the same consideration.

Mr. TUOHY. So far as imports of oil are concerned.

Senator MALONE. I am trying to tell you, as I have others in special industries, when they come in here and ask for relief themselves, who say, yes, we are for free trade, but we must be taken care of, that it is a little narrow viewpoint, if I might say so. If you are the only railroad in the United States that is hurt by this shift, in the remaking of the industrial map that I tried to explain to Mr. Hoffman this morning, which he finally decided he was for if it employed more men elsewhere, which he thought it would, more even than are unemployed in the fields where the imports took the product. I am trying to ask you now a simple question. You haven't studied these other railroads, from your answer, but if there are other carriers in the United States that have their investment and are necessary or at least are usable, and were used in war for carrying freight, carrying soldiers, and carrying war equipment, and by virtue of this remaking of the industrial map, they have lost the necessary freight, maybe not alone from oil, but from some other products, do you think they ought to have the same treatment?

Mr. TUOHY. Mr. Senator, I have tried to narrow the issue in my presentation.

Senator MALONE. You have narrowed it. That is what I am trying to tell you.

Mr. TUOHY. I am placing my exhibit exclusively on the basis of what it does to national defense.

Senator MALONE. And what it does on one product in one area.

Mr. TUOHY. No, Mr. Senator. I would say it does more in one area than it may do in other areas. I hope I have not given an erroneous impression. When I selected three railroads and referred to the metallurgical coal in the Pocahontas railroads' area, I simply meant to pick out one particular point, an important one to me, first, because I know more about it than I know about others, and, secondly, because I know that area comes into a situation which affects other industries, as evidenced in the past. The steel companies look to the Pocahontas area for additional metallurgical coal when they need it. To my mind it is vital to have that elasticity, to have that metallurgical coal in that particular area, to supply to the steel mills in times of emergency.

There are other railroads, such as the Pennsylvania and the New York Central and the B. & O. and the L. & N. Those large railroads, I would submit, are substantially hurt in an adverse way by the importation of residual oil, and I am speaking here for them. Probably the residual oil would not affect the M. K. & T. Railroad. I don't know. But I simply state that it is a matter of degree. I am looking at it from the standpoint of the railroad industry, and the need for it to be sound in a wartime economy.

Senator MALONE. I understand exactly what you have done. You have picked out your own railroad in telling us that you must be in a good condition to serve the country in time of war, and you cannot maintain your railroad without the customary freight that you customarily receive from coal. But I ask you a simple question: Do you think that other railroads or other carriers in other areas that might be impaired have had their usefulness impaired? As a matter of fact, there are records of many short-line railroads in the States going out of business entirely because of this change in freight, and they sold the rails for scrap.

Mr. TUOHY. That is right.

Senator MALONE. Do you think these roads that are still in existence that are being impaired because of imports of materials taking the place of these materials mined in the areas about which I speak, using the lower wages, a lower cost of material, should also get relief?

Mr. TUOHY. Mr. Senator, I am not trying to evade your question. I will simply state again that what I am talking about is not simply one railroad's individual problem.

Again, I repeat—and I would like the record to show—that I am not appearing precisely for one railroad. I am appearing for the railroad industry as a whole.

Secondly, I am appearing and talking about a product that is here today and gone tomorrow. I am saying that the product that we object to is a product that is vital to this country in a time of war, and I am saying that by experience we know you cannot get that product in time of war. That is different from another product such as toothpaste or lace which you were talking about before, or many other things.

I am confining my discussion to a product which is indispensable and which statesmen and lawyers and government people will concede without question is indispensable to the successful prosecution of a war.

Senator MALONE. Did I understand you to say that none of this residual oil coming in would be available in a war?

Mr. TUOHY. Yes, sir, very little of it.

Senator MALONE. I want you to study that question a little further. One of the things that we are prone to do is to get out of our field. Since I have come to the Senate, I have made it a point to study that particular question, and if you are interested, there is a Senate Report 1627 that might help you materially in your battle, because, generally speaking, we are on your side. We are for protecting American industry on the basis of fair and reasonable competition, so that regardless of what is available to this country, it is available only at that level of cost of production in this country. That would satisfy you, wouldn't it?

Mr. TUOHY. Yes. I shall be very happy to read——

Senator MALONE. I merely mention this as a side issue. You can take it if you want to. If you had it on the basis of fair and reasonable competition, so nothing could come in under the domestic cost price—in other words, a duty or tariff which would make up that differential of cost of production, so you would only be competing with domestic fuel— that might answer your question in your area.

Mr. TUOHY. Senator, if I understand your question—and I may be wrong—if you are saying: Are we satisfied that domestic fuel oil is going to continue to come in and that our competition as a railroad is going to be in connection with domestic fuel, I have no opposition. My point goes back to the objection to the importation of residual fuel for which there is no bottom in price other than the level of the price of coal, and takes away in a very important, concentrated area, coal business that is very much needed by the coal operators and needed by the railroads in order to maintain an adequate supply of equipment.

Senator MALONE. I understand you thoroughly, and I don't want to belabor the question, but you are besieged by this low-cost oil, because not only the tariff or duty was not raised in accordance with this differential of cost of production, which the 1930 Tariff Act specifically says that it must be on that difference in the cost between this Nation and the chief competitive country—and, of course, that is not to be used and never has been because it was superseded almost immediately by the 1934 Trade Agreements Act—but the tariff was lowered without any regard to that differential of cost. That is probably the reason you are being flooded with the oil.

I want to say to you that the greatest military strategists in the world say the Western Hemisphere industry can be kept operating and be available to us in the next war, but other nations, across a major ocean, could not. That is the general thesis of their testimony over a period of time.

From your testimony, if you are saying you want this quota because this Venezuelan oil would not be available in wartime, you are wrong.

Mr. TUOHY. That is what I am saying.

Senator MALONE. I am not a military strategist, but this is the testimony of many military strategists of some note, so it is not something I have decided, but you can read the report.

I am trying—and have had that reason as one of the reasons why I came to the Senate—to see if there is not some commonsense in all industry remaining on that principle of fair and reasonable competition, so that you have a chance of American industry being protected, so that it is unnecessary for a railroad or any other organization to come in and make the complaint that you are making, because I didn't understand you to say this, but I am sure you will say this, that if you are being superseded from this coal by fuel produced in the United States, paying American wages and simply underselling you, paying the same taxes, wages, and everything else, you wouldn't be here, sir.

Mr. TUOHY. That is right, sir.

Senator MALONE. But you are here because there is a product coming in at lower cost that displaces this product and the same fuel can be produced in this country.

Mr. TUOHY. That is correct.

Senator MALONE. If you studied this situation, I think you would decide that if this act were not renewed, it goes back to the 1930 Tariff Act, which simply says in so many words that the tariff shall operate on a principle laid down by Congress, with their own agent, that they determine the difference in price between the cost of production in this country and in the chief competitive country, and recommend that difference to be the tariff. There is no other factor that can be considered by the Tariff Commission, and then only on facts.

The 1934 Trade Agreements Act opens up worldwide considerations, such as political international situations like saving some nation from communism, and under that you can change your duty and do exactly what has been done, and it can be done by one man, not operating under any direction from Congress at all, and with no check by Congress on what he orders to be done. As a matter of fact, we are not impugning the integrity of this one man at all, but no one man or no group of men—I think you will agree with me on this, and you are in the railroad business—can envisage the entire locking and meshing of the entire economy of the United States and the economy of the world and decide on what is good for everybody, and that is what is envisaged in this bill.

Therefore, I ask you if you are for the extension of this bill or if you want to go back to something that puts you on a competitive basis, so you wouldn't even need to be here.

Mr. TUOHY. Senator, that is the distinct advantage you have in fully knowing your subject, going back to the 1934 tariff——

Senator MALONE. 1930 Tariff Act and the 1934 act.

Mr. TUOHY. Yes, sir, and I confess ignorance about the specific provisions of those acts. All I can say to you is that I don't know precisely how the matter should be corrected. I know the conditions that obtain. I know the vital importance of their correction. I am highly persuaded that the best corrective suggestion that I have heard is the one that is contained in Senator Neely's amendment.

May I say to you, Mr. Senator, there are a couple of things you mentioned in your comments. No. 1, you said I am not familiar with the price situation, the prices of oil. I may have misunderstood you, but I know this, that on the eastern seaboard practically all the large pieces of business have been taken away by this residual oil, and the prices of that residual oil related in terms of British thermal units for 1 cent is anywhere from 50 cents to a dollar cheaper than delivered coal. That is No. 1. I know the price of oil only to that extent.

You referred to the suggestion of fair and reasonable competition. I am for that all the way. I have endeavored to suggest what is coming in here on a spot market, on a product that was once dumped in the ocean, and anything that one gets from it is gravy, if you please. I mean in the relationship of how they go about and try to compete with coal, any price on the coal. I suggest that is the rankest, unfairest type of competitive practice.

The third thing is this. We don't particularly in the coal business or as a coal carrying railroad like to see domestic oil coming in and displacing a coal job, but I am not here to oppose that form of competition. I suggest that it has many lower producing costs, and they may have certain advantages, and the coal people and ourselves are willing to compete on a fair and equitable basis, but that is a different situation from Venezuelan oil coming in here and being thrown into these markets.

The fourth thing—and I again repeat—is when you take that oil in times of plenty and when we don't need it because widespread unemployment exists in two vitally important industries, I say it is wrong, and, Senator, I do believe that the record will show that with the submarines and all of the other forms of military attack on the high seas, that that Venezuelan oil is not an assured supply during a wartime.

Senator MALONE. I will not argue the point with you. I have to take the word of the military strategists. One of the things that has amazed me even in this hearing—and this is my ninth year in the Senate—it seems impossible, the little that the witnesses know about either act, either the 1930 act or the 1934 act.

Mr. TUOHY. I admit it.

Senator MALONE. They are evidently so far away from the dog that bit them that they don't even know what happened to them.

You are in the same situation, and I would say it might be very advantageous to you—and I don't want to advise you in your business, but you are a railroad company, you must have some young fellow there who could spend some time in studying these acts, and also you might read the Constitution of the United States. It is a great document. It is article I, section 8, that says that the Congress of the United States, the legislative branch, shall regulate foreign commerce, foreign trade, and shall set the duties, which they now call tariffs.

The 1934 act amended the Constitution of the United States without referring it to the people and transferred that legislative power to the

President. Many think it is unconstitutional and a company in West Virginia, Mr. Neely's hometown by the way, the Morgantown Glass Co., has sued the Secretary of the Treasury on the unconstitutionality of the act, collecting the wrong duties, the lower duties as set unconstitutionally by the State Department, and on GATT, the General Agreement on Trades and Tariffs, and many of the people don't know that these people in Geneva work while we sleep, that they are working on thousands of these tariffs, and that the products of hundreds—and I am sure thousands—of these industries are affected in the same manner that coal is affected. These people have come in here, and they have little knowledge of the law or the effect of its extension or what happens if it is not extended, but they have some trick patent medicine that they want adopted for their own industry, and then everything will be lovely.

Therefore, by extension of the act, it doesn't make any difference what it does to any other industry at all, because they think it would be wonderful to let it go on, but they do want to save their own industry.

My only suggestion to you is that you find out what this situation is, the relationship of these two acts, and the position of other industries, and the condition that they are in.

I might say to you that we furnished taxpayers' money to England to buy a stockpile of lead and zinc. A few years later, after the war was over—I was not here when they furnished them the money to do that—but they released those stockpiles into the United States and broke the market, because any money at all that they received from the zinc and lead was profit. So they lowered the price through those imports from 16 cents a pound for zinc, for example, down to 10 cents, and turned about 90 percent of the zinc in the United States into country rock.

I stayed here until 9 o'clock last night—they were the next to the last witness. They thought they had a patent medicine doctrine that would handle their own industry. Five thousand patent medicines will be quite a lot of patent medicines, and all these industries will come in sooner or later and talk like you are talking.

That is my only point with you. It seems to me that people who are slowly going broke in this country ought to get together on a principle and maybe the principle is still in the law, if we sat down in the cool of the evening and gave it a little thought.

Do you have anything to say to that?

Mr. TUOHY. Yes, indeed, Mr. Senator.

Let me first tell you that I am only the president of a railroad.

Senator MALONE. I have always looked up to presidents because I worked for the Rock Island with a shovel. That was in Oklahoma. I thought the president of a railroad was a great guy.

Mr. TUOHY. You are drawing out presumably how little he really knows, but——

Senator MALONE. I don't want to be entirely disappointed in him. I want you to come back to this committee sometime prepared to answer the whole business.

Mr. TUOHY. Let me answer, please, Mr. Senator. First of all, we have men in our railroad, our vice president, general counsel, who, with due deference to your great knowledge and that of your colleagues——

Senator MALONE. I have no great knowledge.

Mr. TUOHY. I believe has equal information to what you have on these particular bills. I simply state that I personally do not know other than what has appeared in the newspapers and the like, and if I did know these things, God help the Chesapeake & Ohio stockholders. I have to try to run a railroad the best way I can.

Senator MALONE. Isn't it possible to bring this man in?

Mr. TUOHY. Just a minute, please. Secondly, I don't mean to be facetious about it. I resent your suggestion that I read the Constitution. I happened to get a law degree at night, so I think that was one of the requirements, to know the Constitution. I resent your implication. I don't know why you bring it up.

Senator MALONE. I am sorry about that. Nobody seems to know what the Constitution provides.

Mr. TUOHY. You are studying it every day.

Senator MALONE. I am not. I memorized it one time when I was in the 8th grade.

Mr. TUOHY. Another thing, I am a little bit disappointed, sir, that a member of this committee would by inclusion consider the problem that I am trying to bring up in a simple way as being 1 of 4,000 patent medicines.

Senator MALONE. Well, that is what it is.

Mr. TUOHY. I will let that rest on the record. If what I have said, the problem that I have stated affecting the very vitals of this country from a national-defense standpoint, you consider to be a patent-medicine package on the basis of what I have said, sir, I will defer to your judgment, and I am against you.

Senator MALONE. I do. You can be against me, but I wish you would be for the country, no other country.

Mr. TUOHY. I resent that, too.

Senator MALONE. Go ahead and resent. I like to have you talk sense in this committee.

Senator CARLSON. We appreciate very much your appearance before this committee and your statement.

Senator MALONE. I want to say I appreciate his appearance here, too, and if I have said anything to offend him, I do apologize to him.

Mr. TUOHY. I accept your apology.

Senator MARTIN. It is a thing we all regret very much. I have studied tariffs long before I came to the United States Senate. I made the statement, Mr. Chairman, this morning that the first time I heard the word "reciprocity" was when it was uttered by William McKinley when as a boy I went to his home to hear a political speech. But the thing that worries this committee is that each segment of the economy of our country comes here, and it wants relief for its particular segment without giving consideration to the others. That is the thing that has disappointed me. I have tried to attend as many of these sessions as I can. I am on another important committee which requires my attention there. But that is a thing that has worried me a whole lot.

The thing that has been worrying me about our country is the selfishness of all of us.

Last Sunday morning, Mr. Chairman, I had the privilege and the honor of hearing Billy Graham. I wish every American could hear that devout man. After going into his sermon, there was nothing particularly brilliant about his sermon, but we all felt when we left that service, that what he said to us, that we must all get out of our system the selfishness, that that was the danger to our country right now—it wasn't from the hydrogen bomb, it wasn't from great guns, it wasn't from submarines, but the danger to our country is the selfishness of our people, and this is no criticism of you.

I dropped you a note yesterday appreciating a certain document that you sent me which I appreciated very much indeed. But the thing that is worrying me is that each one of us wants certain things that will be helpful to him selfishly.

What they have to do is to work for the general good of America because the strength of America, the strength that we can maintain in our country, I think the peace of the world depends on that, and I think what Senator Malone—Senator Malone has devoted an enormous amount of time to the study of minerals, our relations with trade all over the world. He has devoted an enormous amount of time to it. Senator Malone doesn't intend to be discourteous to anyone who appears before this committee. But he is trying to bring out certain facts that we can use when we come to some conclusions becausewe have a very hard job here, awfully hard job.

I just wanted to make that explanation.

Senator MALONE. Could I say to you again, General, and I want to say to Mr. Tuohy, that I intend to read this testimony, as I always do, and if there is anything in it that impinges on your integrity or loyalty or anything at all, it will be eliminated from the printed record. I will guarantee you that.

Mr. TOUHY. Thank you very much.

Senator MALONE. Because it is not my intention. I sat here until 9 o'clock last night listening to the same kind of stories from a dozen other industries. I will probably sit here until 12 tonight if everybody deserts me, as they usually do around 6 in the evening.

This 1934 Trade Agreements Act is in my opinion an approach to destroy the economy of this country and to destroy the workingman and small investor in this Nation just as the 1933 recognition of Communist Russia was a political approach to destroy this country. The two run parallel. You had your Hiss and your Harry Dexter White, one in the Treasury Department and one in the State Department.

And it has just come to the point if you get 3 years extension of this thing, no matter what amendment you put in it, it doesn't matter at all, as long as the State Department is in charge of it, as long as it is away from Congress, you have your General Agreement on Tariffs and Trade, you have your U. N. Assembly World Trade Association, you have your International Materials Organization. You can drop in my office and I will give you that Senate Report 1627. You are in the hands of 50 or 60 nations. You are the sucker in the poker game. That is exactly what you have.

Whether you escape from the effect of it or 5 or 6 other people who have testified here through their amendment escape from the effect of it, the country is still in the throes of it and will be destroyed.

Mr. TUOHY. Senator Malone and Mr. Chairman and Senator Martin, I am fully appreciative of the sound views you have expressed. May I say to you, as an American, if you please, that we are encouraged to know that there is a body of this character and with the penetrating focusing that you give on this intricate and complex subject and other such subjects.

The reason of my reticence to talk on other industries is not that I don't have personal ideas about them. It is a recognition that you have firsthand witnesses who give you the real information. We think we know our own business maybe a little bit better than the other fellow, and that is the sole purpose of presenting the facts in an exclusive way and not in a broad sense such as you have referred to.

Senator CARLSON. Thank you.

STATEMENT OF THOMAS KENNEDY, VICE PRESIDENT, UNITED MINE WORKERS OF AMERICA

Mr. KENNEDY. Thank you very much.

Senator CARLSON. Mr. Kennedy, we are very pleased to have you. You may proceed in any way you care to, with a prepared statement, which can be made part of the record, or orally, or whatever way you care to do.

Mr. KENNEDY. Now that we have cleared up all this misunderstanding, I guess we can get to work.

I have no prepared statement. I made a statement to the House Ways and Means Committee, and I understood that this committee did not want any repetition of that testimony.

I might say that I have had some correspondence with Mr. Hoffman, who appeared as a witness here this morning with respect to the last article that Mr. Hoffman had in one of the American magazines, in regard to international trade, and in that article Mr. Hoffman wrote it from a European angle, that he practically blamed the United States as the only country that was in opposition to an equitable international trade agreement.

Well, I wrote to Mr. Hoffman, pointed out that in the Republic of Western Germany, we could send coal in there in competition with coal mined in Western Germany, but we couldn't get it in because of an import license.

Mr. Hoffman also in the article said we should bring their goods here, buy their goods, so that they could have dollars to buy our goods. That hasn't worked out just like that in Europe.

I know a little about the coal business in Europe. I know a little about labor in Europe. Belgium, France, England, Holland, Italy, and the Scandinavian countries have with American dollars been buying coal from Poland and from Russia. So Mr. Hoffman's statement that they are using American dollars to buy our products is completely in error insofar as coal is concerned. Poland is capable of exporting more coal than any other country in Europe. It produces about 100 million tons and can export from 25 to 30 million tons of coal. The European countries are buying this coal and buying it with American dollars. In fact, during the Korean situation, I was in Sweden and I found that they were trading Polish coal for Swedish iron ore, and they were taking that ore back into Russia and possibly using it to make war materials against our soldiers who were then fighting in Korea.

With respect to the whole situation in Europe and its economic repercussions, I have attended many international conferences of labor in Europe from the free countries, and the last one I attended we had representation there from Poland and Czechoslovakia.

One of the difficulties in Europe today is this, and they are never going to get away from it until they increase production and the purchasing power of the people of Europe, so that they will be able to buy some of the goods from their industries. They are not able to do it today, because the wages are not there to buy it. England possibly has the highest wage scale.

I would say in the mining industry they get about $31 per week. They are producing about 1 ton, 1.24 tons of coal per day per man, as against 8 tons in the United States per day per man.

In France and over on the continent, the wages in the mining industry don't run up to $20 a week. How are those people going to buy anything over there except a mere subsistence living standard?

In these international meetings that I have attended of labor—in fact, I have been in meetings of the ILO where labor, government, and industry were concerned, and we have been battling for years to get them to agree—labor and industry and government in Europe—for increased productivity, for the creation of new values, and that the workers participate in that increased productivity to the extent that their living standards shall be increased, their purchasing power shall be increased, so they will be able to buy more of the production of those particular countries.

In my judgment, you are never going to solve the problems of Europe until that is done. They can't do it today. All this talk about our money being used to stem the tide of communism in Europe is, in my judgment, a lot of bunk, because you have not stemmed the tide of communism in Europe.

I know whereof I speak from attending these meetings that I have over the past number of years. In France today, I think the Communist unions really excel in numerical strength the regular or legitimate unions. In fact, so much so that the French Government appointed a Communist delegate to the last ILO meeting that I was at in Geneva, or rather in Dusseldorf.

The question, in my judgment, that should concern us in this country is to try to protect our own interests first, and if we can give any help to these other countries in Europe, O. K.

I attended the first meeting that was held in the United States in 1934 with Secretary Hull when he was making the first reciprocal trade agreement with Venezuela, and we spent practically the whole day with him. Secretary Hull was an able and an honest man, but Secretary Hull or the State Department had no more idea of the economic repercussions growing out of those trade agreements than the man in the moon. The only thing that Secretary Hull was concerned about—and he told us—was that the making of these trade agreements would prevent wars.

Well, they didn't prevent wars. World War II blew up in our face. We have been in trouble ever since.

The State Department, of course, makes the most of these trade agreements. But I don't know of any department of our Government that knows less about the economics of the United States than the State Department.

They are concerned, as Secretary Hull was, in using these trade agreements to prevent wars and preserve peace. They are very laudable objectives, but I think the first consideration should be to keep our Nation strong enough so we might be able to resist any aggressor, and possibly help the allied nations.

Now, of course, this situation has repercussions in practically every industry in the United States. When the coal industry is adversely affected, the repercussions are felt in the timber industry, the steel industry, in the machinery industry, in the explosive industry, and on the railroads. So that itself has repercussions and creates unemployment in many other industries, the chemical industry or any other industry which has its repercussions in coal and railroads, and any of the other allied industries.

I might say for the benefit of Senator Malone that the United Mine Workers of America were originally opposed to the reciprocal trade idea. We are still opposed to it. So far as we are concerned, you can abolish it tomorrow. But, it is positively necessary, in our judgment, to have some setup, some fair deal setup, to handle these problems along the lines as suggested by Senator Malone.

We are opposed, in other words, to H. R. 1 because it gives legislative power to the President, which, in our judgment, belongs to the Congress.

Whatever type of legislation is enacted with respect to reciprocal trade, it should have a restriction and a quota system established for the importation of crude oil, and especially residual oil to the United States.

I make that observation on the quota basis and support it for this reason. I remember back in the early thirties, even after these reciprocal trade agreements were started, Congressman Boland from Lackawanna County in Pennsylvania, whom Senator Martin was acquainted with, he was the Democratic whip at that time, he had a bill passed putting a $3 tax on the importation of coal. That coal was coming in at that time from Indochina, from South Wales, from England, from Germany and from Russia, not only into the United States but into Canada.

There was a $3 tax placed on that coal. Well, when the State Department was through with it, the only nation that the tax could be charged against was Russia. Under favored nation treaties and clauses, the State Department ruled that it was not operative against any country with the exception of Russia and, of course, Russia continued to send its coal into Boston, especially for trade-balance purposes, and as soon as they got a standard price fixed for coal, they stopped the export of that particular coal to Boston, which happened to be anthracite coal.

One element that Mr. Hoffman and others who believe evidently more in Europe than they do in this country with respect to these international problems, is this: That they practically nationalized all of the industries in Europe. In England you have the National Coal Board that operates the coal mines. You have other boards that operate the power and the transportation systems.

I have in mind—and I have never been able to get it out of my mind—that England through its National Coal Board subsidizes a great many exports, including coal, that goes to other countries.

They recently sent a shipload of coal to Boston from England, and that coal at the pithead cost $9 a ton, about three times the cost of American bituminous coal. Yet they shipped it to Boston for sale.

You cannot tell me that England did not subsidize that shipment. You have over on the Continent, your Schuman plan in operation, with those 5 or 6 countries over there, affecting coal and steel.

The big problem over there now is not one of production, as I see it, and I have talked to the French and I have talked to the Belgians, only last November, and their problems are social as well as they are economic. Of the hundred million dollars that the United States underwrote for the Schuman plan here last year, the first $25 million of that amount is going to build miners homes. They are trying to move miners from high-cost districts to low-cost districts. The Schuman plan, in my judgment, is really the building of a cartel on the Continent to handle the coal and the steel business.

We were told here by Congress and by the President—and I only cite this as an example—that when the St. Lawrence seaway was going to be developed, started to build it, that it would mean more labor for Americans, it would mean more business for American industry. Well, I was in Canada last October and the authority on the St. Lawrence let out the first contract for steel. Where do you think it went to? Not to the United States. Not to Canada. But to Dortmund, in West Germany. That is where the first contract went for steel on the St. Lawrence seaway.

There is one other point that I think this committee should look into with respect to the importation of fuel from other countries, and that is the importation of natural gas from Canada and from Mexico.

We can compete here in this country with our domestic supply of energy, such as oil or natural gas or whatever we have, but if we are going to be flooded with importation of natural gas from Canada and from Mexico—and there are already applications pending to bring it in—we are just going to run into more serious difficulty in the mining industry with respect to the consumption of coal in the United States.

By the way, we produce the cheapest coal in the world, here in the United States. I don't know that I have much else to add, except to say this: The coal industry is in bad shape. We need help. I think we ought to get a new deal—and I don't say that as a Democrat—but I think we might say a real American deal with respect to the future of international trade relations.

I think it ought to be set up on the basis of some of the ideas that Senator Malone suggested here, whether it is the Tariff Commission, whether it is a new setup, whether Congress gives directives, that is a matter that is up to Congress.

But in my judgment, no trade agreement should be negotiated unless it is reported to Congress and receives the approval of Congress. That is my own honest conviction, and my own honest judgment, and whatever type of legislation is enacted by this Congress, in my judgment, you can help the coal industry more by putting imports on a quota system than you can by a tax or by a tariff.

I am afraid that those governments will subsidize practically all of their exports, and that includes Venezuela, which is nothing more or less than a military dictatorship that we are supporting and that the people in Venezuela do not like us because we are keeping in power a military dictatorship that has denied every right of liberty and independence to the people of that nation.

Why we should be concerned about them is beyond me, because to me they are no different than Russia or any other dictatorship in existence in the world.

I want to amplify the statement made by Mr. Tuohy and Mr. Buckley. I was on the solid fuels War Advisory Council during World War II. I disagree with the military, Senator Malone, whether you do or not, I don't care, but I disagree with them. The morning after that war started, we were on a coal economy.

We exported that year almost 50 million tons of coal to Europe in addition to taking care of our own needs in the United States. We produced between anthracite and bituminous over 700 million tons of coal that year.

If a war started tomorrow morning, the coal industry of the United States would not be in a position, in my judgment, to meet those requirements. It is a national defense industry. It had been decreed so by the President, and by the report of the recent Energies Committee, and we are certainly not looking after it the way we should, because we are going to be dependent upon coal in any other emergency, such as we have had in the past.

I don't think I have anything else to say on this.

In my judgment, if we had any sense in the United States on these loans, and on these reciprocal trade agreements, there is no reason under the sun why we couldn't be exporting to Europe at least 40 million tons of coal a year.

Senator CARLSON. Do we export coal now, and if so, how much?

Mr. KENNEDY We are exporting to a limited degree, and the coal that the Government bought recently, it might run about 1 million or two million tons in the last 3 months. That doesn't include the coal we sent to Canada. I exclude that, but there is no reason why we can't do that. Three years ago Mr. Lewis came up with a suggestion, and we met with the coal operators on it.

We agreed to organize a company for the purpose of exporting coal to Europe, and Asia. We would carry our own costs on operating the ships, carry our own insurance. We could put that coal into Europe and into Asia in successful competition with Polish coal or any other coal. All we wanted was the Government to give us these liberty ships they have in mothballs in New York harbor.

We took it up with President Truman and he seemed agreeable to the idea at that time, but when it went over to the State Department, that was the end of it. The only reason that we could ever have assigned was that England wouldn't like it. There is no reason under the sun why we couldn't get that export business, in my judgment, if we had any sense at all.

Gentlemen of the committee, I have been rather rambling in these suggestions and remarks, but I express the hope that out of this will come something that will mean something for the American people and for American industry, and if we have anything left over, let's take into consideration countries other than our own.

That is all I have, Mr. Chairman.

Senator CARLSON. Senator Millikin?

Senator MILLIKIN. No questions.

Senator CARLSON. Senator Martin?

Senator MARTIN. I was very much interested, Governor, in your statement, that we could produce coal per ton cheaper than any other country. Do you have those figures that you could send to us, so we might put them in the record, because that is very interesting to me. I didn't realize that. I don't doubt but what that is correct.

Mr. KENNEDY. It is true. I can send it to you, Senator.

Senator MARTIN. If you can do that. I don't doubt but what you say is correct. I am glad to hear it.

I have nothing further.

(The following letter was subsequenty received for the record.)

UNITED MINE WORKERS OF AMERICA,
Washington 5, D. C., March 15, 1955.

Senator EDWARD MARTIN,
Senate Office Building, Washington, D. C.

DEAR SENATOR: In response to your request for information concerning the price of bituminous coal in the United States, I enclose herewith a statement which gives a list of prices for 1953 and the estimate for 1954.

As I stated in my testimony before your committee, this is the cheapest coal mined in the world. To give you an example, in England where over 215 million tons were produced in 1954, the total cost per ton salable was 63s. 5.2d., which in American money would be $9.03 per ton f.o.b. mines.

In other words the price of English coal is double that of American coal. The same price factor obtains on the Continent in the mining communities, all of which is submitted for your information.

With kind regards, I am

Very truly yours,

THOMAS KENNEDY,
Vice President.

The price of bituminous coal has fluctuated from year to year, although it has remained remarkedly constant for 6 years until 1954 and 1955 when operators in northern West Virginia reduced the price of steam coal to approximately $3.80 per ton, f. o. b. the mine. Practically all States followed suit and reduced the price of steam coal to less than $4 per ton, f. o. b. the mine.

The average price for all coal for 1953 in the following States, f. o. b. the mine is:

Eastern Kentucky	$5.29	Ohio	$3.78
Western Kentucky	3.35	Pennsylvania	5.53
Illinois	3.95	Virginia	5.34
Indiana	3.94	West Virginia	5.17

These prices include metallurgical coal which is sold for premium prices.

The 1954 preliminary average per ton cost for all coal throughout the country, f. o. b. the mine, is $4.82.

Senator CARLSON. Senator Malone?

Senator MALONE. Governor, I am glad you have been able to put your material in the record, and I agree with you also when you say that the dollar shortage—you practically said it—that the dollar shortage cry was the greatest hoax ever sold to the American public.

Mr. KENNEDY. That is correct.

Senator MALONE. It was a slogan invented by European bankers and we all swallowed it just like we do the "trade, not aid" and all the rest.

We have lived by these slogans for two decades without sitting down in the cool of the evening and thinking some of these problems through.

Of course, you are as old as I am. You know that there is no ironclad solution to any of these problems. Economic conditions are continually changing, meshing not only with foreign countries and our own country, but industries in this country, so I would say that there is no cut-and-dried solution to any of these economic problems.

If there were, we would all be rich. There wouldn't be any unemployment.

Mr. Kennedy, I don't understand that you have ever complained when your coal business was displaced by any domestic fuel of any nature that is paying the same wages and taxes and everything that you pay. I didn't understand that you were complaining about that at all.

Mr. KENNEDY. We did complain when the railroads went to diesel oil. We complained very bitterly. I think the railroads made a mistake and Mr. Tuohy has had that word from Mr. Lewis and various others in our organization.

Senator MALONE. I am talking generally——

Mr. KENNEDY. Generally, no.

Senator MALONE. Generally, mistakes are made in any industry in the United States that develops as we go along. If anyone has been displaced to a certain extent by another industry that is paying the same wages, same taxes, and the same cost of doing business generally speaking, we just take it and go ahead.

Mr. KENNEDY. That is right.

Senator MALONE. But when any of our industries are displaced by imports from foreign nations that pay less wages and have all of these safeguards, most of them dictatorial, such as exchange permits, import permits, manipulation of their currencies, setting a price on their currency in dollars way above what it would be on the open market, then we do have a kick coming, do we not?

Mr. KENNEDY. I think so. I put some figures in in the Ways and Means Committee. It is in this statement with respect to the chemical industry. W are concerned somewhat because the largest organization in the chemical industry is district 50 of the United Mine Workers, and I put some figures in there as to relative costs between countries in Europe and in our country here with respect to wages.

Senator MALONE. I think it would be very helpful if we had it in our record, if you will read the part that is pertinent.

Mr. KENNEDY. For instance, the ratio of customs collected to value of imports, United Kingdom, that was 25.6; France, 10.6; Italy, 8.4; Germany, 5.3. We collect 5.1.

Senator MALONE. In other words, they collect more customs or tariffs, a much greater percentage than we do.

Mr. KENNEDY. That is right.

Here are the wages which I can file with the committee, if it is agreeable.

Senator MILLIKIN (presiding). It is agreeable, so I hope you do file them.

(The document referred to follows:)

STATEMENT OF THOMAS KENNEDY, VICE PRESIDENT, UNITED MINE WORKERS OF AMERICA, IN RE H. R. 1 BEFORE THE COMMITTEE ON WAYS AND MEANS OF THE HOUSE OF REPRESENTATIVES

My name is Thomas Kennedy, vice president of the United Mine Workers of America. I live at Hazleton, Pa., and represent the United Mine Workers of America with respect to this legislation.

The meat of this bill is contained in section (A) starting on page 2 as follows: The President is authorized:

"(A) To enter into foreign trade agreements with foreign governments or instrumentalities thereof containing provisions with respect to international trade, including provisions relating to tariffs, to most-favored-nation standards and other standards of nondiscriminatory treatment affecting such trade, to quantitative import and export restrictions, to customs formalities, and to other matters relating to such trade designed to promote the purpose of this section similar to any of the foregoing: *Provided*, That, except as authorized by subparagraph (B) of this paragraph, no such provision shall be given effect in the United States in a manner inconsistent with existing legislation of the United States."

I am not a lawyer, but I know a little about legislation and it seems to me after reading this section of the bill that Congress is giving to the President greater powers than have ever been given to any previous President; in fact, it is my thought that Congress is really abdicating and delegating to the President, legislative authority on this subject, which inherently belongs to Congress itself. Whenever we clothe the executive branch of Government with authority to legislate, we are, in my opinion, getting away from the fundamentals of our form of government, and in my judgment, if this bill is enacted, the State Department will run the show from here on in with no regard for our own economic problems affected by international trade. From my personal experience I know of no department of Government which knows less about economic affairs in the United States than the State Department.

When the first reciprocal-trade agreement was made back in 1934, I was one of a committee that met with Secretary of State Cordell Hull with reference to an agreement then under consideration with Venezuela. We talked about the repercussions on the coal industry that would be brought about by the importation and dumping of oil from Venezuela. With all due respect to Secretary Hull who was an able and honest man, we could not interest him in any of the economic phases of trade agreements. His only concern seemed to be one of preventing wars and preserving peace in the world, and he repeatedly told us that these trade agreements would prevent wars. Well, they did not prevent wars. World War II blew up in our face and the world ever since has been in turmoil and trouble bordering upon war.

Our Government is now approaching the subject matter of reciprocal-trade relations in the belief that by building up industries and production throughout the world we will be staying the hand of communism and prevent wars. Another purpose the proponents of this bill have in mind is virtually free trade. As one who has attended many international meetings of labor throughout Europe, it is my judgment that we have failed in this enterprise of stemming the tide of communism not only in Europe, but in Asia and in the Latin American countries.

We are told that if we buy foreign goods it will give those countries from which we buy, American dollars to purchase our goods. But this is not the way it works, because these countries shop around Europe and buy in the cheapest markets. With our dollars, France, Italy, Belgium, and the Scandinavian countries have been buying Polish coal. Belgium recently concluded a sales agreement direct with Russia to buy coal and other commodities. England has also purchased coal from some of the countries behind the Iron Curtain. These facts certainly sweep away the slogan "You buy our goods, and we'll buy yours." It should better read, you take our goods, give us your dollars, and we will buy where we please in the cheapest countries, even though the goods we buy may be subsidized by governments.

Wage rates, wage standards, and conditions of the workers in foreign countries are evidently never taken into consideration by governments in arranging trade agreements—to illustrate briefly: This Congress in the last session and in previous sessions was told by the President of the United States, by the State Department, and by Army engineers that the building of the St. Lawrence seaway and the building of power projects on the St. Lawrence River would aid in American employment and greater productivity in American industry and would result in greater trade between Canada and the United States. I was in Canada in the early part of October of last year and read a news release in one of the Canadian papers to the effect that the first contract for steel in connection with these projects was let, and the steel was not from the United States nor from Canada, but from Dortmund in Western Germany, where at this moment the Federal Government of Western Germany has in effect an import licensing system which prevents the importation of foreign goods or commodities where they would compete with like products and commodities of Western Germany.

Under the Schuman plan, in effect in 5 or 6 countries on the Continent as affecting coal and steel, that authority recently borrowed $100 million, which was underwritten by our Government. I was recently at meetings in Paris and London and discussed this matter with delegates from some of the countries affected, and found out that very little of this money is being used to improve wage and condition standards in the mining industry. The first 25 million is to be used for building miners' homes and for transferring miners from high-cost areas to low-cost areas. Creeping communism has not been stopped—and I know whereof I speak. It seems to me that we are attempting to build up industry in foreign countries at the expense of our own industry in the United States—especially the coal industry.

I wish to call particular attention to the dumping of residual oil on the eastern seaboard, most of which comes from Venezuela—not a Communist dictatorship, but a military dictatorship, which from the standpoint of freedom and justice is just as bad as a Communist dictatorship. Residual oil last year displaced over 30 million tons of American coal. We had in the American coal-mining industry in the month of December 1954 over 143,000 person unemployed, with thousands of others working part time. If the dumping of residual oil were stopped and placed upon a quota basis, it would mean about 3 weeks extra work for the coal-mining industry. It has been pretty well established as public policy that the dumping of commodities on our shores is wrong and in violation of every concept of fairness and equity and yet, the practice continues merrily along its way. I repeat, we are in favor of a quota system being applied to residual oil in much the same way as most of these countries prevent the importation of American goods and commodities by a quota system.

Our State Department, which handles most of our international trade and other problems, and as they would continue to do under this bill as I have indicated, is not concerned with the economics in this matter at all. They want to bring about the prevention of wars and the preservation of peace, a very laudable objective, but they are evidently not concerned with the fact that our industries and our people should have our own interests first protected because the peace of the world, in my judgment, depends upon the strength and the greatness of our own country, and this cannot be accomplished by ruining the basic coal industry which, in the event of war, must be depended upon for energy not only in our own country, but also those of our allies. Surely with all of the statesmanship in this Congress and this committee, we can find a better way to provide full employment and stabilization of our own industries, and aid in stabilizing industries of other countries.

Unemployment in the coal industry in the United States affects many other industries adversely. This is also true of the chemical industry of the United States—much of it being based upon the byproducts of coal. District No. 50 of the United Mine Workers of America represents most of the unionized employees in the chemical industry and is the largest labor organization in the chemical industry.

In 1953, there were 608 manufacturers of synthetic organic chemicals in the United States with a total production of that year of about 20.1 billion pounds. Total sales in 1953 (less tars and crudes) were $4 billion—approximately 20 percent of the $19,800 million sales for all chemical and allied products in 1953.

The coal and chemical industries are interrelated and as coal is an indispensable source of power, it is also an indispensable raw material source of the synthetic organic chemical industry. The importation of chemicals, produced by cheap labor, affects the employment opportunities and standard of living of the chemical workers directly and, in turn, the coal miners also. It does not stop there. It affects the employment opportunities and the living standards of employees in the vast number of industries where chemicals form an important part of the finished product.

To briefly illustrate this point—coal is often called the black diamond. The analogy obtains not only because both consist of carbon but because from both we get a rainbow of colors, one from the effect of light and the other from the action of various chemicals. If we follow through the manifold chemical and engineering changes that transform coal by the action of many other chemicals into literally a thousand chemicals which in turn throws a protective mantle over many another industry and, of equal importance, over a wise and prudent scheme of national preparedness and defense.

For example, 1 dollar's worth of such chemicals makes salable $100 worth of other products. Thus, $60 million to $70 million worth of such chemicals help mightily in the disposal and sale of six to seven billions of dollars worth of other products entering our modern technical civilization.

To that extent companies in the chemical industry are thus customers and competitors of one another. Chemical provide the essential ingredients that enter into the manufacture and sales of the countless multitude of other industrial products. To a similar extent employees in all of these industries are adversely affected, some directly, and others in the manner of a chain reaction by the impact of imports of chemicals produced by foreign countries by substantially cheaper labor and costs.

Last year, the total imports of chemical and allied products was about $259 million. This is a 142 percent increase over the value of such imports in 1949.

Our tariffs on imports are now the lowest in relation to the value of imports of all the countries of the world.

The ratio of customs collected to the value of imports of the principal countries on the European Continent, as compared with the United States, is as follows:

Country:	*Ratio of customs collected to value of imports*
United Kingdom	25.6
France	10.6
Italy	8.4
Germany	5.8
United States	5.1

Now let us compare wage rates in the chemical industry of the above European countries with those in the United States, as follows:

Country	Average hourly rate	Average rate, including fringe benefits
Italy	$0.29	$0.52
Germany	.33	.50
France	.37	.58
England	.53	.65
United States	1.98	2.50

Some people may argue that the higher productivity per man-hour or man-day in the United States should overcome or offset this disparity in wage rates, but the difference is too great.

It is true that the American worker in the chemical industry produces from 2½ to 5 times as many tons of chemicals per man-hour or man-day as his European counterpart. That vastly superior productivity is not enough to overcome the wage cost alone. It must also be taken into account our own present tariff disadvantage plus the ease and facility with which other governments may adjust the value of their currencies in relation to the value of our own to further enhance the advantage of their chemicals and other products in our market.

In addition to maintaining employment opportunities at American standards for the present number of workers in our labor force in the United States, there are about 1,600,000 young men and women coming of age each year. As our population continues to increase, the number of young men and women coming of age will be increasing proportionately.

The number of new additions to our labor force in the United States is now running about 500,000 per year. As our net population increases, the number of additions to our labor force will also increase proportionately.

These new additions to our labor force as well as the sixty-five-odd million in our present labor force must find employment opportunities, at American standards of wages and incomes, in our own expanding industrial economy.

A brief word about preparedness or national defense: We are now and have been making vast expenditures for national defense. While we are doing this, it would be folly for the United States to adopt a policy authorizing a further reduction in tariffs that would tend to disable our domestic economy and particularly our synthetic organic chemical production markets, chemical research and, in turn, the employment opportunities of our people.

No important segment of our chemical nor of our coal-mining industry can be put in moth balls and then taken out in full bloom in case of emergency.

Chemical research cannot be put in mothballs to be taken out in case of emergency. Even the tortoise would win that kind of an industrial production race.

The skilled labor that is so vital to the operation and processing of chemical production and coal mining cannot be diverted to other work or idleness and then recalled in case of emergency—that time and technical know-how is only lost forever.

The military preparedness of our Nation and the nations of the world associated with us depends upon the live, active, operating, scientific technical know-how to more than offset the numerically superior forces that can be arrayed against us.

Our security is in our economic health—that should be our first consideration.

Proponents of H. R. 1 are evidently not sure that the proposed bill will accomplish the result of putting more people to work in the United States, because they offer to support legislation introduced to provide for industries and unemployed persons attached to those industries which may be adversely affected to be cared for by increased unemployment compensation, old age pensions and help for these industries. If reciprocal trade is what they claim it to be, why the need for such legislation and I might propound this question, where are we going to move displaced persons where they can find employment when practically every industry in the Nation is now affected by unemployment and part-time work?

Industrial plants, for instance those built in Scranton by the people, are only operating on a part-time basis due to the fact that they cannot get contracts from the Government because General Motors, the Chrysler Corp. and others are getting all of the work. How does Congress propose to solve this problem?

I personally suggested to a conference in Pittsburgh several years ago that unemployment compensation payments should be made for the full period of unemployment and not for 26 weeks as is now prescribed by law. I would further suggest that eligibility for pensions should be fixed at 60 years of age, if a person is unemployed. Regardless of this bill or any other bill, it should be done as a general relief proposition which I think is equitable and just under the circumstances.

The coal industry is basic to the security of this Nation and basic to the extent of supplying coal to other nations. It seems to me as an overall proposition that H. R. 1 is not going to solve the problem, and it might be better for all concerned, if we put some teeth in the present tariff and trade relations program and speed it up. We could then require this agency (Tariff Commission) to make reports to Congress on trade agreements or tariff adjustments before they become operative. In this way Congress would be preserving its rights under the Constitution with respect to tariffs, reciprocal trade, or any other matter relating thereto.

As given to the committee this statement deals particularly in relation to coal and its allied chemical industries. Other industries related to coal are also affected such as steel, lumber, explosives, machinery and railroads, and I hope that my statement will be given the consideration that is due it before this committee and the Congress.

Mr. KENNEDY. The average hourly rate of the chemical industry in Italy is 29 cents an hour. The average rate including fringe benefits is 52.

In Germany it is 33 cents an hour, average hourly rate, and 50 cents including fringe benefits.

France is 37 cents hourly rate, 58 including the fringes.

England, 53 cents hourly rate, 65 cents including the fringes.

The United States, $1.98 average hourly rate, $2.50 average rate including fringe benefits.

Senator MALONE. Mr. Kennedy, that is important information and you may file it, as the Chairman has said, with the committee.

There is no reason if this act is not extended, that the Congress could not put a quota system on any product they care to take up specially, like they did sugar, for example, and coal does affect a considerable portion of the economy and probably would be important enough to do that.

I understood you to say that you are opposed to the extension of the 1934 Trade Agreements Act.

Mr. KENNEDY. I am; yes.

Senator MALONE. Of course, under the situation as it exists, you understand that the act, if it is not extended, after midnight of June 12, everything on which there is no trade agreement reverts to the Tariff Commission which will make its decisions on the basis of difference in cost. You have never complained when any industry can compete with you on that basis of differential of cost, have you?

Mr. KENNEDY. I think we could get along much better without it, Senator, if we had some quota system as effecting residual oil.

Senator MALONE. You might need a quota system in addition to it.

Mr. KENNEDY. Yes; that is possible.

Senator MALONE. But that can always be considered by Congress.

I went through some coal mines in Germany in 1947 in the Ruhr. I was told that the English were in charge of it. They were trying to increase production. One little incident will show you what they were trying to do.

I went up to a face there. I had to crawl on my hands and knees for some distance because it was a new face, and those veins are not as wide or thick as ours are, maybe about 4 feet on the average.

I saw a new 6-foot coal cutter working. I am not a coal miner. I have worked in other mines, metal mines, but not in coal mines. So I have seen the lifts working perfectly, 4 parallel lifts about 1,500 feet down from the surface, back about a half mile, automatic coal loaders, thirty-five $3\frac{1}{2}$-ton cars moving up automatically.

When I got to the face, that was what I wanted to see, and I couldn't think of any thing that would improve it.

I said to the German shifter—they were lying on their elbows in the water—it was a wet mine:

"I don't see anything wrong with the mine. Why don't you get more coal cutters and open up more faces? That is what we do in the metal mines when you have the veins spaced."

He said, "We would like to, but the only factories that have been making the lifts were put on the reparations list."

The propaganda came back to this country that they want to increase the coal production and only about 10 percent of the equipment factories were going on the reparations list, but they were picking out the factories without which the coal industry could not operate. Like a watch manufacturing setup, you take out the machinery that makes the mainsprings, that may be 1 or 2 percent of the whole machinery, but you couldn't make any more watches. That was not the only incident I found.

I went right through it and went into France and into England and down into Birmingham, an an incident in Birmingham might be interesting for the record.

Sir Ben Smith was in charge of coal production down there, and this is what he told me. I sat down with him because we were going into the coal mines there and he was in charge of all of them, and I just listened, and he said several things.

One thing was that we should continue lending the money on a lend-lease principle, expect no repayment at all. I don't remember the exact language he used. This is from a talk I made on March 4 in the Congressional Record in 1948.

I did not say anything. I was obtaining the information which I wanted. He said further, "You must remember"—I was a long way from home and perhaps looked a little timid—"that we control in the British Empire three-quarters of the raw materials in the world, and if we have to, we will close down on them."

In other words, if we didn't furnish them money, he wouldn't let us get raw materials from Africa and from the Far East and from other places, just a threat.

Sir Stafford Cripps on the same trip during a long interview told me bluntly that they intended to nationalize the steel industry, and they did, right after that, with our money.

Not going any further into that, I think you are entirely familiar with the setup.

Mr. KENNEDY. I am.

Senator MALONE. But that is correct, isn't it?

Mr. KENNEDY. That is correct.

Senator MALONE. I agree with you that the people of Europe cannot even buy their own products.

Mr. KENNEDY. That is correct.

Senator MALONE. And with our money they have overbuilt the industrial production under the annual income of the European countries. So they have to sell it someplace else unless they can increase their own purchasing power some way or other.

Mr. KENNEDY. Yes.

Senator MALONE. I am not advocating any way to increase it, but Mr. Ford, who is an outstanding free-trader, just like Mr. Hoffman, has 26 plants outside of this Nation, some of them in Europe, and I believe and have said he might do a great service to some of those European countries where his plants are located if he woke up some morning and did what his father did 40 years and said, "They can't buy my Fords at $2.50 a day; $5 a day is the wages from here on," and they started to sell Fords.

Instead of advocating free trade here to put out of work the coal miners, the factory workers, the metal miners, the machine-tool workers, the glassworkers, who buy his Fords, he can do a great service to that country over there.

Mr. KENNEDY. There is no question, Senator. Take for instance in Germany or on the Continent, where they produced 1 ton of coal or 1½ tons of coal per day per man. In order to increase wages and to increase standards of living, you have to create some new values. You have to have increased productivity, and out of that increased productivity, increase your wage rates and improve your standards of living, and they can buy back the products of this increased productivity.

Senator MALONE. I want to point out for the benefit of this record—and if you do not agree, I will be happy to have you say so. It may be that by advocating free trade here, so that by holding down their wages there and costs of production, that they can compete here, that if we did put on a tariff here between the cost of production, as the 1930 act describes, that the duty shall be at all times representative of that difference of production, difference of cost of doing business here, taxes and cost of production, and the cost in the chief competing country, it may be that we would encourage the very thing that you are talking about, because they would have no advantage in holding wages down.

Mr. KENNEDY. That is correct.

Senator MALONE. Under our system it gives them an incentive to hold wages down.

Mr. KENNEDY. We are really freezing inefficient production.

Senator MALONE. I have said this on the Senate floor at least 5 or 6 times in the last 8 years, so it is nothing new, but I have a conviction that we are encouraging the very thing that we do not want to incur here.

Mr. KENNEDY. There is no question about that.

Senator MALONE. I didn't have an opportunity to do much in France, to talk to many of the unions. In Italy it just happened—perhaps you can tell me who the Italian leader of the union there is, the Communist unions?

Mr. KENNEDY. I don't know the Communist unions, I know the other fellow.

Senator MALONE. The fellow who took the lead, he told me he was going to control Italy in a certain length of time, and he just about did. He was a very fine leader.

Mr. KENNEDY. Pastore is the head of the legitimate union there.

Senator MALONE. That is not the one—it is the other.

Mr. KENNEDY. You were probably talking to the Commie.

Senator MALONE. I think I was, because I talked to everybody. This was in 1947. He was the only powerful one there at that time. Nevertheless he told me what he was going to do, and they just about accomplished it.

I agree with you about Mr. Hull. I think Mr. Hull had integrity, and I do not believe he ever intended to do what has been done in his name under the 1934 Trade Agreement.

Mr. KENNEDY. I don't think so either.

Senator MALONE. And I agree with you that the State Department knows less about the economy of this Nation, as a matter of fact, the economy of any nation, than any department in the Government.

Mr. KENNEDY. I agree with you.

Senator MALONE. As a matter of fact, the whole city of Washington is notably lacking in common horse-sense when it comes to dealing with any other nation. I agree with you that the first consideration is to keep our economy strong.

Mr. KENNEDY. That is right.

Senator MALONE. Not be shaking it up and moving these people from place to place, as Mr. Hoffman advocated this morning. You heard him advocate that kind of a setup.

Mr. KENNEDY. I did.

Senator MALONE. As a matter of fact, if he believes it, I have no objection to his believing it, but I don't want the people of the United States to believe that he is influencing Congress into adopting such a policy. I fully agree with your view that legislative power transferred to the President is unconstitutional. That is in the court, as you know. Morgantown Glass Co. in West Virginia.

I hope there is no let-up in that suit, and that the courts give it a fair trial.

Let's find out just what happens, and let's do it quickly.

I also agree with you that this is the only Nation I have found in all my travels, and I have been in practically all of them in 1947 and 1948 up to and including 1954—this is about the only Nation that is not for its own people when it comes to the economy of the Nation. Every other nation tries to protect its own people.

Mr. KENNEDY. They do that. We seem to be more concerned about Europe than we are about our own situation.

Senator MALONE. Mr. Chairman, I appreciate very much the appearance of Mr. Kennedy here, and I think, Mr. Kennedy, if you just keep on preaching your philosophy, it is going to win out. One of these days we will take a look at the American economy and we will get back finally to the Constitution of the United States and to the principle laid down by the Congress in the 1930 Tariff Act. That is a principle of protection for the American workingman and the small investor, so that every section of this Nation can be developed just as it has been for the last hundred years, and get away from this philosophy outlined by Mr. Hoffman, especially, and inadvertently or unknowingly promoted by some other people, of rearranging the industrial map. This philosophy has been advocated so that large American investors may invest in foreign nations, use the low-cost labor there and under free trade bring the stuff back here to compete with our own workingmen in an unfair way.

I believe as you do, and I heard you say that you believe in a fair and reasonable and compatible basis, and you do not object to being thrown out of work if something can throw you out on a fair and reasonable basis.

Mr. KENNEDY. That is correct.

Senator MALONE. And that is exactly the policy, the principle laid down by Congress when it created the 1930 Tariff Commission under section 336.

Mr. KENNEDY. That is true, and you take residual oil, in passing, that oil sold for as low as 2 cents a gallon at one time in New York, in the New York harbor.

Well, that is dumping. That is un-American. There is nothing American about it.

Senator MALONE. Thank you. I appreciate your testimony, Mr. Kennedy.

Senator MILLIKIN. The next witness is Mr. Frank W. Earnest, Junior, president of the Anthracite Institute, Wilkes-Barre, Pa.

Mr. EARNEST. Thank you, Mr. Chairman.

Senator MILLIKIN. You may proceed, Mr. Earnest.

STATEMENT OF FRANK W. EARNEST, JR., PRESIDENT, ANTHRACITE INSTITUTE

Mr. EARNEST. My name is Frank W. Earnest, Jr. I am a resident of Wilkes-Barre, Pa., and president of Anthracite Institute, an organization representing companies producing two-thirds of the total anthracite or hard coal.

Over 99 percent of the anthracite produced in the Western Hemisphere comes from an area of 484 square miles in northeastern Pennsylvania. Furthermore, approximately 99 percent of the Nation's anthracite reserves are located in that same small section of Pennsylvania.

At the average rate of production for the past 2 years. the recoverable reserves of Pennsylvania anthracite (assuming 50 percent recovery) are sufficient for approximately 180 years.

The anthracite industry respectfully requests that if this committee recommends an extension of the Trade Agreements Act, it also recommend the inclusion of an amendment to provide that the total quantity of crude petroleum and petroleum products, including residual fuel oil, which may be imported into the United States in any calendar quarter of any year, shall not exceed 10 percent of the domestic demand for crude petroleum and petroleum products, including residual fuel oil, for the corresponding calendar quarter of the previous year.

In previous testimony before the House Ways and Means Committee, during its hearings on H. R. 1, I cited, with supporting evidence, the damage that the unrestricted importation of residual oil is doing to the anthracite industry. I understand that testimony received by the House Committee will be analyzed by the staff of this committee. Accordingly, trusting that this committee will review that testimony describing the real injury the anthracite industry is suffering, I will confine my remarks to the exposition of my belief that the question of the importation of foreign fuel by this Nation is inextricably woven in with a larger question—the need for a national fuel policy.

I fully realize that it may not be the primary responsibility of this committee to consider the merit of the establishment of a national fuels policy. However, it is my firm belief that the Nation is gambling with its future security by not establishing a sane and prudent way for using its fuel resources. In the absence of a national fuels policy, this committee must, inevitably, in considering the merit of unrestricted oil imports, consider simultaneously, the effect such imports may have upon all of the Nation's energy resources.

If a national fuels policy were in effect, much of the conflicting testimony with which this committee is faced would have been weighed on established and unimpeachable balances.

For example—The coal industry says that the 1954 imports of residual oil totaling the equivalent of 32 million tons of coal and the additional equivalent of 15 million tons of residual oil refined from foreign crude—a grand total of 47 million tons of this form of competition—have been a body blow to coal.

On the other hand, the international oil companies assert that because this loss of business—47 million tons—by the coal industry has been less than the loss the coal industry has suffered through the dieselization of the railroads, the coal industry has not really been hurt by imported oil.

This reasoning is analogous to saying that a man being bludgeoned on the head is not injured by a knife being simultaneously stuck into his back. We raise the question as to who knows best the severity of a blow—the one who is delivering it or the one who is receiving it.

Again—currently the international oil companies are saying that in order to conserve the Nation's oil reserves, oil must be imported.

But the domestic producers say so much oil is being imported as to threaten the Nation's productive capacity. In this connection, one of the Nation's foremost oil authorities and the head of a large oil-producing company testified at the Senate Committee on Interior and Insular Affairs hearings of Senate Resolution 239 in March 1951—a resolution to investigate available fuel reserves and formulate a national fuel policy of the United States—as follows:

> Reserves taken by themselves are not the most important thing, neither in an emergency nor in times of peace. It is ability to produce.
>
> For instance, if the United States were at war and if we had reserves of, say, only 20 billions of barrels, which is only two-thirds of what we have now, and if we needed, say 7 million barrels a day and could produce that, we would be better off with a producing capacity of 7 million barrels a day and relatively smaller reserves than we would if we had 100 billion barrels and could only produce 4 million.

A national fuels policy would also give the answer not only to how much foreign oil should be imported but also to an important question that the international oil companies are reluctant to raise—what types of oil should be imported?

In this connection, it is notable that inconsequential amounts of refined products other than residual oil are imported into this country. In 1954, only 4.1 percent of total imports consisted of refined products other than residual oil, including gasoline, while 33.9 percent of the imports were residual oil. This in the face of the fact that United States refineries' average yield of refined products other than residual oil amounts to 82.4 percent of the total with gasoline alone accounting for 44.9 percent.

It might be asked that if oil imports are so vital to this country, why is it that gasoline which accounts for almost half of the demand for petroleum products in this country is imported in such negligible amounts as to be only a part of 4.1 percent of the Nation's petroleum imports. Does it seem logical that the international companies are importing petroleum products in accordance with the Nation's needs or is it possible that the selection of the type of oil to be imported is strictly a matter of commercial advantage to the importer?

Another important question that a national fuels policy would have resolved is "Which type of petroleum products are absolutely vital to the Nation's economy and security?" Certainly the liquid fuels used for mobile purposes, the gasoline and diesel oil used to propel the Nation's land, air, and sea vehicles are indispensable. However, there are many energy requirements for which petroleum products are not indispensable. Outside of the maritime use of residual oil, it is difficult to cite another use where it is indispensable and where the job to be done could not be done as well with coal.

There has been considerable testimony by oil producers and oil wholesalers that there is not enough residual oil produced in the United States to meet the demand. This committee may be surprised to know that the coal industry agrees with these statements. However, what the international oil companies neglect to say is that the demand in the stationary power and heating fields has been artificially generated by dump prices for foreign waste material.

Proof of the assertion that this country does not need imported residual oil is the fact that practically all of the foreign imports of residual oil are used in the coastal areas of 11 States on the eastern seaboard, while the rest of these States and all of the other 37 States are getting along very nicely without it.

Another phase of a national fuel policy pertinent to the importation of foreign oil is the question of developing synthesis plants that are economically feasible to convert coal to oil. All energy experts seem to concur that coal must supply an increasing percentage of the Nation's rapidly accelerating energy demands, in either its natural state or in synthetic form. As long as cheap foreign oil continues to be brought into the country, there will be little initiative to develop synthesis oil plants. A national fuel policy would indicate whether it is in the interest of the country to have the development of such synthesis plants further delayed by reliance upon foreign oil.

It is my fear, shared by many oil, coal, and governmental officials, that if the use of some and disuse of others of the Nation's energy resources continue along the present pattern, there will be a sad day of reckoning in the not-too-distant future. There is a crying need for order to be created out of the existing chaos.

Faced with the unresolved questions that becloud the fuel picture in this country and the lack of any philosophy regarding the sane and prudent use of the Nation's energy resources, this committee has, indeed, a difficult decision to make with regard to the unrestricted imports of petroleum. May I suggest that while waiting for the development of a national fuel policy, which presumably would clear up many of the present uncertainties, a prudent course would be to place some quantitative restriction on oil imports. Later developments may indicate the desirability of changing the quota figure, but, in the meantime, further damage to two of the Nation's basic industries—the domestic oil-producing industry and the coal industry—would be prevented.

In this connection, the February 28 report of the President's Advisory Committee on Energy Supplies and Resources Policy said in part regarding oil imports:

> The Committee believes that if the imports of crude and residual oils should exceed significantly the respective proportions that these imports of oil bear to the production of domestic crude oil in 1954, the domestic fuels situation could be so impaired as to endanger the orderly industrial growth which assures the military and civilian supplies and reserves that are necessary to the national defense.

While we do not hold with the Committee's recommendation to continue imports at the 1954 levels, its report does indicate recognition of the danger inherent in unrestricted imports of foreign oil.

I feel sure that the questions which have been raised regarding imported oil have been troubling every member of this committee. It is difficult for me to conceive that after hearing the conflicting testimony, and in the absence of any impartial and scientific program for energy use and conservation in this country, any individual could be sure that he was unquestionably right in voting for the continuation of unrestricted imports of foreign oil.

Therefore, pending the development of a national fuel policy, we respectfully request that this committee insure that no further irreparable damage is done to the productive capacities of two of the Nation's basic industries and energy resources by including, if it recommends the extension of the Trade Agreements Act, an amendment placing a 10-percent quantitative limit on foreign oil imports.

In making this request, we would invite your attention to a statement epitomizing the importance of a strong coal industry to this country. "A ton of coal per ton of steel—a pound of coal per kilowatthour of electricity—there you have the lifeblood of America's industrial might today and tomorrow."

Senator MILLIKIN. Any questions, Senator Martin?

Senator MARTIN. Your home is Wilkes-Barre?

Mr. EARNEST. Yes, Senator.

Senator MARTIN. Did you hear the statement of Mr. Hoffman this morning?

Mr. EARNEST. I did, sir.

Senator MARTIN. Would you care to comment on it?

Mr. EARNEST. I would be glad to. I listened with great interest to his remarks about the Committee of One Hundred in Wilkes-Barre—I happen to be a member of that committee.

Senator MARTIN. I thought you were.

Mr. EARNEST. And I think they have done an outstanding job in trying to rehabilitate that community because of the drop in coal tonnage. I do not have with me the actual amount of new payrolls that have come into Wilkes-Barre due to their efforts, but whatever it has been, it has been well worthwhile. I would say it was in the neighborhood of 5 to 10 million dollars. But I do know that the figures for the anthracite industry in that area, the total payroll for the past 3 years, has dropped a total of $50 million, and while it is making progress, in no way is it offsetting the loss that the coal industry has suffered.

I would like to add that I do not believe imported oil alone has caused that decline in the anthracite payroll, but it has contributed substantially to it, which is the point I made in my prepared statement.

I would just like to add this further thought, that I think, with everything being considered here, we forget the importance—I don't mean you gentlemen do, but I would like to point out the difference between a national resource and other items. And that is what I think all those representing coal and the railroads were representing today, getting back to the fact that if you further reduce the productive capacity of the coal industry, the railroad industry and the domestic oil industry in this country, it is facing a serious problem in any new emergency that might arise.

Senator MILLIKIN. Thank you very much.

The next witness is Mr. W. D. Johnson, vice president, Order of Railway Conductors of America.

STATEMENT OF W. D. JOHNSON, VICE PRESIDENT, ORDER OF RAILWAY CONDUCTORS OF AMERICA

Mr. JOHNSON. My name is W. D. Johnson. I am vice president and national legislative representative of the Order of Railway Conductors and Brakemen. I reside in Washington, D. C., and maintain an office at 10 Independence Avenue SW. The headquarters of the order is located in Cedar Rapids, Iowa.

I am also authorized to represent the Brotherhood of Locomotive Engineers and the Brotherhood of Locomotive Firemen and Enginemen. At this time, I would like to submit, for the record, letters authorizing this representation, signed by Mr. L. V. Byrnes, assistant grand chief engineer of the B. of L. E., and Mr. A. M. Lampley, vice president of the B. of L. F. and E.

Senator MILLIKIN. We would be glad to have that in the record.

(The letters referred to are as follows:)

BROTHERHOOD OF LOCOMOTIVE ENGINEERS,
Washington, D. C., March 7, 1955.

Mr. W. D. JOHNSON,
Vice President, National Legislative Representative,
Order of Railway Conductors and Brakemen,
Washington 24, D. C.

DEAR BROTHER JOHNSON: This will be your authority to speak for the Brotherhood of Locomotive Engineers in connection with H. R. 1, in hearings before the Senate Finance Committee.

I have read your statement urging that an amendment be adopted by the committee placing a quota on the importation of foreign residual oil, and our brotherhood concurs in everything you have said on that subject.

Fraternally yours,

LAWRENCE V. BYRNES, *A. G. C. E.-N. L. R.*

BROTHERHOOD OF LOCOMOTIVE FIREMEN AND ENGINEMEN,
Washington, D. C., March 7, 1955.

Mr. W. D. JOHNSON,
Vice President, National Legislative Representative,
Order of Railway Conductors and Brakemen,
Washington 24, D. C.

DEAR BROTHER JOHNSON: This will be your authority to speak for the Brotherhood of Locomotive Firemen and Enginemen in connection with H. R. 1, in hearings before the Senate Finance Committee.

I have read your statement urging that an amendment be adopted by the committee placing a quota on the importation of foreign residual oil, and our brotherhood concurs in everything you have said on that subject.

Best wishes,

Sincerely and fraternally,

A. M. LAMPLEY.

Mr. JOHNSON. I appear here to urge upon the members of this committee adoption of an amendment to H. R. 1 which would provide a quota limitation on the amount of foreign oil that may be imported into this country.

In order that I may not presume upon the time and patience of the members of this committee, I should like to call to the committee's attention and ask their consideration for the rather complete statement which I made on January 31, 1955, before the House Ways and Means Committee in connection with H. R. 1, and which appears on pages 1556 to 1561, part II, of the report of the hearing of that committee.

In my statement before the House Ways and Means Committee, I referred to and quoted from two tables. Table I, which appears on page 1560 of the report of the hearings of the House Ways and Means Committee, entitled "Employment trend road passenger, freight and yard conductors, 1946–54," and table II, which appears on page 1561 of the committee's report of the hearings entitled "Employment Trend Road Passenger, Freight and Yard Brakemen, 1946–54." In both instances these tables indicated the employment trend from the years 1946 to June 1954. The source of these tables is the statement M–300 of the Interstate Commerce Commission.

At this time I should like to supplement the information which is contained in those tables.

In the 6-month period from June 1954 to December 1954, the conductor assignments in all classifications dropped from 44,413 in June to 43,702 in December—a decline of 711 in that 6-month period. This increased the total job losses among conductors in all services between 1946 and 1954 to 8,692.

The employment of railroad brakemen in all classes dropped from 100,092 in June 1954 to 97,977 in December 1954—or a further reduction in that 6-month period of 2,116 jobs, making a total reduction in brakemen employed in all types of service between 1946 and 1945 of 20,219.

I believe it is pertinent at this point to refer to the decrease in all classes of railroad employment as reported by the Interstate Commerce Commission in its statement M-300.

In 1952 the total employment on railroads in the United States was 1,277,395. At the end of 1953, the total was 1,256, 952. And as of November 1954, the latest date for which official figures are available, the total employment was 1,080,878, or a reduction in total employment in the railroad industry between 1952 and 1954 of 196,516.

It is not my intention to represent to this committee that responsibility for all of this unemployment is attributable to the increasing flood of foreign oil which is displacing so much of our coal, particularly in markets along the eastern seaboard. But I do want to impress upon you that this continually increasing importation of foreign oil is a major factor in unemployment, particularly among the major coal-carrying railroads.

In an effort to bring to this committee specific information as to the magnitude of the impact on coal-carrying railroads by foreign oil imports, I requested the representatives of our organization on the Chesapeake & Ohio Railway system, the Norfolk & Western Railroad, the Baltimore & Ohio Railroad and the Virginian Railroad to report to me on the total conductor assignments on their various railroads during a uniform period from 1947 to 1954.

The report of Mr. R. T. Keller, general chairman of our organization of the Chesapeake & Ohio Railway system, reported that in 1947 the total conductor assignments within his jurisdiction were 796. Whereas in 1954 these assignments had dropped to 530, a reduction of 266 assignments.

For the Baltimore & Ohio Railroad, Mr. Clifford Shepherd, general chairman on that road, reports that the total assignments in 1947 were 399 and in 1954 they were 280, a reduction of 119.

In 1947 on the Virginian Railroad, Mr. J. A. Gott, general chairman on that railroad, reported 82 total assignments. In 1954 this figure had dropped to 67, a reduction of 15.

So that in summary, we see that on these 4 major coal-carrying railroads, conductor assignments dropped from 2,396 in 1947 to 1,690 in 1954, or a total assignment loss for these 4 railroads of 706.

I should explain that the reference here to conductor assignments means the ordinary traincrew, which at a minimum consists of three men. Therefore the total number of individuals involved in the loss of 706 assignments would be 2,118 men.

In my testimony, I have been dealing with unemployment in the ranks of the conductors and brakemen; however, I would call attention that the same trend in unemployment which I have pointed out specifically among conductors and brakemen, also prevails as to the engineers and firemen, for whom I am also authorized to speak.

As if the level of unemployment in the railroad industry was not bad enough on the basis of the figures I have given, it is alarming to note that the unemployment trend is increasing, on the basis of unofficial reports which we have for the early part of 1955.

Something must be done to correct this situation in such a basic industry as the railroads, which are so vitally essential to our domestic economy and national security.

We recognize and appreciate that foreign trade is necessary to our economic well-being. However, we are convinced that such foreign trade should not be permitted to such an extent, or in those areas, where it results in detriment to American industry and workers. There certainly should be some reasonable and just middle ground upon which to expand our foreign trade, for the benefit of our citizens generally, without disrupting the jobs and the livelihood of hundreds of thousands of American workers and their families.

It is in this tenor that we suggest to this committee, if you desire to render some assistance and help to the railroad workers of America who are now out of jobs, and whose families are suffering because of this unemployment, one step that you can take in the solution of this overall problem would be to adopt an amendment to H. R. 1, now before your committee, which would provide that imports of foreign oil, including residual fuel oil, should be limited to 10 percent of the total domestic demand in the corresponding quarter of the previous year.

We believe that this proposal contained in the amendment to H. R. 1, introduced in the Senate on March 4 by 17 Senators, is a reasonable one and would do much to relieve the serious situation that exists today in the coal and railroad industries, as well as in the domestic petroleum industry.

The solution is one that will benefit those affected industries without seriously handicapping other groups engaged in commerce with foreign nations.

We respectfully request and urge that this committee give serious consideration, and, we hope, approval to the amendment to which I previously referred.

I thank the committee for its patient and considerate attention.

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

Any questions?

Senator MILLIKIN. No questions.

Senator MARTIN. No questions.

Senator MALONE. Mr. Johnson, I am glad to see you again.

Mr. JOHNSON. I am glad to see you, Senator.

Senator MALONE. As I understand it, you are for a quota on the importation of oil because the imports have simply resulted in a diminution of freight on the railroads which has, in turn, resulted in unemployment.

Mr. JOHNSON. That is right, sir.

Senator MALONE. Now, are you for extension of the 1934 Trade Agreements Act?

Mr. JOHNSON. I realize, Senator, that we cannot exist as a great nation without some form of trade agreements—they are absolutely necessary; but, in my judgment, when the time comes that we trade to the extent that it reflects detrimentally to American industries and brings about unemployment such as we have in our country today, something should be done about it, some kind of an agreement, some kind of an understanding, whatever will produce the desired results, in order to protect American industries and American workers. That is all we ask for.

Senator MALONE. Mr. Johnson, I presume you are not only interested in the employment of railway conductors and brakemen but you are concerned generally with the American people in industry that develops the whole country.

Mr. JOHNSON. I am absolutely interested—my whole life has been devoted to the railroad industry and, naturally, I am interested in the welfare of all American workers, all American people. I think that is the only way I could be a good American.

Senator MALONE. I think you are. And I have watched your operations for a long time.

Following that a little further. You heard Mr. Hoffman testify this morning. I have great respect for any man who will stand up and say what his convictions are, regardless of whether I agree with them. What I want him to do is stand up and say what they are and how they will operate.

Mr. Hoffman testified this morning—I only use his name because he is one outstanding man who is for all of this business, and I think he has considerable influence. Mr. Hoffman said that he was for this act, and if it results in some unemployment in some places, he thinks it will result in even more employment in other areas, and the consumers are entitled to the cheaper product. What do you say about that?

Mr. JOHNSON. I cannot go along with that thought. While I am not going to put myself up against Mr. Hoffman, because he was placed in the position, over a period of years, where he could get a deeper insight into the overall subject matter—he spent a good many years abroad, and I recognize his ability—I think he is a very capable man, but, today, Senator, if you are going to bring about an increase in employment on the Chesapeake & Ohio Railroad and by the same token decrease employment on the Pennsylvania Railroad, you are not doing any good as an overall proposition. But perhaps by bringing about an adjustment such as we are asking for here, that might preserve some of the employment on both railroads. And I think a limitation on this product, better known as residual oil, will have just that effect.

Senator MALONE. Of course, Mr. Johnson, you know that I agree with your general thesis; it is merely a matter of ways and means.

Now, I do not understand that you have ever objected to unemployment whenever that unemployment, whether it is in your organization, or some other organization, is brought about by fair and reasonable competition, and it is a domestic product that pays the same wages and taxes and all other emoluments that you have to pay, or the companies that you represent have to pay. I have never understood you objecting to that.

Mr. JOHNSON. We never have. That is just a normal happening in the railroad industry as well as in other industries.

Senator MALONE. That is the way they move, from the horses to the buggies, and the buggies to the automobiles, and automobiles to trucks, and we might not like some of it sometimes because of habit, but we do not object to it because it is progress. That is right; isn't it?

Mr. JOHNSON. Well, it is progress—we do object a little bit to some of the means of competitive transportation, Senator, because we feel that some of it is just a little bit unfair. Now, if you give us an even break in the railroad industry, and if we cannot meet our competitors from a transportation standpoint, we just do not have any right being in business. But I fear in many instances—you know, it is not only residual oil that is nipping at us, but trucks, buses, airplanes, pipelines, and just a lot of other things are——

Senator MALONE. You might have some objection to Congress subsidizing some of your opposition?

Mr. JOHNSON. Well, if they are going to subsidize one, they ought to subsidize all. I think we could use a little subsidy, too.

Senator MALONE. I agree with you that you ought to have an even break with other transportation, and if there is not an even break, there would be another hearing. But my object here is to bring out that you have never objected to any fuel displacing fuel on your railroads that is produced, paying the same wages and taxes, produced under the same conditions of doing business as the domestic producers?

Mr. JOHNSON. No, sir; we are not going to oppose any move that is fair and reasonable.

Senator MALONE. I find that some of the witnesses—I do not think you are one of them, however—are so far away from the dog that bit them that they forget what we are doing and what would be done if we did not extend this act. I think you do understand that if it is not extended that the world does not come to an end. What we do is to revert to an agent of Congress, created and given orders and a principle as to how to conduct competition. And that is the United States Tariff Commission. The 1930 act, which was never used, by the way, because it was almost immediately superseded by the 1934 Trade Agreements Act, put the power to do this thing in the hands of the Executive. The power now lies in the State Department mostly, which is doing the job, taking in the factors of the overall economy of this Nation and other factors, including the political situation abroad, saving allies from communism, and a lot of other things. Some of us believe the way to save people from communism is to take care of our own people, too, to the extent of fair and reasonable competition. That is about what you are talking about; isn't it?

Mr. JOHNSON. That is right.

Senator MALONE. Well, if this act were not extended, then, 1 minute after midnight on June 12 of this year it reverts—all duties, and articles on which there is no trade agreement, revert to the Tariff Commission on the basis of fair and reasonable competition, where they have only 1 order from the Congress of the United States. And that is very plain; they determine the difference, the cost of production of an article here and a similar or like article in a foreign nation, the chief competitive nation—that is the phrase they use there—and recommend that to be the tariff. If there is adequate agreement on this residual oil so that that would remain in effect even after June 12 or until the President should serve notice of cancellation, then in 6 months it reverts to the Tariff Commission on the same basis.

Now, if that were done and we were on that basis and any oil coming into this country coming in on a fair and reasonable competitive basis with domestic oil—which means it does not come in except when it is needed—would you object to that method of handling the situation?

Mr. JOHNSON. Senator, in reply to that question, I do not know too much about tariffs——

Senator MALONE. That is all right. We will pass that question.

Mr. JOHNSON. I will say this: I think it is the duty of our Government to do everything that they possibly can to protect American industries and American employment; whatever is the best way to do that will have to be determined. And I will go a little further. I think that is the duty of the government of all foreign countries, and I am inclined to believe that they will do just that. And that causes me to make the statement that I made, that I think we should do it here. That does not mean that we do not want to be neighborly; that does not mean that we do not want to help these other countries rehabilitate themselves, and so on and so forth; but I feel, Mr. Senator, that our first obligation is to our country and to our people.

Senator MALONE. I agree with you, Mr. Johnson, and that is the reason I believe you are here today, for the sole objective that if we are going to extend this act, is to in some way amend it so your people will not be put out of work by a product that is produced in a foreign nation under such conditions that it can undersell a like product here. That is your objective, isn't it?

Mr. JOHNSON. That is right.

I might say right there, Senator, I think perhaps we would be better off if we would just give those people so much money and tell them to keep their products.

Senator MALONE. We generally give them money anyway. I don't know that we have given any money to Venezuela. Maybe they are an exception. I generally agree with you. When you dig into this market that is the basis of your income, you are playing with your life, and I think we are playing with our lives right now.

Now, you are particularly interested in your rate of employment. You are aware, of course, that a similar situation exists in other areas of the country on other products that have been depleted and the freight has diminished.

Mr. JOHNSON. We know that; but we feel, Senator, that with our army of railroad employees—it is true we make pretty good wages, and I think the railroad man desires to live in keeping with American standards, maintaining his home, and we know full well that if we have full employment on the railroads and our wages remain as they are, through our purchasing power, naturally, we help employees in other industries.

Senator MALONE. Well, there is not any question about that, Mr. Johnson. And it happens that three transcontinental railroads run through my State, the Western Pacific, the Union Pacific, and the Southern Pacific—all good railroads. Now, the matter of railroads is settled in another manner. Congress has set up a method of doing that, and unless Congress takes up that question and changes a principle, we must assume that the wages are based on the principle as set up by Congress or by the organization created by Congress.

So, I am not talking about the wages; I am talking about the situation that you are discussing, but in other areas. So, you would think that in other areas where industries have been depleted or destroyed and the trade on the railroads adjacent, of course, depleted to that extent, that relief should be afforded there in the same or another manner that might be effective?

Mr. JOHNSON. I think that is our final obligation, Senator.

Senator MALONE. There are mining camps now and glassware and pottery works that are seriously depleted, and unemployment is rampant in those towns. And it is coming into other industries like the heavy industries. You may have heard testimony yesterday from Westinghouse that they are seriously injured through underbidding by foreign nations due to the low cost labor.

Now, do you believe that those industries should have relief in an effective manner?

Mr. JOHNSON. They should be protected in every possible way.

Senator MALONE. Now, the way Congress laid down the principle in section 336 of the 1930 Tariff Act, which has never been utilized on account of being substituted by the 1934 Trade Agreements Act, is on the basis of fair and reasonable competition. In other words, there is only one order from Congress to the Tariff Commission, and that is to determine the differentiation of the cost of this particular item here and the chief competitive nation on that product. And you are not complaining whenever that obtains, if it comes in on the same basis as the product that you are manufacturing and displaces you—that would be another thing.

Mr. JOHNSON. If that had been followed, we would not be here today, Senator.

Senator MALONE. I do not think you would. I do not think the time of this committee and the time of Congress would be taken up by determining how we can best remake the industrial map of the United States of America, in my opinion that was not the intention originally, in the passage of the act, and what I believe about it is on the record many ways. I could say that I believe it could be called a conspiracy, to destroy the American workingman and the small investor. If the major investor can go beyond the oceans to other nations where labor is cheap and conditions better fitted for his own particular setup and manufacture the equipment and product and send it back here. I think it will utterly destroy the workingman of America and the small investor. And I think it would mean in the long run taking lower wages to meet that competition and writing off the investment or going out of that particular business. That is exactly what it seems to me, and has seemed for the 20 years, 2 decades, it has been in effect.

Mr. JOHNSON. As I said a minute ago, Senator, I am not well enough posted on tariffs and reciprocal agreements to answer questions as they should be answered, but I am of the opinion that if there had been more consideration shown for American industry and the American worker back over the past two decades we would be much happier today in the railroad industry—and I am satified that Senator Martin would be much happier in his State so far as the coal industry is concerned. And I sincerely hope that this committee will do something to try to correct the wrong that, in my judgment, has been inflicted on two very basic industries, coal and the railroads.

Senator MALONE. I join with you in that hope, Mr. Johnson.

That is all. Mr. Chairman.

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

Mr. JOHNSON. Thank you, Mr. Chairman and members of the committee.

Senator MARTIN. Mr. Chairman, I want to introduce you to Mr. Maule, who represents the mushroom industry. And the mushroom industry of the United States started in his part of Pennsylvania.

The CHAIRMAN. I am glad to meet you, Mr. Maule.

STATEMENT OF WALTER W. MAULE, SECRETARY, MUSHROOM GROWERS COOPERATIVE ASSOCIATION, KENNETT SQUARE, PA.

Mr. MAULE. Mr. Chairman and members of the Finance Committee. When I recently appeared before the Ways and Means Committee, the final 1954 import figures on canned mushrooms were not available. The Department of Commerce has recently supplied these statistics, see page 4——

Senator MALONE. Page 4 of your own statement?

Mr. MAULE. Yes, sir.

The CHAIRMAN. Do you want to put it in the record?

Mr. MAULE. Yes, if you please.

The CHAIRMAN. Without objection, it will be placed in the record.

(The figures referred to are as follows:)

Canned mushroom tariff rates

1922 act	45 percent ad valorem.
1930 act	45 percent ad valorem plus 10 cents per pound.
1936 trade agreement	25 percent ad valorem plus 8 cents per pound.
1948 GATT	15 percent ad valorem plus 5 cents per pound.
1951 GATT	12½ percent ad valorum plus 4 cents per pound.

Imports of canned mushrooms[1]

Year	All countries			France only		
	Pounds	Dollars	Value per pound	Pounds	Dollars	Value per pound
1950	337,037	200,285	$0.59425	261,629	144,972	$0.554
1951	432,951	256,973	.59354	363,898	204,130	.5609
1952	955,070	570,261	.59708	788,027	429,802	.5454
1953	1,718,319	959,444	.5583	1,579,713	841,652	.5327
1954	2,572,195	1,372,026	.5334	2,458,900	1,290,365	.5247

[1] Source: U. S. Department of Commerce and U. S. Tariff Commission. Values per pound calculated from Government statistics

NOTE.—Main supplier of canned mushroom imports: 1953, France, 92 percent; 1954, France, 96 percent.

Mr. MAULE. The statistics show that from 1950 to 1954 the imports of canned mushrooms into the United States have increased almost 800 percent. The 1954 imports accounted for about 20 percent of all canned mushrooms sold in the United States. The competition from abroad has created a chaotic condition in the American mushroom industry which has been reflected in a lowered price to the farmers and has forced a reduction in the current domestic pack, due to heavy unsold inventories in the warehouses of the canners.

As a result of three successive tariff reductions, made under the Trade Agreements Act of 1934, the present rate of duty is now less than half that provided in the 1922 law. Canned mushroom imports in 1929, under a tariff rate more than twice that now in effect, amounted to 7,845,000 pounds. These imports exceeded the 1954 imports by more than 300 percent. We make this statement to illustrate from past statistics the potential capacity of foreign producers to recapture the United States market.

It is quite plain to domestic producers that, because of the rapidly increasing importation of canned mushrooms, unless relief is granted, our United States mushroom industry will rapidly deteriorate. The $50 million invested capital and the 15,000 jobs of those employed in the United States mushroom industry are in jeopardy because of the failure of those policymakers administering the Reciprocal Trade Treaty Act to recognize the needs of the domestic industry.

The mushroom industry is probably the smallest segment of American business to make a direct appeal to the Congress for relief from the hardships imposed by the workings of the Trade Treaty Act. We represent but a minor part in the great American economy, and that part largely localized in Pennsylvania, Delaware, Maryland, and New York, where at least 80 percent of America's mushrooms are grown. However, in appealing to you for amendments to the existing law, we surely bespeak the need for protection on the part of many other minor American industries.

The American mushroom industry was developed under a protective tariff and expanded because of economic dislocations in Europe during and following World War II. The recovery in Europe, particularly in France, which country is the source of most of the imported canned mushrooms, now threatens to seriously damage our domestic industry unless relief is provided through congressional action.

The mushroom industry stands alone insofar as any form of governmental assistance is concerned. We have no price support, nor surplus removal program, nor are we asking for such. We are aware that it is the announced policy of our Government that agricultural products are entitled to parity prices in the marketplace. While parity prices for mushrooms have never been officially prepared, yet, using the Department of Agriculture formula for such calculation, we arrive at a price of 44 cents per pound. Due to the impact of imported canned mushrooms in steadily increasing quantities and at progressively lower prices, the domestic grower is today receiving but 23.3 cents per pound from the canners. This is just slightly more than 50 percent of parity.

After 20 years' operation of the Trade Agreements Act, during which the tariff on canned mushrooms has been three times reduced, we are convinced that those administering the act are totally unsympathetic to the needs of the domestic industry. To us it appears highly unfair that only those crops coming under a domestic farm price-support program shall be protected by laws which restrict imports. Surely all segments of American endeavor are entitled to equal treatment by our Government. Since equal treatment has been regularly denied, we appeal to you to amend the bill now under consideration, by giving the United States Tariff Commission power to adjust rates of duty to preserve American businesses and protect American labor.

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

Any questions?

Senator MARTIN. I think he has made a very fine statement, and I have no questions to ask.

Senator MALONE. How many are employed in this industry? Do you have any estimates?

Mr. MAULE. About 15,000 persons.

Senator MARTIN. He stated that in his statement, Senator.

Senator MALONE. Then, it is, as you describe it, a typical industry such as springs up in the United States whenever the citizens, under the existing conditions, think they have a chance to make a go of it.

Mr. MAULE. Well, it requires a rather considerable capital investment with which to enter the business.

Senator MALONE. If it is a principle laid down by Congress, certain protection afforded by the Tariff Commission on the principle of fair and reasonable competition, you feel very confident in making the investment.

Mr. MAULE. That is right.

Senator MALONE. But, as I get your testimony, when you are subject to the whim of one man for the State Department or any official that does not have to be checked by Congress, you do not feel quite so confident?

Mr. MAULE. We feel that we have been totally mistreated, Senator Malone.

Senator MALONE. Are you opposed to the extension of this act?

Mr. MAULE. If our business and other businesses are going to be mistreated in the future under an extension of the Reciprocal Trade Treaty Act, I think it should not be reenacted.

Senator MALONE. Of course, we have no way of knowing how the future will treat the industry, but we do have the record. And, of course, the only reason that any of us, at least I, can see for having the act in the first place——

Mr. MAULE. At the top of page 4, Senator Malone, you will notice what has happened to our tariff rates. I mentioned it when I was before the Ways and Means Committee. I believe that probably no other segment of American endeavor has been treated or mistreated as as our mushroom industry has been mistreated. We have had our tariff reduced three times.

Senator MARTIN. I might call your attention to this: From 1922 to 1951 it has been reduced from 45 to 12½.

Mr. MAULE. Plus 4 cents a pound.

Senator MARTIN. Yes, it is down to 4 cents a pound.

Mr. MAULE. Since 1930 there have been three reductions alone in that schedule.

Senator MALONE. I notice that; and I have only one point of disagreement with your whole statement, and that is when you say that no other industries have been treated as bad. There are probably a hundred industries that have been treated in exactly the same way, and they get the same relative treatment, but not at the moment quite so bad. But I would ask you: I think you understand this situation and you understand what happened when there was even a 5-percent reduction in duty. If the duty is correct in the first instance, if it recommends that difference in cost between production in this Nation on this particular item and in the chief competitive Nation—which I see is France in this case—if the duty is proper and represents that differential then the Tariff Commission is very capable and efficient at determining whether any reduction of 5 percent will make you reduce your labor cost or your investment to a point to meet it or go out of business.

Mr. MAULE. It has made us reduce our selling prices. As of today, we have a chaotic condition. Canned mushrooms are being sold at considerably less than a fair cost price.

Senator MALONE. Well, canned meat is coming in here under practically free trade from all over the world; that is, most of it from Australia and other nations where the cost is so much below what it is here that you can hardly make a comparison, and we have had preparation for war, with many of our boys in the Army, and the Government purchases have so far held it up in pretty good shape, at least around 20 cents on the hoof for cow meat, and it was considerably higher than that, and many people have gone broke; but there are many still in the business and it has caused a lot of hardships. Even that price cannot be substantiated and cannot be held if we were not buying substantial amounts for the Army and for Government use. So, there are many other industries, without going into detail—the mineral industry the crockery industry, the glass industry—you may have noticed one glassware company has served the Secretary of the Treasury for collecting unlawful duties on account of the alleged unconstitutionality of the act.

Now, you know the mushroom industry can come in as a friend of the court and have their deposition taken and try to get this thing settled, and my own opinion is—and there is no use voicing it, because it is in the courts now—and my own opinion is that we will find an unconstitutional transfer of constitutional responsibility of Congress of setting duties—which amounts to a tax on imports—to the President of the United States.

Mr. MAULE. We will be very happy if such a finding is made.

Senator MALONE. Well, I might say that you might come right in as a friend of the court, because now it is in the courts, and it should be settled.

Mr. MAULE. I might state that we have appeared each time when a publication took place that mushrooms were to be considered for a tariff change. No agency of Government has ever come to us in a sincere way to find out the situation involved in the industry. They have gone to Torquay; they have gone to Geneva and other places, but as far as our segment of American endeavor is concerned, they have never made a study of it to find out what change should be made.

Senator MARTIN. How long have you been an officer of the association?

Mr. MAULE. Senator Martin, we started our organization in 1925, and I have been the executive officer of it continuously since.

Senator MARTIN. The reason I am bringing it up, of course, you are the one, or one of the men, indeed, who ought to be consulted, because you have got the knowledge.

Mr. MAULE. I do not want to be unfair to the executive department, but I insist they have never made any research as to factual information.

Senator MALONE. How many members do you have in your association?

Mr. MAULE. About 250.

Senator MALONE. The State Department probably does not know you are in the business.

Mr. MAULE. Yes, they do. I have not failed to appear in each of the reciprocal trade treaty hearings, and I first appeared before this committee in 1929, and I have been appearing regularly before governmental agencies, not only congressional committees but administrative agencies, on behalf of different phases of the industry.

Senator MALONE. I think, until the 1930 act—your testimony was listened to apparently by the Tariff Commission or whoever heard you, and you had a tariff that kept you in business.

Mr. MAULE. The late Senator Smoot, Senator Watson, and Senator Shortridge were extremely sympathetic.

Senator MALONE. They had a principle. We have abandoned the principle of fair and reasonable competition, the principle laid down for the Tariff Commission in the 1930 Tariff Act—a basis of fair and reasonable competition. They have nothing that they can consider except the difference in cost of production in our country and the chief competitive country, which, in this case, would be France. They must recommend that to be the tariff. That is the law. And now, it was superseded by the 1934 Trade Agreements Act which takes in political considerations, a consideration that might strengthen the relationship of agriculture and industry and all the rest of it by remaking the industrial map of the United States—it may be the entire economy, they would judge, would be strengthened by allowing mushrooms to come in here at 12½ percent ad valorem and you going out of business and having to furnish employment through some other segment, because with these dollars that the imported mushrooms would bring France they could buy other products. Now, you have heard that argument. What do you think of it?

Mr. MAULE. It does not impress me as being a sound argument.

Senator MALONE. Well, it doesn't impress me either. But the vote has been so overwhelming in Congress in extending this act—and the act has not changed for 21 years—it is now before us to extend that act with an additional 15 percent reduction possible, and for 3 years. Now, I take it you are against the extension of the act.

Mr. MAULE. Unalterably opposed to it.

Senator MALONE. Now, you understand that all of these—I call them trick organizations—these organizations that are springing up all over the world like GATT, General Agreements on Trade and Tariffs of Geneva, the United Nations have several organizations they have organized for world trade, the International Trade Organization, the International Materials Conference created by the State Department—all these organizations are organized to sit down with all the markets in the world in a pot, and ours is practically all of the good markets in the world, but ours are thrown in and divided on a basis of entitlements for consumption—whatever that means—I could only interpret it according to population, including China and India and the European nations, and all that. Now, do you understand that all these trick organizations fall on their face and they are not effective if we withdraw our market from the pot—and we do automatically withdraw them from the pot if we do not extend this act, that is, we have started a chain of circumstances that could stop all this funny business. You understand that?

Mr. MAULE. Yes, I do.

Senator MALONE. Now, we have occupied—I have likened it several times to the position of a sucker in a poker game. There is a game framed up in pretty nearly any town when a man comes in with an excess amount of money and gets a drink or two and thinks he is a pretty good poker player, but after they set up the game it does not work if he does not sit down, because he has got the only money. And that is the way it is in this international racket.

Mr. MAULE. I think the act was maladministered to start with and then they created this extra legal creature called GATT that is still more damaging than the original act. That has never been approved. I believe they are now going to offer the structural features of it to the Congress for approval.

Senator MALONE. Well, you know that the GATT organization representatives from every nation have been working in Geneva for some time now and are just waiting for this extension to continue their division of the markets.

Mr. MAULE. Here is our brief in opposition to the Reciprocal Trade Treaty on canned mushrooms. Here is a copy of our brief on dried mushrooms in a proposed treaty with Japan.

Senator MALONE. Could we have that filed—not to appear in the record, but for information?

Mr. MAULE. I would be glad to submit copies to you gentlemen.

Senator MALONE. For the record——

Mr. MAULE. For the printed record?

Senator MALONE. No, just to be filed as an exhibit.

Mr. MAULE. Yes.

Senator MALONE. And then would you mail me copies of it?

Mr. MAULE. I would be glad to.

Senator MALONE. Now, I do not think they are any more unsympathetic with your industry than they are with any other industry that has been practically ruined or that is on the way to ruin. But Congress gave the Executive—and many of us think it is the State Department—the power to consider the economy of the entire United States, the association of the industries in the country, the different industries, agricultural, minerals, etc., and they also consider the political situation in Europe or any part of the world in the division of our markets with them. In other words, the act itself apparently contemplates giving away part of our markets. And that is exactly what it is doing. Some, like Mr. Hoffman this morning, think it is a very fine thing, to remake the industrial map—he did not like my expression, but that is what it does. If you go out of the mushroom business, he thinks it will create employment, even more than you have in the mushroom business. What do you think of that?

Mr. MAULE. His testimony was quite comparable to that of the former Assistant Secretary of State Will Clayton who suggested that owners and employees of minor industries that could not survive competition be retrained and sent to Detroit to build automobiles.

Senator MALONE. What do you think of that?

Mr. MAULE. I am unalterably opposed to it.

Senator MALONE. You are just an ordinary citizen, the same as the rest of us, trying to get along. That is what I was until I came here, and I am not doing very well here.

Mr. MAULE. That is an unreasonable approach as far as families are concerned in our area. And I am sure it would be true in all areas of the United States. They do not wish to pull up stakes and move somewhere else.

Senator MALONE. Didn't Lincoln say one time—and he was quite a President—"We want a tariff developed on this basis, to develop the whole country alike, that is, to give every section of the country a chance to develop"? Isn't that the sense of what he said?

Mr. MAULE. I am not familiar with that particular statement, but I agree with it.

Senator MALONE. There was a lot of common sense mixed up in that gentleman, but there is very little left in Washington now. I do not believe that the back country west of the Hudson River would have developed at all if we had had the administration that started this act in power at that time. We traded the producing industry—this is just one of them—for a bunch of waterfront brokers that take an override on everything that goes through the ports either way. And we think that is good business.

Mr. MAULE. Senator Malone, it is very, very unfortunate for the American public that the big city press has gone practically free trade.

Senator MALONE. I guess that applies to the New York Times and the Herald-Tribune and Time Magazine——

Mr. MAULE. And the Philadelphia papers.

Senator MALONE. I said, over here in an address before the University Club:

> Under this act we simply have traded the producing industries of this Nation for a bunch of waterfront brokers. And you have built these office buildings over here so high that when you look out you can see Europe and Asia, but not these little places around the Hudson River.

And I understood they were very cold to my address along toward the last. But I was glad to have an opportunity to tell them.

Speaking as temporary chairman of this committee, I appreciate your type of citizen coming before this committee and simply telling them what you think, without stuttering or backing up, because you pay the taxes, or at least you did, and will if you are still in business, and I think, as I have said before, that this is an approach comparable to the political approach of the recognition of Communist Russia in 1933, to destroy this country by a political approach, and this is an approach in 1954 to destroy the workingman of this Nation and the small investor, just like yourself, and it is doing it. And I do not know or understand how a Congress can keep a thing of this kind going, and, further, I do not understand why the people of this Nation, if they understand it, don't make themselves heard. Do you understand why the industries do not make themselves heard instead of just calling in here and asking for something that will preserve their industry another year? Why don't they come out and speak their minds?

Mr. MAULE. I rather think that the slogan which I believe was coined in England, "Trade, not aid"—I think that was of English coinage——

Senator MALONE. Yes; by Mr. Butler, Chancellor of the Exchequer.

Mr. MAULE. I think that phrase has practically neutralized the minds of people in the big city press, because, to restate my observation, they are practically free traders. The only place you can get any local press publicity is in the small communities where an industry such as our mushroom industry is concentrated. As you well know, we can get publicity there, but the big city press does not take it up.

Senator MALONE. Of course, down in Washington we only read big city papers.

Now, how would you suggest that the people of this country might be informed of just exactly what was going on? Of course, I fear for Washington if they did certainly know what was going on, the full import of it, but I think it is time that they understood it. Would you have any suggestions as to how we might inform them?

Mr. MAULE. I think speeches on the floor of the United States Senate in favor of protecting the American investments at home would be helpful.

Senator MALONE. I made one last Monday, on February 28. It missed most of the newspapers, so it would have to be distributed some other way.

Mr. MAULE. Well, it is rather futile, in other words, to secure space in the news channels, either by radio or the printed word.

Senator MALONE. In other words, we are so far away from doing that, that we just forgot what happened, and now we have this thing and we just think we have to ride with it; isn't that it—that is, the way the average man looks a it?

Mr. MAULE. I would hate to admit that that is the situation at the present time. As to the answer, I am not qualified to give you the answer.

Senator MALONE. There is one way this can be done—as a matter of fact, it is being done—and that is that the people of this Nation like yourself will come in as friends of the court—hundreds of them in each State—in this suit, and when the depositions are taken the people will know what is going on. There has to be some way of making news out of it. If it is not news, if we are destroying the economy of this country, destroying our ability to defend ourselves and riding on our fat, as we have been doing for 21 years through emergencies and through preparations for war with every President that we have had pounding at war to raise the devil—and we still are—what kind of an economy do we have? I think the only way I can see that the people of this Nation will be informed is by men just like you in every small community in the United States of America, getting up on your hind legs and coming in as friends of the court in this case, or doing like you have done, coming before the committee. Somebody has got to print some of what you say undoubtedly.

I appreciate your coming here.

Do you have any questions?

Senator MARTIN. No.

Thank you very much.

Senator MALONE. Thank you very much.

Mr. Yntema, Jr., National Association of Green House Vegetable Growers.

STATEMENT OF HESSEL E. YNTEMA, JR., REPRESENTING THE NATIONAL ASSOCIATION OF GREEN HOUSE VEGETABLE GROWERS, CLEVELAND, OHIO

Mr. YNTEMA. Mr. Chairman, my name is Hessel E. Yntema, Jr. I am a member of the law firm of Clinton M. Hester, suite 432, Shoreham Building, this city, which firm represents the National Association of Green House Vegetable Growers with headquarters in Cleveland, Ohio. I am here today to speak in behalf of that group on H. R. 1.

The association is in favor of a quota system for Cuban and Mexican imports of fresh cucumbers and tomatoes. It has been and is being seriously injured by excessive imports of fresh tomatoes and cucumbers from Cuba and Mexico.

The industry I am speaking for today is not small. Not only do the many greenhouses throughout the country represent a sizable investment but they also do a large volume of business.

There are over 1,050 greenhouses in 40 States. Incidentally, there are greenhouses in 12 of the 14 States represented on this committee.

Senator MALONE. In what States are they?

Not as represented on this committee but represented in your business.

Mr. YNTEMA. If it please the chairman, I will submit that later.

Senator MALONE. I think we should have it now. This committee ought to be interested in it, and I think the Senate itself ought to be interested in it.

Mr. YNTEMA. The States are: Arkansas, Arizona, California, Connecticut, Colorado, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New York, North Carolina, North Dakato, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, West Virginia, Washington, and Wisconsin.

Senator MALONE. Now, what does this contain? Does it contain the names of the growers in these States?

Mr. YNTEMA. Yes, sir, this is a list of over 1,050 of them.

Senator MALONE. You may, if you wish, submit it for the record, as part of your statement.

Mr. YNTEMA. This was supplied by the president of the association, and I will provide a copy.

Senator MALONE. You can present it from the information of the committee, and at your request it will be returned to you.

Senator MALONE. Go ahead.

Mr. YNTEMA. The industry directly employs about 50,000 people and many more thousands are indirectly employed in such allied fields as the coal, fertilizer, shipping container, and transportation industries. All these furnish services and raw materials necessary to produce greenhouse vegetables. Estimating there are 3½ persons in each family in this country, 175,000 people are directly dependent upon the industry. Indirectly, many hundred thousands more persons are also affected.

It is estimated that all the greenhouses in this country are worth $500 million today. They produce about $100 million worth of fresh vegetables a year. The industry annually grows well in excess of 150 million pounds of fresh tomatoes, 60 million pounds of fresh cucumbers, and 50 million pounds of leaf lettuce. However, in this hearing, we are only interested in tomatoes and cucumbers since imports of lettuce do not affect us.

The greenhouse grower is a farmer. He is a very important factor in the American economy——

Senator MALONE. Let me ask you at this point: You say you are not interested in the other vegetables. Is there any likelihood that you might become interested at some future time?

Mr. YNTEMA. Certainly, sir. I believe that the chief reason now is that there is not too much in the way of lettuce imports coming in now.

Senator MALONE. How many of these vegetables are there?

Mr. YNTEMA. They grow tomatoes, cucumbers, leaf lettuce, bibb lettuce, and radishes. Those are the major ones.

Senator MALONE. Is there any other place this material can be imported at a profit the way things stand now?

Mr. YNTEMA. Well, the way things are now, just the tomatoes and cucumbers coming in.

Senator MALONE. I mean, could they?

Mr. YNTEMA. They could very well, eventually.

Senator MALONE. Did you say that you were for the extension of this act? Did I so understand you to say?

Mr. YNTEMA. No, sir. What we actually want to do is to amend the act.

Senator MALONE. You have some amendment to save your industry like everybody else.

Mr. YNTEMA. Yes, sir.

Senator MALONE. How do you think this act would be if we took 5,000 amendments to save every product?

Mr. YNTEMA. It would be very long.

Senator MALONE. Don't you think it would be better to arrive at some principle?

Mr. YNTEMA. Yes, sir.

Senator MALONE. You understand, if you do not extend the act you are going back to the principle of fair and reasonable competition?

Mr. YNTEMA. Yes, sir.

Senator MALONE. Why are you for the extension of the act?

Mr. YNTEMA. The association believes that in view of the past history of the act, it very possibly will be extended again.

Senator MALONE. In other words, you do not think you could do anything by appearing before Congress in opposition to it?

Mr. YNTEMA. We would like to appear in opposition, but if it must be passed——

Senator MALONE. If you could stop it, would you?

Mr. YNTEMA. Yes.

Senator MALONE. That is what I think is the matter with the industry of this Nation, it has lost its guts; they come before a committee and walk easy because they think nothing can be done.

You are a taxpayer, aren't you?

Mr. YNTEMA. Yes, sir.

Senator MALONE. Your people are all taxpayers?

Mr. YNTEMA. Yes, sir.

Senator MALONE. They are in how many States?

Mr. YNTEMA. 40.

Senator MALONE. Don't you think it would have some effect if they all got up on their hind legs and said, "We are opposed to a thing that is driving us out of business?"

Mr. YNTEMA. Yes, I certainly would think so. They have appeared before the various committees of Congress.

Senator MALONE. Where do you get this reciprocal business? Do you get it out of the act?

Mr. YNTEMA. Yes. That is supposed to be part of the act.

Senator MALONE. Did you ever read it?

Mr. YNTEMA. I have tried to, sir.

Senator MALONE. Did you find the words "reciprocal trade" in the act?

Mr. YNTEMA. No, sir.

Senator MALONE. Do you have any idea where that phrase originated?

Mr. YNTEMA. I presume it to be just a common name given to the act.

Senator MALONE. The London bankers in 1934 or thereabouts coined that slogan just like their Mr. Butler coined the slogan "Trade, not aid," as Chancellor of the Exchequer in England—he coined that in London. And now people are mouthing that phrase; they do not know where it came from or what it means, but we have lived with the slogan for two decades. Don't you think it is time we read some of those bills?

Mr. YNTEMA. Yes, sir.

Senator MALONE. And speak our minds about it?

You can't be worse off, can you?

Mr. YNTEMA. No, sir. But still if the bill must—if the extension must be——

Senator MALONE. Why don't you go ahead and speak your mind and say you do not want to extend it, but if it is extended it is certainly going to have to be amended?

Is that what you mean?

Mr. YNTEMA. Yes.

Senator MALONE. You understand if it is not extended you revert to a tariff act which is exactly what you are trying to tell the chairman there, that the tariff or duty, as the Constitution calls it, would be computed on the basis of the difference in the cost of production here of your particular product and the cost in the chief competing nation? Would that suit you?

Mr. YNTEMA. Yes.

Senator MALONE. Now, you would be on the way to that principle laid down by Congress where the Tariff Commission, as its agent, could not consider any other factor whatever except cost; they can't consider the political situation.

What is your chief competitor nation? Cuba?

Mr. YNTEMA. Cuba; Mexico.

Senator MALONE. You could not consider saving Cuba from communism or saving it from some other political situation; you could only figure the difference between your cost and the cost of your chief competing nation. Now, is there a trade agreement on these two products?

Mr. YNTEMA. Yes, sir.

Senator MALONE. Where was it made, under GATT or the State Department?

Mr. YNTEMA. I believe there are several treaties: 1 under GATT and 2 of them arranged with various nations.

Senator MALONE. You understand if this is not extended the General Agreements on Trade and Tariffs at Geneva just falls on its face, don't you?

Mr. YNTEMA. Yes.

Senator MALONE. Isn't that what you would like to see?

Mr. YNTEMA. Yes, sir; especially if it did revert to the actual equivalent of costs, based on costs.

Senator MALONE. Now, the trade agreement, then, would remain in force until such time as the President notified the nation, with which the agreement had been made, of its cancellation. But we have a very fair President; we have a President with integrity, and when he sees an industry injured, if this act were not in force, I personally do not think that would be much of a chore. Then, you are on your way back to a principle laid down by Congress for its agent, the Tariff Commission, to operate under. Isn't that what you want?

Mr.. YNTEMA. Yes, sir.

Senator MALONE. Well, I had quite a chore getting you to say that. And I am of the opinion that that is what the matter is with the industry of this country. They have just lost everything they had in the way of—I was going to say "commonsense," if it had been someone not in the industry, but I think they have just lost the nerve they used to have and what put them in business to start with—their life savings, no doubt.

Now, you are their representative here in Washington, and you have listened to some of this testimony, and you know you are not the only industry in that situation. There are probably 500 of them in that situation now, and there will be probably 5,000 before this thing is over if it is extended 3 years, in the opinion of the Senator from Nevada.

Go ahead.

Mr. YNTEMA. The greenhouse grower is a farmer. He is a very important factor in the American economy because he supplies all of us with our fresh vegetables in winter and some of us with vegetables in summer. Indeed, it can probably be said without fear of contradiction that he is a part of the backbone of America. Besides tomatoes and cucumbers, leaf lettuce, bibb lettuce, watercress, and radishes are among some of the other crops raised in greenhouses across the country.

Labor is the largest item of expense, and in the average greenhouse represents from 50 to 60 percent of the total cost of growing fresh tomatoes and cucumbers. Coal ranks the next largest item of expense. The industry consumes approximately 3 million tons of coal annually. Costwise, shipping containers, fertilizers, and miscellaneous supplies follow in that order.

Senator MALONE. It looks to me like the coal industry ought to be a little on your side, the people in the coal industry? Do they ever think of that consumption?

Mr. YNTEMA. Yes, I would certainly think so.

Senator MALONE. It wasn't mentioned today by any of the witnesses. Go ahead.

Mr. YNTEMA. Prior to 1934, the year the Reciprocal Trade Agreements Act went into effect——

Senator MALONE. Again, I would like to understand more, how you refer continually to a Reciprocal Trade Agreements Act, the two words, reciprocal trade, do not occur in the act; it is not reciprocal—

obviously, it has never operated that way. Of course, if you insist on using it in your testimony, it is a little water on the wheel all the time; you are just carrying on the name named by the London bankers and it will help them a little bit.

Mr. YNTEMA. Yes, sir.

Senator MALONE. Go right ahead.

Mr. YNTEMA. Prior to 1934, the year the Reciprocal Trade Agreements Act went into effect, there was a flourishing and substantial greenhouse business in New England. In fact, the greenhouse vegetable industry in this country originated in New England. Except for Boston, Mass., business in this area has been virtually destroyed by imports of fresh cucumbers and tomatoes. Since 1934, many greenhouses in other sections of the country have also been forced to close because of foreign competition.

Senator MALONE. This foreign competition, what is the difference in the price at which you can produce them and the price on the imports when they come in the market?

Mr. YNTEMA. Well, sir, of course, the greenhouse tomato and the cucumber is a quality product, and would be slightly higher in price than the imports, but with excessive imports, why, of course, it affects the whole price structure.

Senator MALONE. How much does it affect it? What difference is there, generally speaking, in percentage, say?

Mr. YNTEMA. Well, of course, that would all depend, sir, on the amount of imports. I would say——

Senator MALONE. If the Tariff Commission were hearing your argument and you were making an argument before them for a certain amount of protection, what are the figures you would present to them, the cost in the chief competitive nation and your cost here, that is, not the highest nor the lowest cost but the reasonable average cost?

Mr. YNTEMA. As to the cost, sir—well, the main item of cost that we are concerned with here is the labor cost, where you are paying American labor $8 or $10 a day while the foreign labor, Cuban or Mexican, does the same work for about $1 a day, and when you balance up all the other costs, there is a big difference, allowing them to compete with us.

Senator MALONE. In a unit of vegetables, or a pound, or whatever you figure the unit of sale is, what is the general difference in cost; if they can undersell you, how much?

Mr. YNTEMA. Again, of course, that varies. It could vary from, well, from 5 to as much as 25 percent, depending on the conditions. It is very hard for me to give it.

Senator MALONE. Might it be around 10 or 15 percent?

Mr. YNTEMA. Yes.

Senator MALONE. Enough so that you cannot compete?

Mr. YNTEMA. Yes.

Senator MALONE. In other words, if the tariff was ad valorem, it would have to be around 10 or 15 percent?

Mr. YNTEMA. Yes.

Senator MALONE. That is what you would be arguing for if you were before the Tariff Commission that could only consider the difference in costs.

Mr. YNTEMA. Yes.

Senator MALONE. Go ahead.

Mr. YNTEMA. In one organization, the J. W. Davis Co., of Terre Haute, Ind., the largest greenhouse establishment in the United States, plants had to be abandoned at Morrison, Ottawa, Streator, and Kankakee, Ill. Some employees of these plants were able to find other employment; the rest had to go on relief.

Although the national population and potential market have vastly increased since 1934, there has been practically no new construction of greenhouses in this country since that time.

Labor is often a generation to generation affair. In some instances, three generations of one family can be found in the same plant. In addition, a high percentage of the people employed are elderly. Thus, it would be extremely difficult for them to find employment elsewhere. But if the present policy of lowering tariffs is continued, if tariff policies are not adjusted to provide needed relief, many, if not most of these employees, will either have to find jobs elsewhere or go on relief; it being impossible for the greenhouse vegetable industry to change to other products or commodities.

Imported winter cucumbers and tomatoes from Cuba and Mexico can be sold cheaply primarily because of the low cost of labor in those countries. It is estimated that wages in Cuba and Mexico are from 75 to 90 percent less than those paid by American producers of similar products. Or, to say it another way, where a Mexican gets paid a dollar a day, American labor receives $8 to $10 for the same work. It is impossible for domestic greenhouse growers to compete with foreign low-wage labor and have their employees enjoy the present American way of life.

The quality of the foreign tomatoes and cucumbers is excellent. They are carefully graded and attractively packaged.

According to the Department of Agriculture, during the 1951–52 season there were about 170 million pounds of tomatoes imported from Mexico and over 17 million pounds from Cuba. In the 1952–53 season there were over 191 million pounds imported from Mexico and over 15 million pounds from Cuba. In the 1953–54 season, Mexico exported over 141 million pounds to this country even though its crop was in short supply; while over 14 million pounds were imported from Cuba.

Before 1954, Cuba was exporting only about 3 million pounds of cucumbers to the United States annually. This rate of Cuban cucumber imports has risen to a high of nearly 25 million pounds in the 1953–54 season, an eightfold increase.

These imports of tomatoes and cucumbers are particularly injurious in times of bumper crops in the United States. In other words, there have been many periods when shipments of fresh tomatoes and cucumbers continued to pour into this country when the market was already completely demoralized because there were too many cucumbers and tomatoes on the market.

Lack of transportation during the war materially limited the importation of cucumbers and tomatoes from Cuba and Mexico. During that period our industry enjoyed reasonable prosperity. But since the war, imports have increased as much as 500 percent. Unless a quota system for imported cucumbers and tomatoes is established, the greenhouse vegetable industry of the United States may soon be forced out of business.

Senator MALONE. Why do you say quota system? How would you know what quotas you need to establish?

Mr. YNTEMA. Of course, as to the exact amount of the quotas, that, of course, would be up to Congress to finally decide. What we have tried to do in this—or what the association has tried to do in this amendment to the principal bill—is to pick a period which they thought was reasonable, a period of years that they thought was a reasonable period in which the Secretary of Agriculture could select 3 consecutive years to use as an average, and what they have used or tried to follow was the Sugar Act.

Senator MALONE. Well, you would have a sliding scale of judgment, with someone to judge it like the Secretary of Agriculture or the President, or would you just set a fixed quota and do the best you could?

Mr. YNTEMA. Well, they discussed several possibilities. One was to try to limit it to a percentage of the last year's domestic crop. But what they finally agreed on was to take the years 1925 to 1937, which they thought were representative years, and to permit the Secretary of Agriculture to pick any 3 consecutive years in that period to use as a quota—the average of it, to use as a quota.

Senator MALONE. That is very interesting, but suppose the situation changed. How would you change the act if you had a fixed 10-percent quota, or 5 percent, whatever they decided upon?

Mr. YNTEMA. Well, of course, you would have to try to amend the act.

Senator MALONE. You heard Mr. Hoffman's testimony this morning, and there were many other people, most of them on the opposite side from you. How about the consumers? Are they entitled to a break of cheaper prices on these tomatoes and cucumbers? And maybe if you go out of business it will make a market for more of the stuff and the dollars will go to Cuba and Mexico, and then they could buy some other products with them? What about the good of the country that Mr. Hoffman talked about?

Mr. YNTEMA. In my opinion, if you carry this to its logical end, you would end up in this country with a lot of people out of work.

Senator MALONE. In other words, you wouldn't produce very much in this country. Is it your opinion that there are very few products that you can produce here with our standard of living and wage scale in competition with foreign countries, if there is free trade?

Mr. YNTEMA. Yes, sir; as long as the wages are low in other countries. You would have a very hard problem of meeting competition.

Senator MALONE. Do you see any immediate prospect that their wage scale will meet ours?

Mr. YNTEMA. No, sir.

Senator MALONE. You don't think in the long run it is going to assist the consumer very much, especially if they happen to be working in an industry that happens to be similarly affected?

Mr. YNTEMA. I certainly do not.

Senator MALONE. They might not even have the lower price to buy your vegetables?

Mr. YNTEMA. That is right.

Senator MALONE. And you believe, then, in a duty or tariff structure that we do have on the books but which has been disregarded to maintain a living standard that was gained in the first instance through protection?

Mr. YNTEMA. Yes, sir.

Senator MALONE. And protection to the extent of that differential of the cost of production due to the wage standards and the standards of living and the cost of doing business here and in the chief competitive nation on each product?

Mr. YNTEMA. Yes.

Senator MALONE. And we would be headed back toward the 1930 act if we don't extend this act. That is what this committee has before it. And you did appear before the Ways and Means Committee of the House?

Mr. YNTEMA. No; I did not.

Senator MALONE. I thought you did. Go right ahead.

Mr. YNTEMA. Therefore, we respectfully request the committee to consider adding this amendment to H. R. 1, at page 6, following line 9, as a new subparagraph:

(F) In order to maintain a stable and orderly market for perishable fresh vegetables, the President shall forbid processors, persons engaged in handling of perishable fresh vegetables, and others from importing perishable fresh vegetables into continental United States for consumption, or which shall be consumed, therein, and/or from transporting to, receiving in, processing or marketing in, continental United States, perishable fresh vegetables in excess of quotas fixed by the Secretary of Agriculture for any calendar year, based on the average quantities therefrom brought into or imported into continental United States for consumption, or which was actually consumed, therein, during such 3 years, respectively, in the years 1925–37, inclusive as the Secretary of Agriculture may, from time to time, determine to be the most representative 3 years.

Thank you, Mr. Chairman and members of the committee, for this opportunity to present our views on this important subject.

Senator MALONE. Summing it up in about one sentence, your complaint is that unless you get adequate protection in some manner, either by limited imports or adequate protection through a duty that would make up that difference in the cost of production, your people are on the way out?

Mr. YNTEMA. Yes, sir.

Senator MALONE. And you are opposed to the extension of this act finally?

Mr. YNTEMA. Yes, sir.

Senator MALONE. Thank you. I appreciate your appearance here.

Mr. YNTEMA. Thank you, sir.

Senator MALONE. Mr. Walter Hebert, president, Cherry Growers and Industries Foundation.

STATEMENT OF J. WALTER HEBERT, PRESIDENT, CHERRY GROWERS AND INDUSTRIES FOUNDATION, YAKIMA, WASH.

Mr. HEBERT. Mr. Chairman, my name is J. Walter Hebert. I live in Yakima, Wash. I appear before you as the president of the Cherry Growers and Industries Foundation, a trade association of more than 18,000 cherry growers, processors, and handlers located in the States of California, Oregon, Washington, Idaho, Michigan, and New York. The foundation's office is located in Corvallis, Oreg.

Senator MALONE. I might say to you, Mr. Hebert, that in 1950, 1951, several of us, including Dr. Mead—you remember him as the one-armed Commissioner of Reclamation—and Mr. Walter, the chief engineer of the project at that time, made a trip to the Milk River project of Montana and throughout Idaho and Washington and down through some of the other States, not believing at that time that we would build that project as soon as we did on the Columbia River. They were then getting ready to build the project just above Oregon on the Columbia, and I am somewhat familiar with your area. I think you live in a very productive valley and one financed by the Government, and which has done very well and fulfilled all the specifications as far as I know, and I just wanted you to know that I do know something about your country.

I was State engineer in Nevada until 1935. I was a consulting engineer on the Central Valley project of California. And engineering is my business, and I do know what you are talking about.

Go right ahead.

Mr. HEBERT. I certainly appreciate your statement, Senator. I might add to what you have said that there has been a tremendous development in that area since, and the fruit industry there, of course, is the most important part of that development.

The sweet cherry industry is very much interested in H. R. 1. Approximately 40 percent of the entire national sweet cherry production is brined—that is, bleached and preserved in a sulphurous acid solution—for manufacture of maraschino and glace cherries now used very extensively by the bakery and confectionery trades, in ice cream, in cocktails, and as household items. The domestic cherries in brined form compete directly with imported Italian brined cherries in the United States markets, and when further processed into glace form they compete directly in our domestic markets with glace cherries from France. Such competition with the imports in our own domestic markets will be possible only so long as tariff rates are maintained at levels sufficient to make up in some reasonable degree for the great differences between the domestic and foreign labor costs and other costs in production.

I will not repeat here what was said on behalf of the Cherry Growers and Industries Foundation before the Ways and Means Committee relative to H. R. 1. The bill as it emerged from that committee and as passed by the House still includes most of the provisions to which we strongly objected before the Ways and Means Committee. I understand that the testimony presented to that committee by Mr. William R. Shinn, of Salem, Oreg., on behalf of the Cherry Foundation, is available to the members of this committee.

This oral statement therefore will be confined to a brief discussion of a serious deficiency of the peril point and escape clause provisions of the present Trade Agreements Act, which H. R. 1 as it passed the House makes no attempt to correct.

Senator MALONE. I dislike to interrupt you, but I want to ask you at that point if you do not understand that the 1934 Trade Agreements Act is intended obviously to rearrange the industrial map of the United States and has done so, on the theory that the whole economy of the United States might be benefited, or we might be meeting some international political situation in the judgment of the Executive, to whom all this power has been referred. Do you understand that?

Mr. HEBERT. Yes, sir.

Senator MALONE. Are you for the extension of this act?

Mr. HERBERT. Well, Senator, throughout the industry, of which this is an important segment, the industry has never opposed the act. The original concept of Cordell Hull, who was then Secretary of State, was to scale down the rather high existing tariffs of the Smoot-Hawley Tariff Act of 1930, the 1930 act, and in turn, of course, to have the foreign countries who retailiated, as did Britain and Canada, and other important countries to whom we exported large quantities of our products, and others—to scale down the rather high existing tariffs so that there might be a gradual adjustment or reduction.

Now, we were never opposed to that concept, but that concept, may I say, has been perverted, and there have been a lot of things added, incentives added, to the scaling down of tariffs for other reasons than just to slowly get rid of some of those tremendously high barriers. In Canada, for instance, we had the so-called dump duty against our fruit, seasonal dump duties, which were entirely for the purpose of complete embargo. And we had these things which were created in retailation for our 1930 suddenly high tariffs. We have never opposed the principle of reciprocal removal of excessive trade barriers.

Now, to answer your questions specifically, I would say that unless the Trade Agreements Act as it is now drawn or now proposed to be extended is not corrected in certain measures and certain amendments added, we are opposed to it.

Senator MALONE. You are opposed to it, unless they accept your amendment?

Mr. HEBERT. Yes.

Senator MALONE. Let me ask you—you know there was a tremendous advertising, tremendous propaganda that went out from Washington against what is now known as the Smoot-Hawley Tariff Act, the 1930 act, which was advertised as the cause of the depression in 1929, when, as a matter of fact, it was not passed until the following year. You understand that?

Mr. HEBERT. Yes, sir.

Senator MALONE. Now, it could be that the propangada had some merit, but I never could see it. However, are you aware that that 1930 act, while it fixed the tariffs—and some may be too high and some too low—that it always had a flexible provision allowing the Tariff Commission to adjust tariffs under a flexible provision to the differential of costs between this Nation and the chief competitive nation on each product—in other words, if one were too high, do you understand it could have been adjusted?

Mr. HEBERT. I did not understand it at the time. I understand that the Commission since has had that authority. It first came to my attenion in 1930 when we were shipping fruit into these countries and suddenly we were absolutely embargoed, completely embargoed, from Canada by their raising their rates—Canada particularly, and to a certain extent we still are.

Senator MALONE. Of course you are. Now, I wonder why it is. This is what I would like to find out: This is my ninth year in the Senate. It seems almost impossible—it is the only office I ever ran for, and this is one of the reasons I ran for this office: How can people be so completely bamboozled by propaganda so that they do not even read an act? How can they be?

Mr. HEBERT. Well, you mean at the present time?

Senator MALONE. Then, or now, or any other time. You are still riding on air. You understand what the law is. I would say 90 percent of the witnesses here were not aware of what either law really contained.

Mr. HEBERT. Senator, now you know that tariff matters are pretty technical, and the ordinary person is not too much interested unless his business is particularly involved. I think that explains a lot of lack of understanding.

Senator MALONE. I think it takes an efficient person and someone that has had some experience—and there are many of them in the Tariff Commission—to determine these matters. But when it specifically says that the Tariff Commission is directed on a principle by Congress to determine the cost of producing a domestic article and the cost of producing the same or a like article in the chief competitive nation and recommending the difference as a tariff, why is it that people do not read it and understand it? Whatever the tariffs were, too high or too low, in 1930, they had to fix them some place and try it out. But the Tariff Commission the next day could have taken up any article, cherries and/or any other article, and fixed the tariff on the basis of fair and reasonable competition.

And you did not understand that?

Mr. HEBERT. I can understand that perfectly. The fact remains——

Senator MALONE. Did you know it then?

Mr. HEBERT. They did not take such action, though, Senator.

Senator MALONE. They did not have any opportunity to take action. In 1934 almost immediately it was taken away from them. The Tariff Commission has no more authority now than you have.

Mr. HEBERT. May I say that we brought this question before the Tariff Commission repeatedly.

Senator MALONE. When?

Mr. HEBERT. And we did not get any adjustment, until we finally got them in 1947—I am speaking now of those dump duties, and so forth—in 1947 at Geneva.

Senator MALONE. Since 1947, they have had no authority?

Mr. HEBERT. That is right. I went to Geneva as an unofficial adviser, and by arrangement and by understanding with the Canadians those dump duties were at least scaled down. And we got free trade on apples into Britain, and we made certain other concessions. It took, sir, from 1930 to 1947 to get anything done about it.

Senator MALONE. Well, since 1934 the Tariff Commission has had no more authority than my grandson, and he was 5 years old a few days ago.

Mr. HEBERT. I agree with that.

Senator MALONE. So why do witnesses come here, 3,000 miles, and advocate the extension of something, the tightening of a noose that they have already stuck their head into and have kept it in for 21 years?

Mr. HEBERT. Well, I do not come here, sir, to advocate the extension of it; I have come here to present to this committee a proposal, because I think that act is going to be passed and we are going to have to get along with it as best we can. Now, if we have go to do that—I do not agree with that, of course, Senator, but the vote that was developed over here in the House the other day——

Senator MALONE. They won by 1 vote.

Mr. HEBERT. I know that.

Senator MALONE. By securing cloture, and they won by 4 or 5 votes, against referring it back to the committee. But when industries all over this Nation represented by men like you come in with their hats in their hands and say, "Now, all I want is a little break so that we can live another year," what do you expect in Congress? You are the boss of this Congress if you would take up the reins and start bossing it, but you are not the boss of it when you come in with your hat in your hand and say, "It is all right, just so we can live another year; we just want some kind of relief here that will give us an opportunity to live for another year." You go with your hat in your hand to someone in the State Department or someplace else and ask for relief. That is all you want, and that is what you are saying today.

Mr. HEBERT. Well, I do not feel that I have come here with my hat in my hand. We are confronted with a situation—we are terribly frustrated; we realize that.

Senator MALONE. So is everybody else.

Mr. HEBERT. So is everybody else in that position.

Senator MALONE. Why is everybody in the industry frustrated when they elect our Congress and Senate?

Mr. HEBERT. Well, we have our own representatives in some instances that are so bound to follow their administration, and so forth, that they are not free to act.

Senator MALONE. I am very fond of the President of the United States. I consider him a man of integrity. I also consider him as a man with a lack of experience in the economic structure of this country, because he has been in the Army all his life and out of the country a good share of the time. He has to depend on his advisers, and the advisers are numerous on this side, this second and third echelons that are still in these departments. But the Constitution of the United States set up three branches of government. One of them is the executive, to carry out the laws; one of them is the legislative, to pass the laws, and one of them is the judiciary, to pass on the constitutionality of the laws or any technical laws that might be brought before it. I am in the legislative branch, and I would not consider that I had represented my people if I did not consider the entire picture of what the principle is that ought to be the law, what has been the law and how it can be adjusted to give every industry in the United States at least the break of a duty or tariff, as we have come to call it, that represents the difference in the wage standards and standards of living and taxes and the cost of doing business in this country as against in the chief competing nation. Now, if they need more protection than that, I have many times said that that would be a special consideration. They would have to take that up under a special bill and consider it, that if all the protection you need is the duty that represents that difference, you are entitled to it without questioning anybody, in my opinion. And you are entitled to it as well as every industry in the United States; and you are not entitled to push it around under an act that a political situation for a better feeling can be created between industry and agriculture and some other industry in this country or to buy some nation to keep it from going Communist or Fascist, or some other way, in Europe, Asia, or Africa.

You are not entitled to that treatment, and that is what you are getting, isn't it?

Mr. HEBERT. That is right, sir.

Senator MALONE. Well, I should not be making the statement; you should be making the statement. And there should be 500 people clamoring at the door of this committee to make just that statement. And I believe if the people of this Nation understood the full import of the legislation that Congress has been passing for 20 years—21 years now—they would move on this Capitol and they would not talk like you are talking. That is what I think about it. But how are you going to inform these people unless people like you go home and tell them? How can I do it? I am only 1 out of 96, and I just happen to come from the grassroots or the sagebrush, or whatever you call it, and I have worked with these people, and I know about it.

Mr. HEBERT. Senator, I can tell you that out in the districts that you know about there is and there has been a great deal of publicity, and I have spoken many times, and I have said many of the same things that you have said, and it is all up and down the Pacific coast in the fruit circles where I am known, where I have spoken, and where others in different States have taken up this whole question on the tariff—it is pretty well understood, but we are confronted with the situation where we have got the law. And we can say, "We do not want it," and we can tell our Congressmen and our Senators that we do not want it, but still we have had it for 20 years. Now, here it is, and we want to have it made workable if it can possibly be made workable.

Senator MALONE. I understand that. And I think your explanation is all right. In other words, you have lost your people that represent you.

Mr. HEBERT. Well, to a certain extent that is true. That has been true all over the country, hasn't it?

Senator MALONE. It is not true all over the country. It is not true in the State of Nevada, is it?

Mr. HEBERT. That may be correct. But if it was not generally true, you would not have the law.

Senator MALONE. It is a small State, but if you would just watch it operate, it might be the seed that might spread.

Mr. HEBERT. I appreciate that and sincerely hope so.

Senator MALONE. Proceed.

Mr. HEBERT. This oral statement, therefore, will be confined to a brief discussion of a serious deficiency of the peril-point and escape-clause provisions of the present Trade Agreements Act, which H. R. 1, as it passed the House, makes no attempt to correct.

These provisions, which are in sections 3, 4, 6, and 7 of the Trade Agreements Extension Act of 1951, provide that the Tariff Commission shall determine and report to the President under certain circumstances whether or not a contemplated or existing tariff reduction would or does cause or threaten serious injury to the domestic industry which produces products like or directly competitive to the imported items concerned.

The Tariff Commission in several escape-clause proceedings under section 7 of the present act, involving imports of finished products, has held that the term "domestic industry" as used in the act includes only the domestic manufacturers of the finished product involved, and does not include or cover growers, fishermen, or other producers of the raw material or components from which the finished product is prepared.

The sweet cherry industry of the United States, comprising the growers, handlers, and first processors of the fresh fruit, specifically has been denied status under the present escape-clause provisions of the Trade Agreements Act. In 1952, in an escape-clause proceeding brought by glace cherry manufacturers, the Tariff Commission majority ruled that the cherry growers and the briners who grow and prepare the cherries used by the domestic glace cherry manufacturers are not a part of the domestic industry producing products "like or directly competitive" to imported glace cherries, and that therefore any injury which the imports might cause to the growers and briners would be immaterial in determining whether or not the "domestic industry" was injured.

Senator MALONE. I think it was intended by the law—in other words, they believe that a rearrangement of the industrial map of the country will enable the consumer to get a cheaper product.

Mr. HEBERT. I think that was not the intent of Congress, Senator. But the Tariff Commission did that and has taken subsequently——

Senator MALONE. I take issue with you on that——

Mr. HEBERT (continuing). A very technical and narrow interpretation of that particular phrase.

Senator MALONE. I doubt if Congress understood it at all. But the intention of this act was to do just what it is doing, and it, in my humble opinion, was intended just like the recognition of Communist Russia and the political approach of 1933. The 1934 Trade Agreements Act was an attempt to destroy the workingman and the small investors of this Nation. That is what it was for. It was passed in an emergency, and we have never been able to let it drop.

Mr. HEBERT. The Commission then proceeded to find that in fact there was no serious injury to the glace cherry manufacturers themselves because (1) their volume of glace cherry manufacture was only a relatively small part of their total business in all lines, and (2) they could avoid injury from the imports by discontinuing glace cherry manufacture and simply jobbing the imported cherries.

Senator MALONE. I said, over in the University Club in New York, that we traded the producing industries of this Nation, we are slowly trading them out, for waterfront brokers who take an override on exports and imports going each way without producing anything.

Mr. HEBERT. These findings were based upon the situation as it applied to the 20 to 25 domestic companies which were then manufacturing glace cherries. The effects upon the thousands of cherry growers and briners dependent upon the glace cherry outlet, were held under the present wording of the statute to be immaterial.

Senator MALONE. You heard the testimony of Mr. Hoffman this morning, and that is almost exactly what he said, that by you going out of business, allowing cheaper products of the same grade to come, it would provide greater employment elsewhere. And that was the rearrangement—he objected somewhat to my description of it as remaking the industrial map of the Nation—he had another name for it, but it meant the same thing.

Mr. HEBERT. Now, applied to our industry, the cherry industry, it takes an orchard of cherry trees 12 years to become productive, and most of our cherries are produced on small acreages on the home of of the grower and he is part of that small community, and so forth.

Can you imagine lifting those growers up, destroying their life's work in producing their orchards, and moving them into an industrial plant maybe 2,000 miles away?

It is utterly absurd and ridiculous.

Senator MALONE. Of course it is and that is the reason, in my opinion, that the Constitution of the United States says that Congress, the legislative branch, that represents every precinct in the United States, both in the Senate and in the House, shall regulate foreign commerce, foreign trade, and set the duties, excises. It was not left to the State Department which by the Constitution was given the duty of dealing with foreign nations, it was not allowed to take the markets here and barter them away for better feeling with foreign nations.

It is the duty of Congress to regulate foreign trade, to regulate the duties, that we call tariffs, because I represent every precinct in the State of Nevada. Senator Martin represents every precinct in the State of Pennsylvania, and there is a Congressman from every district. Every district in the State of Pennsylvania and in the State of Nevada is represented in the Congress, the House side, and that is the reason the Constitution puts the responsibility there. It wasn't supposed to be in the hands of somebody like the State Department or Mr. Hoffman, who had the idea that they knew how to rearrange the industrial map of the Nation. It was meant to develop, as Lincoln said, all of the country and the protection would be afforded on that basis. That was what was meant to be done, but we have got away from the Constitution of the United States; few people even read it anymore. So, in my humble opinion, if you will pardon the remark I made before today, the industrialists of this Nation are getting just about what they deserve and what they are going to continue to get until they get together and come in here and say, or say in their communities at the proper time, "This is the way it has to be; that is what you have today," and stand right up and look their Representatives in Washington in the eye, including me. You do not owe us anything; you pay the taxes. We are not paying anything here; this town is the most dangerous town in the United States of America, because everybody works for the Government.

Mr. HEBERT. A similar result was reached in the canned-tuna escape-clause proceeding in 1952, where the Tariff Commission indicated that the fishermen producing the tuna canned by the domestic canneries were not a part of the tuna-canning industry. I am just corroborating the testimony that the same thing applies to the fishermen as to the fruitgrower. And it applies today.

Senator MALONE. The same thing applies to mining, I suppose, or any other industry.

Mr. HEBERT. That is right, it applies to many things. It applies to the wine grape grower in California; it applies to the mining industry; it applies to any industry where the basic product is manufactured at some higher level by an auxiliary industry or a supplemental industry, one that perfects it and processes it in our case. It applies to miners, and the miners are in exactly the same position as our fruitgrowers, if they only knew it.

Senator MALONE. I think you have made a very important point here today.

Mr. HEBERT. The inequity of this situation is obvious. Very large numbers of growers, fishermen, miners, and other producers and workers may be wholly dependent upon a particular manufacturing outlet for their products, yet are without protection or remedy against excessive and ruinous tariff reductions.

We feel sure that this situation was not the original intent of the Congress in enacting the Trade Agreements Extension Act of 1951, when the escape clause and peril point——

Senator MALONE. As far as that peril point is concerned and the escape clause, it is just to wet the public down for a couple of years. If you put the peril point where the tariff should be, it would be adjusted continually, and they do not take it most of the time; but if they did and made an agreement on it, 10 seconds after the ink is dry, all the foreign country has to do is change its money in terms of the dollar, the value of its money in terms of the dollar. In addition they impose exchange permits if they do not already have them—and most of them already do. They also require import permits, and by these restrictive devices nullify every iota of the trade agreement as far as they are concerned. But we go ahead and keep it.

Mr. HEBERT. And in our experience, I can testify at firsthand, we have observed that time and again where quotas have been imposed, where import permits have to be obtained, where every conceivable kind of a barrier is raised. We understand that, but even in the face of that, why, we want to carry on and have this corrected insofar as it is practical and possible to do it.

Senator MALONE. I would say that there were probably people in 1934 who were convinced that it would work, but we have tried it for 21 years. Isn't it time that we get back to business and look at it on the basis of our own economy and the welfare of our own Americans?

Mr. HEBERT. I quite agree with what you said, Senator, but I still feel that our industry is only one of many that can participate. And perhaps we should go out and put up a fight and get rid of the whole thing. I agree with that. But under the circumstances, as I have stated here before, it looks like we have got this thing hung around our necks, and we are trying to live with it and live with it as best we can.

Senator MALONE. I am going to tell you something once more: If the people of this Nation make up their minds what they want, they will get it; but if they just accept the situation like a burden on their back and just say "Well, we are carrying it. Would you mind putting a little more cushion under it?" I think you are getting exactly what you deserve. I want you to know that, so that you can go home and tell them.

Mr. HEBERT. I will be glad to.

Senator MALONE. Proceed.

Mr. HEBERT. We feel sure that this situation was not the original intent of the Congress in enacting the Trade Agreements Extension Act of 1951, when the escape-clause and peril-point provisions were inserted. We assume, also, that the present Congress does not intend that the peril-point and escape-clause procedures shall not be available to the many industries of producers of products which are finally processed other than by the original producers.

Senator MALONE. I am against the extension of it, I will vote against it, but you are going to get it as long as you take that attitude.

Mr. HEBERT. May I say another thing right along the line of your thinking: There has been a tremendous lot of propaganda put out that sold this Nation on this thing all through these years and right down to the present moment, as you know. Large sums of money have doubtless been spent in selling an idea and it is pretty well sold.

Senator MALONE. It will continue to be sold until you take the position that you ought to take.

Mr. HEBERT. Well, we aren't organized like the other side is.

Mr. MALONE. The other side comes through propaganda channels of foreign nations, using our State Department. In southern California, San Bernardino County, they had a county meeting down there, and recently I made an address on the occasion of Lincoln's birthday. I said, apropos of this very thing, after I had explained it, that, of course, this is what Mr. Eden and Mr. Churchill want, and they have been ex-officio members of our State Department for 21 years. And they still are, in my humble opinion.

Mr. HEBERT. May I continue?

Senator MALONE. Go ahead.

Mr. HEBERT. Yet Congress, by continuing to ignore this situation, in effect would approve and give legal status to the present narrow and discriminatory interpretation and application of those provisions of the statute.

Certainly, so long as this situation continues, any representation that the Trade Agreements Act accords opportunity for any industry injured by excessive imports to be heard and obtain appropriate protection or relief, is contrary to fact.

If the Congress and the administration actually intend that the peril-point and escape-clause procedures shall not apply to domestic growers, workers, and other producers whose products are channeled into the domestic markets through relatively small numbers of final manufacturers, then the present trade agreements statute and H. R. 1 should no longer be represented to the public as providing fair and full protection and relief for any industries which can show serious injury from excessive tariff reductions. Otherwise, we can see no reason or excuse for further reluctance to clarify and rectify this situation.

This can be done by amendment of H. R. 1 whereby the term "domestic industry producing like or directly competitive products" as used in the peril point and escape clause provisions of the present Trade Agreements Act, would be changed to read—

the domestic workers, miners, farmers, or producers, producing like or directly competitive products, or producing raw material or other components of such products.

This would require the Tariff Commission to apply the "serious injury" standard to each of the industries involved in production of the product affected by the imports, rather than merely to the one industry which finally puts that product into completed form. It would make the peril point and escape clause provisions truly available to each and all industry groups which suffer serious effects from excessive tariff reductions.

My emphasis here of this one problem should not be taken to mean that H. R. 1 is otherwise satisfactory to the cherry industry of the United States. Such is far from the case. We still fail to see any proper basis for the fixing arbitrarily of a 50 percent ad valorem rate as the presumed border line between reasonable and excessive duty rates. We are, moreover, apprehensive of the lack of any definition of the term "negligible" on which would hinge the authority of the President to make a reduction as drastic as 50 percent.

Senator MALONE. Let me ask you if there is any definition binding on the President of the United States. Can't he take into consideration the good of the overall economy as he might see it and can't he take in the European political situation, regardless of any change in this bill? If it is still left to his judgment in the final analysis, can't he do just what he has been doing?

Mr. HEBERT. I think that is correct; sir, yes.

Senator MALONE. So after we argue about amendments, even if we accept them as we did 4 or 5 years ago, the peril point, the escape clause—none of them are effective and it looks to me like the knowledge of that fact would seep in after a while.

Mr. HEBERT. I think the fact is recognized. I know we recognize that that is true, but so far as writing the law is concerned, we have to leave it to you gentlemen to write the law in such a manner that perhaps such a situation can be overcome.

Senator MALONE. I think you have made yourself clear here under questioning. You are absolutely opposed to the act?

Mr. HEBERT. Right, unless properly amended.

Senator MALONE. If you have to take it you want to have it amended so——

Mr. HEBERT. Let's make it as workable as possible so we can possibly live with it.

Senator MALONE. So that the President, at least, and the State Department, know you are out there?

Mr. HEBERT. Yes, sir.

Senator MALONE. You would like to have them have your address. If they are going to kill you, they will know who they are killing. I think that is fair.

Mr. HEBERT. Find out who cock robin is?

We further urge there be added to H. R. 1 a caveat which definitely and without equivocation would make clear the intent of Congress, that this measure shall not constitute congressional approval of the present or any renegotiated agreement on tariffs and trade.

Finally, I want to observe that the peril point and escape clause provisions, no matter how broad their coverage and no matter how clearly worded, will be worse than useless if the findings of fact of the Tariff Commission, reached after careful and exhaustive investigations, are to be brushed aside by the executive department.

We believe that the findings of the Tariff Commission in peril point and escape clause proceedings ought to be given full and final force and effect unless and until modified or supplanted by specific act of Congress.

Senator MALONE. Now, that was not the original purpose of the act at all. Why should any such amendment be accepted? I doubt if it will. Under the 1930 Tariff Act, the decision of the Tariff Commission on the flexible basis is final, unless Congress takes up a special product, like they did sugar, and could at any moment take up another product, but are not likely to, if the Tariff Commission, in the judgment of the majority of Congress, is carrying out the intent of the act of 1930. If this were not extended, it would go back to the Tariff Act of 1930. In other words, the 1930 act lays down a principle and the only thing that Congress would finally take exception to would be failure to follow the principle.

Even this, however, will be of no help to those industries which do not have recourse to the Tariff Commission, such as growers and other producers whose products are passed on to other related industries for final processing. We earnestly urge this committee to include among its amendments of H. R. 1 a provision whereby such growers and other producers will be given the full benefit of the peril point and escape clause procedures.

Senator MALONE. What you would have to have in that regard, would be something to take away from the President that part of the act that makes his judgment final, if it had to be based on the decision of the Tariff Commission, where your ideas prevail?

Mr. HEBERT. That is right.

Senator MALONE. Well, that is not the idea of the act in the first place. The idea of the act in the first place is to have this great Secretary of State, whomever he may be, to judge how the economy can be improved in the United States of America and how our relations with foreign countries can be improved by switching the production around and rearranging our own industrial net by allowing more imports to come in in certain products, with the idea that the money they get from that product will be used to buy other products, or they will deal with other countries who in turn will deal with us.

Now, I think it takes a great mind to envision all of these things so that they will know how to invest their money. But the State Department has been built pretty high in 21 years and they are almost omnipotent, if that is a good word. They know what they are doing. Congress is not supposed to know what they are doing or have anything to do with it at all, if and when they extend this act Congress then will have no final decision on anything. The decision of the Executive is final and complete. That is right, isn't it?

Mr. HEBERT. Yes, sir.

Senator MALONE. You are against the act? You are against the extension of the act? You oppose it?

Mr. HEBERT. Well, sir, I would say personally that I am opposed to the extension of the act. I am just not sure I convey the same idea for all of my people.

Senator MALONE. We thank you very much for your appearance and I hope that at least you have some ideas to take home to your people.

Mr. HEBERT. Thank you very much.

Senator MALONE. Now, Mr. Ellis, general counsel, National Oil Jobbers Council.

STATEMENT OF OTIS H. ELLIS, GENERAL COUNSEL, NATIONAL OIL JOBBERS COUNCIL

Senator MALONE. Mr. Ellis, if you will identify yourself for the purpose of the record and proceed in any way you care to, by reading your statement or commenting on it, go right ahead.

Mr. ELLIS. My name is Otis H. Ellis. I am engaged in the general practice of law in Washington, D. C., maintaining offices at 1001 Connecticut Avenue, and am appearing here today on behalf of the National Oil Jobbers Council in my capacity as general counsel for that organization.

NATIONAL OIL JOBBERS COUNCIL MEMBERSHIP

The National Oil Jobbers Council is a trade group composed of 27 State and regional associations of independent jobbers and distributors of petroleum products. These 27 associations, covering 33 States, represent approximately 12,000 of the 15,000 petroleum jobbers and distributors in the United States.

Senator MALONE. Will you describe the word "jobber" to me. Is that a broker?

Mr. ELLIS. No, sir; he is not. I might state, in my presentation to the House, which was considerably longer than this—I have cut this down to a mere outline—in that statement I did define "jobber" but in this record I did not. I will state it this way: A jobber is primarily engaged in the wholesale distribution of petroleum products. He also sells household burning oil and in that respect he might be construed as a retailer. He sells gasoline to service stations; he sells industrial fuel oil to those who use industrial fuel oils; he sells, on a direct basis, to the farmer. It is the jobbers that I represent who primarily deliver to the farms the petroleum products bought direct by that category of consumer.

I might further state that an independent jobber, as we define him, Senator Malone, is distinguished from a commission agent and a consignee. An independent jobber owns his own bulk plant, he owns his own trucks, he owns all his own facilities. He buys his product from a refinery supplier, in most instances the major oil companies of this Nation, and he in turn sells those in competition with others who sell in the market. An independent jobber is in no manner controlled by, owned, operated, or dominated, except as competitive situations require, by any major oil company. The people I represent are just as independent as a hog on ice. That is about the best way I can describe him. We wear no man's collar. We spend a good portion of our time battling with the major oil companies in competition in this country, so I want to be sure that this record reflects that we are no voice of any group or any major oil company.

Senator MALONE. Who furnishes the competition that you experience in the jobbing business?

Mr. ELLIS. Our competition, of course, is jobber as against jobber. It is also the competition of some of the major oil companies, dependent on the area in which they operate.

Senator MALONE. What about independent oil companies?

Mr. ELLIS. By "independent" do you refer to independent refiners?

Senator MALONE. Well, independent oil operators who are not a part of, or owned by or controlled by what you would judge to be the major oil companies.

Mr. ELLIS. We are those independents. I don't know where you cut off independent oil companies. If you mean as "independent," everything except, say Standard of New Jersey, Standard of California, Standard of Indiana, Gulf, Texas, Socony Vacuum—let's say if you said all others besides that, then we compete with them, and in a lot of instances, we sell their products.

Jobbers fall, from a standpoint of brand, into two general categories. One is what we call the branded jobber. He is a jobber, say for example, that sells Socony Vacuum products. He buys from Socony and sells in competition with the others. The unbranded jobber is the jobber who buys his and sells under his own brand name.

Senator MALONE. He will buy any place?

Mr. ELLIS. Yes; and sell under his own brand name.

Senator MALONE. I think I understand what you do.

Now, I don't know that the majors and independents, whether that reference means anything, really, because in my own experience I have watched independents move into the major field and become partly owned by one of the large companies, or become large enough that their interests seem to be parallel. But there always has been some kind of a definition that seems to fit a major oil company; they are interested in shipping the oil back into this country. But most companies are local producers, producing in the United States of America, or in adjacent areas. Is that true? I am trying for the record to get a proper definition.

Mr. ELLIS. It is a pretty hard line to draw, Senator Malone. For our purposes, we call anybody a major company who is an integrated company, fully integrated, and who is a supplier to our group.

Now, then, if you tried to break it off at another point—maybe you would cut off with about 10 or 11 companies and say the rest of them fall in a separate category. Those I named awhile ago, together with a few others would make up 10 or 11.

Senator MALONE. Would you define an integrated oil company as one which refines its own products and delivers its own products to some central point so they can be sold?

Mr. ELLIS. I would define an integrated oil company as an oil company which engages in producing crude oil, transporting crude oil, the refining of crude oil, and marketing.

In other words, they participate in one degree or another in all phases of the petroleum industry.

Senator MALONE. Then, when a smaller company gets into that field it could easily be classed as a major company?

Mr. ELLIS. For our purposes.

Senator MALONE. Now, that is very clear.

You do have an independent oil association in this city represented by Mr. Russell Brown; do you not?

Mr. ELLIS. That is the Independent Petroleum Association of America, whose membership, as I understand it, is made up of so-called independent producers of oil. That of course, is as distinguished from my group which is solely in the marketing field.

Now, I am advised, although I have never seen their membership records, that they number among their membership, or at least among their contributors, such companies, for example, as Ohio Oil, or as may be Ashland, or some of the others that for our purposes—we call them a major oil company because they engage in more than mere production.

Senator MALONE. But there is just a general, overall distinction.

Mr. ELLIS. That is right.

Senator MALONE. It is a smaller company that doesn't round out its business by handling its own product, generally speaking, which would be classed as an independent oil company.

Mr. ELLIS. Generally speaking; yes, sir.

Senator MALONE. Go right ahead.

Mr. ELLIS. I would like to state at this point, Senator Malone, that when I made application to appear before this committee, I was advised by telegram dated February 25, from Mrs. Elizabeth B. Springer, chief clerk, to the effect that they would like for groups to consolidate wherever possible—I am giving it to you in substance—and to limit our testimony if possible to 10 minutes.

I have drafted in conformity with that, a skeleton statement. I have many of these State and regional associations who wanted to appear at these hearings, because their jobber members are vitally interested.

Senator MALONE. If I had my way about it you would appear, each one who wanted to, but I am not controlling the committee and the chairman, I think his wishes are correctly reflected in this telegram.

As far as I am concerned when I am sitting as chairman, time doesn't mean anything to me if a man has anything to say.

Mr. ELLIS. Well, we are dealing with a vital problem here, and regardless of which side of the knothole you are looking through it is vital.

I would like to further add this, that we have attempted to conform to the telegram. Now, subsequently, when we saw the list of witnesses, we saw that our opposition—and we are on the oil-imports issue—we saw that our opposition among the independent producer group, on March 15, has some 7, 8, or 9 associations represented. Now, then, when we saw that, the Independent Oilmen's Association of New England, where the greater bulk, or a great portion of the imported residual oil, is marketed by independent distributors, asked for permission to appear when they saw this rule had apparently gotten out of bounds, and they were refused.

The Empire State Petroleum Association—that is a New York group—has asked for permission to appear and they have been refused. I would merely like to show that for the record, without any attempt to criticize anyone, but I do not want this record to reflect that the disparity in the number of witnesses is indicative of our feelings about the matter, but we have here but one witness, in an effort to comply with the clerk's directive.

Senator MALONE. If I had my way about it, every company, organization or individual who wanted to be heard would be heard because I feel this is so important, even just the extension of the act is so important to this Nation, that no one should be barred, but I think—and I want you to know—that regardless of whatever time you may take tonight—take all the time you want to—here is one further witness—that telegram does correctly reflect the chairman's attitude in this hearing and I respect the chairman very much.

Mr. ELLIS. I would like to state I do not make that as any criticism of Mrs. Springer. I have only used her name to identify the telegram. I was assuming she was carrying out the instructions of the chairman.

Now, proceeding with my statement, I will try to get through as briefly as I can, because you have been very indulgent waiting here for me, for example, until 7:20 in the evening and I appreciate it..

Independent jobbers and dealers distribute approximately 80 percent of the household-burning oils consumed in this Nation, 40 percent of the gasoline delivered to the service stations, and well over 50 percent of residual oil imported into this country. I go into this detail in order to point out to the committee the extent of participation in the marketing segment of the industry by the independent jobber and for the further purpose of showing that this group is a real party at interest in the outcome of any legislation which would affect the price or supply of petroleum products.

The National Oil Jobbers Council approves of H. R. 1 insofar as it applies to imports of crude oil and petroleum products.

Senator MALONE. You are for the extension of the act?

Mr. ELLIS. Yes. I might add this. If someone comes up at any time with a better method for taking care of a reasonable trade program that is primarily predicated on trade reciprocity, and true trade reciprocity, we are ready to buy it.

Senator MALONE. Do you have any idea that this act over the period of 21 years has acted as true reciprocity?

Mr. ELLIS. I wouldn't argue that it had acted as true trade reciprocity, Senator Malone.

Senator MALONE. I am ready to go into that situation with you.

Mr. ELLIS. Undoubtedly there have possibly been errors. As to the extent of them I don't know. I will say this, that insofar as petroleum is concerned, I certainly think that the domestic industry has not suffered serious injury, and I do not think that the coal industry that is complaining about this situation, whatever ailments they may have—and I admit they have them—are not attributable primarily, but only to a relatively small extent, to the competition of residual oil.

Senator MALONE. I didn't have that so much in mind. That is a question of fact, one way or the other, but do you know of any nation that has carried out the spirit of the so-called reciprocal trade—which words have not been included in any act? If you can name another to me, I would like for you to explain to me just how they reciprocate.

Mr. ELLIS. Well, I am in this peculiar position. I am an attorney and consultant for the Ministry of Mines and Hydrocarbons of the Government of Venezuela. I would like to state for the record that I am not a lobbyist for the Government of Venezuela, I am not a propagandist, I operate strictly in an advisory capacity as an attorney.

Senator MALONE. How does Venezuela operate insofar as imports to this country are concerned?

Mr. ELLIS. How do they?

Senator MALONE. Yes.

Mr. ELLIS. I can't answer as to——

Senator MALONE. Understand, this is not a criticism of Venezuela. I think they have made a smart agreement. But, I want to have you name a nation—if you know, and if you don't know your testimony in that regard isn't very valuable—that has kept the spirit of the trade agreement, since 1934.

Mr. ELLIS. I am not familiar with every act that all of the nations who are parties to trade agreements——

Senator MALONE. Are you familiar with one?

Mr. ELLIS. In one way or another. From the basis of the studies that I have made—and I qualify that, Senator Malone.

Senator MALONE. Are you familiar with one?

Mr. ELLIS. I think Venezuela has attempted to maintain the spirit of its trade agreement with this country, and I don't say that because I represent them, but there, again, my qualifications still obtain because I do not represent the Foreign Ministry of Venezuela, nor any of the ministries that have to do with their tariff policies, so it might be that somewhere along the line, maybe they have violated the spirit. I do say, however, that from such studies as I have made, I think they have maintained the spirit and intent, and certainly the wordage of their agreement.

Senator MALONE. Do you know if they have an import permit system?

Mr. ELLIS. I didn't understand.

Senator MALONE. Do you know if they have an import permit system?

Mr. ELLIS. I do not know the details of what it takes to get an export, say, from this country, into Venezuela. I do know at one time, at hearings at the time the Venezuelan trade agreement was up for renegotiation about 2 years ago, there were some complaints at those hearings about the excessive paperwork that was required to get some imports into Venezuela.

Senator MALONE. I think your testimony should be weighed in the light of just what it is, that while you are for this act's extension, because it has favored the imports of petroleum, you have no knowledge as to whether or not the nations with which these trade agreements have been made, have kept the spirit of their agreements, or not. That is a very fair statement you have made and you are not even a lobbyist to try to get them to keep it. I understand you perfectly, so go right ahead.

Mr. ELLIS. The primary purpose of my appearance is to oppose the proposed amendment to impose quotas on imports of crude oil and its products as well as any other general-language amendments which might accomplish the same end other than through the escape-clause provisions of existing law.

Senator MALONE. Then, you are against the Neely bill that is on the floor of the Senate?

Mr. ELLIS. Very definitely, Senator.

Our principal objections to the proposed amendment are as follows:

1. The proposed amendment is inconsistent with and repugnant to other provisions of the Trade Agreements Act—specifically the escape-clause provisions.

2. The imposition of quotas on oil imports in the manner proposed is contrary to the provisions of two existing international trade agreements and would thus constitute breaches of contract on the part of the United States.

Senator MALONE. In this connection will you or have you submitted the names of the jobbers and all of the members of your association for the record?

Mr. ELLIS. No, sir; I will be glad to supply that.

We are in effect a federation of associations, so it will be the 27 associations that are the member of my group. No individuals are members of it.

Senator MALONE. Then, would you furnish the number of members that each association has? I wouldn't ask you to get the membership names of each one, but the members of the associations, their addresses, the number of jobbers, and others that are members of each association?

Mr. ELLIS. I will be very happy to.

Senator MALONE. When can you furnish that?

Mr. ELLIS. I could furnish the names of the associations very quickly, but to procure the numerical membership of each association would require my going to the field to get it, and we have a few secretaries that are bogged down with work of their own, so sometimes they don't always respond as quickly as we would like.

Senator MALONE. Don't they have the number of their members, that if you just wired them or called them on the telephone—they must have the number of members that they have. I am not asking for the names.

Mr. ELLIS. I would be happy to call them on the phone or wire them except for one fact. We don't have any depletion allowance budgets, and we frankly don't have the money in the till to go to that expense. Now, if you want it bad enough, I will do it out of my own pocket, but it is not in the budget. And I am not trying to quibble, Senator.

Senator MALONE. I am inquiring mostly for your benefit because you are an individual coming here and admit that you know nothing about how any other nation has kept their part of the agreement. You are giving testimony that you are for the imports that have happened under the trade agreements, that you are against any amendment that would regulate it. Now, just how heavy is your testimony? The number of associations and the number of members they have.

Mr. ELLIS. As I stated at the beginning——

Senator MALONE. I would like to give you an opportunity to do this thing.

Mr. ELLIS. And I will do that. The question is not whether I will do it, Senator, but whether I can do it as quickly as you would like it. The names of the associations I can have in your hands in the morning.

Senator MALONE. Bring that in the morning.

Mr. ELLIS. The numbers, that is something that will take me a little longer time and I will certainly rush it to the extent I can.

Senator MALONE. Will you get the numbers of the members of the association just as fast as you can and furnish it to the committee?

Mr. ELLIS. We will do that, sir.

Senator MALONE. The members in 27 States.

Mr. ELLIS. 33 States but 27 State and regional associations. For example, 1 association—the one out in your section—is the Inter-Mountain Oil Jobbers Council that takes in about 4 States out there.

Senator MALONE. You can name the States in the morning, along with the associations.

Mr. ELLIS. I will do that.

Senator MALONE. Then, the number of members in each association you will get just as soon as you can?

Mr. ELLIS. We will do that.

(The information requested follows:)

NATIONAL OIL JOBBERS COUNCIL,
Washington, D. C., March 10, 1955.

MRS. ELIZABETH B. SPRINGER,
Chief Clerk, Committee on Finance, United States Senate,
Senate Office Building, Washington, D. C.

DEAR MRS. SPRINGER: Pursuant to the request of Senator George Malone, I am enclosing herewith for insertion in the record of the hearings on H. R. 1, a listing of the member associations of the National Oil Jobbers Council. I am also enclosing for insertion in the record some statistical data relating to the reduction of quantities of crude oil and residual fuel oil that would be allowable under the 10-percent quota formula that has been proposed. Senator Malone authorized me to submit this data for the record as a part of my statement to the committee on March 9.

I have received requests from all of the State and regional associations that are members of the NOJC, for copies of the printed hearings on H. R. 1. I realize, however, that it would be an imposition to ask for 27 copies of the hearings, but it would be most helpful if you could provide me with 4 or 5 copies when they become available.

Very truly yours,

OTIS H. ELLIS, *General Counsel.*

NATIONAL OIL JOBBERS COUNCIL MEMBER ASSOCIATIONS

1. Alabama Petroleum Jobbers Association, Inc.
2. Arkansas Independent Oil Marketers Association
3. Connecticut Petroleum Association
4. Empire State Petroleum Association, Inc. (New York)
5. Florida Petroleum Marketers Association, Inc.
6. Georgia Independent Oilmen's Association
7. Illinois Petroleum Marketers Association
8. Independent Oil Men's Association of New England (Massachusetts, Connecticut, New Hampshire, Rhode Island, Vermont)
9. Indiana Independent Petroleum Association, Inc.
10. Intermountain Oil Jobbers' Association (Idaho, Utah, Nevada, Colorado)
11. Iowa Independent Oil Jobbers Association, Inc.
12. Kansas Oilmen's Association
13. Kentucky Petroleum Marketers Association (The)
14. Michigan Petroleum Association
15. Mississippi Oil Jobbers Association
16. Missouri Petroleum Association
17. Nebraska Petroleum Marketers Association, Inc.
18. North Carolina Oil Jobbers Association
19. Northwest Petroleum Association (North Dakota and Minnesota)
20. Pennsylvania Petroleum Association, Inc.
21. South Carolina Oil Jobbers Association
22. South Dakota Independent Oilmen's Association
23. Tennessee Oilmen's Association
24. Texas Oil Jobbers Association, Inc.
25. Virginia Petroleum Jobbers Association, Inc.
26. Wisconsin Petroleum Association
27. Wyoming Oil Jobbers Association

Comparison of actual 1954 oil imports with quota for 1955 as suggested by IPAA and coal industry

[Barrels daily]

	Residual fuel oil		Crude oil and other products [1]		Total	
	Actual, 1954	Quota, 1955 [2]	Actual, 1954	Quota, 1955	Actual, 1954	Quota, 1955 [2]
1st quarter	452,000	165 800	671,000	660,300	1,123,000	826,100
2d quarter	308,000	130,700	682,000	589,500	990,000	720,200
3d quarter	266,000	121,100	735,000	603,400	1,001,000	724,500
4th quarter	[3] 400,000	154,900	[3] 738,000	675,500	1,138,000	830,400

[1] Excluding residual oil.
[2] Calculated at 10 percent of domestic demand in corresponding period of previous year.
[3] Based on estimate of Dec. 27, 1954; distribution between residual fuel oil and other refined product imports estimated.

Source: U. S. Bureau of Mines.

3. If the allegations of the coal industry and the independent oil producers are correct as to injury, there is adequate provision for remedy under the escape-clause provisions of existing law.

Senator MALONE. You really believe the escape clause is effective, on this record?

Mr. ELLIS. I believe if the men down there will do what the escape clause says for them to do, it will serve for the purpose I presume Congress intended. It is a fact-finding group that comes up with facts and recommendations for the President.

Now, then, if those men at any level, either on the Tariff Commission, or the President who has the final say under our law as it exists, do not do what this law says, then we are faced with the proposition, as we are in all laws, where the laws may be all right, but the men fall apart.

Senator MALONE. Go ahead.

Mr. ELLIS. 4. The current effect of oil imports on competing domestic industries has not reached such proportions as to require the stringent action called for in the proposed amendment;

5. If residual oil imports are limited in the manner prescribed, it will result in a serious shortage of supply which cannot be made up from domestic petroleum sources;

6. The proposed reduction in residual oil imports would leave thousands of consumers without any source of supply, thus requiring them to purchase new burner facilities capable of using other fuels;

7. A reduction of residual oil imports will leave some consumers with no alternative choice of fuels, thus leaving them at the mercy of the coal industry;

8. The economic forces set in motion by imposing quotas on crude oil and residual oil would, in our judgment, lead to higher prices of all petroleum products throughout the United States;

9. The proposed quota provisions fail to prescribe any mechanism for country allocations with a view to preserving foreign oil sources most necessary for national defense—this despite the fact that another section of the proposed amendment is predicated solely on the premise of national security.

Obviously, enactment of the proposed amendment as to oil quotas would constitute an avoidance of the escape-clause criteria and procedure now in effect and, therefore, is inconsistent with, and repugnant to, this part of the law. Is there any greater reason for the Congress specifically restricting oil imports than in granting similar specific relief to the dozens of other industries who have and will appear before this committee, claiming doom and destruction unless something is done to restrict competing imported commodities?

Senator MALONE. There I think you hit a very reasonable chord. I think if you afford relief to one industry it should be afforded to another and there are probably 500 of them right now that are complaining about it and no doubt could show injury. Some of them have shown almost complete annihilation. Go ahead.

Mr. ELLIS. It would appear to be more consistent that the escape-clause provisions either be eliminated and the Congress reserve unto itself the right to grant relief from excessive imports or, on the other hand, the coal industry and the independent oil producers should be requested to seek relief under the escape-clause provisions. It is noteworthy that neither has sought this avenue of relief as yet.

Violation of international contracts: Under the authority of the Trade Agreements Act, the United States has granted concessions on crude oil and residual oil in two international agreements, the trade agreement with Venezuela and the multilateral agreement commonly referred to as the GATT agreement.

Senator MALONE. Now, both of these agreements come under the most-favored-nation clause, do they not?

Mr. ELLIS. That is right.

Senator MALONE. That means every nation in the world could have the same concessions granted to the principal nation.

Mr. ELLIS. That is correct.

Both of these contracts, or trade agreements, contain escape-clause provisions similar to those contained in the Trade Agreements Act and, in addition thereto, contain certain procedural requirements which must be met before the rights of escape can be invoked. To impose the quota provisions of the proposed amendment, without more, would be in violation of the sacred obligations of these two international contracts.

I would like to state by interpolation at that point, that in 1951, the Congress of the United States when it extended the Trade Agreements Extension Act, put in there provisions which directed the President or his proper authority to take steps as quickly as practicable to include the escape-clause provisions in any agreement that up to that time did not contain them. Subsequently when the United States renegotiated a supplemental agreement with Venezuela, they put in that agreement the escape clause called for under the law pursuant to the mandate of Congress.

Where would we look to a nation when we put an escape clause in their contract according to the mandates of the Congress of this United States, and they accepted it, and then we now come along and through legislation, without resort to that escape clause, say in effect to them, "your contract with the United States is not worth the paper it is writen on, because we will tear them up at any time we get ready."

What position are we in? I say this, Senator Malone, without attempting to argue whether those agreements are good or bad, if they are bad there are terms in them whereby with 6 months' notice we can get out of them. If we are going to repudiate the terms of our international commitments, let's do it honorably and under the terms of the agreements rather than by the passage of legislation.

I am not arguing whether the agreements are good or bad, but I say this: There are terms provided to get out of them if they are bad, there are escape clause provisions, and as long as they are there and as long as we have the contracts, then I say we should use them.

Senator MALONE. We can cancel them on 6 months' notice after they have run for a year, is that right?

Mr. ELLIS. Yes, sir; and all of these agreements—I am sure the GATT agreement is subject to cancellation on 6 months' notice and so is the Venezuelan agreement.

Senator MALONE. After 3 years?

Mr. ELLIS. It has already been in effect 3 years. You see, GATT came in in 1946 or 1947, and the Venezuelan agreement is subject to 6 months' termination, and for that matter the Venezuelan agreement has some other provisions in it which could be availed of to cancel it in 30 days. I won't go into the terms of that.

Senator MALONE. Now, without referring to any specific nation, but if the foreign nations with which such agreement is made did not keep its share of the agreement do you think the United States would be justified in passing legislation?

Mr. ELLIS. If the foreign nation does not live up to the terms of its agreement then there is provided in that agreement means whereby, under the terms of the agreement—you don't need legislation—under the terms of that agreement we can repudiate.

Senator MALONE. You mean you do not need the Neely bill in any case?

Mr. ELLIS. No, sir; not to repudiate the agreement. There are several ways that we can get out from under these trade agreements. There is another provision in the trade agreement, Senator, that I don't think a lot of people know about but you possibly do, and that is this: Let us say, for example, that Venezuela took an action, by way of one of the concessions it had previously granted, and withdrew that. First, they must go through certain procedures to do it. The United States under the terms of that agreement can also take action by removal of certain concessions it has given to compensate for that difference.

Now, a lot of people think these countries can breach these trade agreements, and we have to take it without recourse.

Senator MALONE. Mostly we do take it and that is about the way it operates.

Mr. ELLIS. I wouldn't argue.

Senator MALONE. You are correct, that we do have our remedy.

Mr. ELLIS. That is right.

Senator MALONE. Go ahead.

Mr. ELLIS. Both the coal industry and the independent oil producers maintain they are suffering serious injury as a result of excessive oil imports. If their allegations in this regard are true, it would appear that they first should be called upon to seek relief under escape-clause procedures rather than avoid the procedures prescribed by law and seek special relief through legislation. It is reasonable to assume that they cannot make out a case on its merits and, therefore, have resorted to political pressure to gain a desired end.

During the heating season just passed, this Nation consumed all of the residual oil produced domestically and all that the industry could lay its hands on from foreign sources and even then the supply situation was extremely tight.

I point that out, Senator Malone, for this reason: You have heard that theme sung, "Supplement but not supplant" for some time. Here is a situation, and I am talking now about residual oil, where the residual oil being imported is not supplanting any domestic residual oil. They may have some arguments about coal but certainly it is not supplanting any domestic residual oil.

To impose the recommended 10-percent quota on residual oil imports would result in a serious shortage. The coal industry has attempted to leave the impression that a consumer of residual oil could easily shift to the use of coal.

Such is far from the truth. As an example, a typical New England fuel-oil jobber—Mr. John P. Birmingham, White Fuel Corp., South Boston, Mass.—surveyed his customers and found the following—and I might add this is in the record of the Ways and Means Committee on H. R. 1—87 percent of all customers use heavy fuel oil for space heating entirely; 5 percent use it for space heating primarily; and 7 percent use heavy oil for processing purposes primarily. Of 837 buildings and plants serviced, only 14 have alternate facilities to burn other fuels and only 9 of these 14 have a 100-percent capacity on the alternate fuel.

You have heard these coal people come in here for the last several years and the way they talk you would assume that all you have to do is cut off residual-oil imports and domestic coal will fill the void.

You can't put coal in a gas burner and you can't put coal in a residual-oil burner that is equipped to use nothing but residual oil, and this demonstrates it.

Now, I've got hundreds of jobbers all up and down the eastern seaboard whose customers are in the same position.

It is, therefore, simple to see that many consumers, when deprived of an adequate supply of residual oil, would be forced to purchase new burner facilities capable of using other fuel and, if they follow the pattern of the past few years, the other fuel will not be coal but natural gas or a distillate type of fuel oil. There is no competition between coal and residual oil for the business of a consumer whose facilities will only use residual oil any more than there is competition between a seller of whale oil and a seller of electric light bulbs for the business of a man whose home is wired for electricity and is devoid of lamps that would burn the whale oil.

Under current conditions, there are some industrial facilities so equipped that they may alternate between the use of coal and residual oil. Under such a situation there is competition for their business and they receive the benefits pricewise of this competition. If residual-oil imports are reduced and there is an inadequate supply to meet the total needs of such consumers, they will then be at the mercy of the coal industry from the standpoint of both price and supply. The history of the coal industry does not lend itself to the belief that this category of consumer will receive gentle or considerate treatment.

I would like you, Senator, to just look for a moment at exhibit 2, attached to this statement of mine, where I have listed here some of the news clippings from 1943. That was the year that this Nation was at war.

I testified before the Ways and Means Committee 2 years ago, and in that testimony I stated I was sitting in a tent in England, a buck private, when I got a paper from home, months old, and there in the headlines Mr. Lewis had called his miners out on strike. Now, that is the industry, the coal industry who would have this committee and everybody else in this country believe that they've got to be preserved for national defense, when historically we can look back and see—if you will look down on the right-hand side—the highlights of the 6-month coal industry strikes in 1943.

In the middle of the war, they had to be forced back in the mines and the pits, figuratively speaking, at bayonet point. And now they are in here talking about "foreign oil should not be here, wait for coal." Sure, wait for coal and maybe if we can cajole Mr. John L. Lewis into letting his miners work, we can get it.

I am sorry I got a little hot about it, but this has been backing up in me for 2 years and I am sick and tired of listening to these people come in and bellyache and squawk—because of what? My jobbers, for one. What did we do? We went out here and took 80 percent of the domestic heating oil market. How? Because we went and sold in the hard-driving competitive arena of American commerce. We took it away from the coal industry in the American way, and we are not going to give it back in any easy way.

We have done the same thing with residual oil, to the extent that we have that sort of a market. Are my people up here bellyaching and asking somebody to give them a subsidy? We have never, since I have represented them, been before the United States Congress asking for anything except that we be allowed to compete. And the only rules we ask for are a reasonable set of antitrust laws and fair-trade laws—and I don't mean laws that are good for the little fellow and strangle the big.

I am talking about rules that are reasonable for all—you give us that. We may go broke, but we won't come in here and ask for destruction of the things that made this country big and great. And I don't like to see the coal industry, as big as they are, yaking their heads off, when the prime trouble with them is they won't try to help themselves.

What have they done with that filthy stuff they've pulled out of the ground for the last 25 years? Have they made it any easier for a consumer to use?

For example, I told the members of the Ways and Means Committee—how many of them use fuel oil? I checked their homes. How many used natural gas? I said to them, "Why do you use these commodities?" Because it is more efficient. It lends itself better to automatic operation. In brief, we've gotten you a better product. But what has coal done? What did they do over here with this committee that was appointed by the Cabinet to study the problems of the bituminous industry? They handed in a petition over there that asked for what? Freight-rate subsidy; demand that the Government use coal instead of oil; demand that the Government force others to use coal instead of oil; they want imports restricted. They wanted a dozen other things.

Was there anywhere in that petition—one single word—where the coal industry said, "All we are asking for is: you help us help ourselves"? Instead of that, it was "gimme, gimme, gimme," the same old theme song we have been listening to for the past 25 years. We have built up a nation here of businessmen who are willing to get out and scrap in the competitive arena, as my daddy did, and as I have had to do. Whereas the coal industry cries and complains but are not willing to use hustle and sweat and exercise initiative and ingenuity to keep their heads above the water.

In brief, they want somebody else to hold them up. Well, I don't like that, and neither do the people I represent like it. And I would say this: If we can compete with the Standard Oil Co. of New Jersey, surely, the coal industry can compete with my jobbers, without the Federal Government coming in with a bunch of artificial rules and establishing some means whereby they are given artificial respiration from now until doomsday.

I am sorry to get heated up again, Senator, but I feel this issue keenly.

Import restrictions on crude oil will leave the control of supply primarily in the hands of the regulatory bodies of the various oil-producing States. The laws of these various States permit limitation of production to demand. So long as this complete control would exist, there would be a tendency to increase the price of crude oil with consequent price increases in the prices of petroleum products.

The hearings on the Simpson bill had hardly been finished in 1953 before the price of crude oil in the United States was increased 25 cents per barrel. This despite the fact that the independent producers contended that we had an oversupply domestically and were being flooded with cheap foreign oil. Surely if they can increase the prices under circumstances such as that they can do what they please with the price when imports are restricted.

It appears that the independent producers deplore Government control (as in the case of gas production) when it works to their disadvantage, but they clamor for it when they feel it will make them another buck. All of this, of course, is done in the name of national security.

The quota provisions ignore the requirements for national defense. I know you must get as sick as I did, when I was counsel for the House Small Business Committee, seeing these industries traipse in, one after another, with their problems all wrapped up in the American flag. And when you started picking and pulling to get down to the roots of what were the causes for their problem, all too often you found that it was because they refused to get out of the rocking chair and go to work physically and mentally.

It is generally agreed in the petroleum industry and among the military authorities that the geographical availability of oil for national defense is important in the following order: (1) United States; (2) the Western Hemisphere; and (3) from such other sources as we can obtain it.

The quota provisions do not prescribe any mechanism for allocation on the basis of the order of significance to the United States, either from the standpoint of economics or national security; this despite the fact that another section of the proposed amendment is predicated solely on the premise of national security.

Senator MALONE. What are those other sources?

Mr. ELLIS. Well, they would be the Middle East, primarily. That would be Saudi Arabia, Kuwait, Iran, Iraq. They have now found oil in Egypt. There is some in various other countries.

Senator MALONE. Now, that oil might be available to Europe, but the evidence we secured through another committee is that the oil produced in the Middle East could be destroyed very quickly. I don't know whether you are familiar with Senate 1627. If you are not, it can be secured. It was a Senate report of last year.

Mr. ELLIS. Was that the one that covered your committee hearings?

Senator MALONE. Yes.

Mr. ELLIS. Yes; I am familiar with that. The local and Western Hemisphere sources could be defended from attack, but your third source of supply might not be too good.

My purpose in listing it this way was not to say that oil from these other sources could be defended. I have tried to list oil availability in order of importance.

Senator MALONE. I think you are right about the order. Our committee decided that the Western Hemisphere could be defended, the going-concern industries could be defended and available. There might be some loss at first, due to submarine warfare, but there have been tremendous improvements in the automatic devices that would protect the shores, but not across a major ocean.

Mr. ELLIS. I am glad you brought up that report. I have read it and I followed your hearings closely at the time, attending a great number of them.

Senator MALONE. The report was primarily to determine whether or not the people were right who have contended for years that you had to protect Europe and Asia and everywhere else. I think we stopped that conclusively.

Mr. ELLIS. This Independent Petroleum Association that you were talking about awhile ago, as well as the other groups that fall into the same category, are endorsing this bill, this proposed amendment. They endorsed it in the House. IPAA, about 2 years ago, prepared a report, I won't say they issued it, where they made a study of the Western Hemisphere sources of oil, and in that they made the same determination—they made the determination that Western Hemisphere oil was of serious importance to this Nation.

Now, they come up here with an amendment, however, that would restrict imported oil, without regard to where it comes from, Senator. They are inconsistent. If they believe what they say, why didn't they say that we think preferential consideration should be given in the restrictions, so that Western Hemisphere oil is given some measure of protection or preferential consideration, but they didn't. They are inconsistent.

Senator MALONE. If you were here, perhaps you heard my questioning of the witnesses. My general feeling is that the domestic producer, the workingman, and the investors of this Nation are entitled to protection in whatever they are producing, through a duty or tariff that would make up that differential in cost, between the production cost here, considering the wages and the taxes and all other business costs, and that in the chief competitive nation. That does not prevent imports at all. It simply brings them in on your level of costs and protects your standard of living here.

So far as I am concerned, with the information that came to our subcommittee of the Insular Affairs Committee, the national-defense item or argument appears to have no weight, as far as the Western Hemisphere is concerned, but the economy of the Nation does carry weight, and I personally have always been against this sort of thing that allows the President or anybody arbitrarily to say to you that it is better that we dispense with the industry, or a part of the industry, regardless of the cost, and allow imports in that particular industry to come in, on the theory that the dollars thus obtained by the competitive nation would be spent here to enlarge some other industry.

I don't think that was the import of the Constitution of the United States at all. Of course, you are familiar with the fact that the Constitution of the United States empowers only Congress to set the duties that we call tariffs and regulate foreign commerce and foreign trade. My position is crystal clear, I believe, and that was the reason for such extensive hearings in the committee of which I was the chairman in the last session of Congress.

We heard 360 witnesses, held 58 hearings, and published 10 volumes of testimony, and anyone who had any fear at all on the subject was invited before the committee; that is to say, from each sector.

The conclusion, as you no doubt have already noticed—the recommendation, the No. 1 recommendation—was that you can defend the Western Hemisphere and make it self-sufficient, so any argument that you have to defend any area across a major ocean to get these materials falls on its face.

You have heard no arguments, through the executive department, through any Cabinet officer, or anyone since that report was rendered, to that effect. I think we can say that. We stopped it cold.

I am prepared to really go to the fore for that particular conclusion.

Then the second conclusion is that we allow the Trade Agreements Act to lapse, go back to the Constitution of the United States, article I, section 8, and provide equal access to the markets of the United States for the American workingmen and investors.

That is what primarily the recommendations amount to. Anything can compete on an even basis in this Nation. Nuclear fuel may come along someday and put you all out of business. Perhaps you will be happy to see it. You would have no kick coming. The kick you have coming, in my opinion—and I have been in the business for 30 years—the only legitimate complaint you have is when a foreign nation is allowed to bring something in at a lower wage or lower taxes, or lower cost of doing business, while our own producers are deprived of protection that gives them equal access to our own markets.

Mr. Ellis. I am glad you bring up that laid-down price versus domestic price. You have heard some testimony today from the coal people about this cheap foreign oil. Well, I wish one of those gentlemen would give me the sources of any cheap residual oil because I have a bunch of jobbers who would grab it.

We pay the same price for imported residual oil laid down in our storage tanks as we pay for domestic residual oil. So, if there is any cheap oil floating around, Senator, God knows, we want it.

Now, I don't know about the prices of crude oil, as how they might compare, but I have been advised that Venezuelan oil is laid down in this country, giving due regard for the tariff differential, so that the same price, comparable grade and quality, as domestic oil.

Senator MALONE. The tariff has been cut and is no longer the controlling factor, but let me explain to you that I think you are very earnest in what you have said to this committee. My position has not changed for a long time. I believe the American workingman and the American investor are entitled to the protection of a duty and a tariff, as we have come to call it, that represents a differential of cost, due to the difference in cost of doing business here and in the chief competitive nation, and difference in cost in production of the same or a like article.

Now, anything more than that would have to be taken up in Congress, like the sugar business or some special product. But if you do not extend this act, you are automatically on your way back to the 1930 tariff provision, which is exactly that provision in so many words; that the Tariff Commission is directed by Congress, on principle, to determine the cost of the production of an article, here, and the same article or a like article in a foreign nation, and the difference is recommended as the duty.

You are entirely familiar with that, I suppose?

Mr. ELLIS. Yes, I am very familiar with it.

Senator MALONE. I am for that provision, and I think until we get back to a principle laid down by Congress for all industry, and quit sharpshooting, each man trying to save himself—just like drowning men at sea, if there is a plank in sight, someone grabs it—I think as long as that goes on, you are going to get the type of thing that this Nation has been getting that is slowly destroying many industries. That, of course, is only a point of view, and I am very frank about it, in my debates on the Senate floor, and in the reports that I have been able to make in my time here. My questioning on this committee has been along that particular line.

Industries are trying to save themselves through some patent-medicine formula, as I told someone today, and he didn't seem to care much for what I said, but I still believe that is what they are doing. I don't say how I will vote on it when it comes to the Senate floor, but personally I am not for the quota system unless it is applied to all products alike that are in trouble.

Mr. ELLIS. I wouldn't care to comment on your ideas, because I haven't thought it through thoroughly, and I wouldn't want to sit here and say I agree with you or disagree with you, until I had given it consideration.

However, I would like to make this observation along the patent-medicine line: I don't know how many of these various other industries that come in that are claiming they are in trouble are really hurt by imports, or whether that is a good mule to pin the tail on. I don't know. I would say this, that if the facts which support the position of most of them are as tenuous as I think the facts supporting this coal industry's arguments, as well as the domestic oil producers' arguments are, then maybe there are not as many people really hurting in this country, because of imports, as they would have us believe.

But, be that as it is, we need in this country—whether what we have are the best or not, I don't propose to know—but what we need in this country are reasonable tariff policies that will promote industries who are willing to be aggressive, industrious, manifest initiative, and are willing to do it the American wav by providing the consumers of this Nation the best products under competitive conditions that they can provide. We do not need a national wet nurse.

I don't care how you write it, cut it, slice it, or spread it. I am for it and so are the people I represent.

Senator MALONE. Now, the thing is all the Tariff Commission was created for in the first instance—we got away from the idea of revenue purposes many years ago. They learned something from year to year, and finally they learned that the thing to do was to lay down a principle of fair and reasonable competition. You have just outlined that you are for that.

In other words, your product is costing about the same as is paid for the domestic product, and if anybody can beat you out, on the cost of the domestic product, paying the same tax, the same rate and everything, you would have no kick, would you?

Mr. ELLIS. I don't know how far this theory would go. Whether it would reach back to production costs. So far as our people are concerned, we pay the same price for imported residual oil.

Senator MALONE. Take your statement at face value: If you are, then, if—no matter what it is in this Nation can beat you out, that pays the same wages you pay and that the producers in this country pay, then you would have no kick coming, would you?

Mr. ELLIS. I would have no kick coming and I promise you this, the day the people I represent come down here whining to this Congress and ask for a special type of protection in the American arena of competition, they will do it with another general counsel, and I mean that.

Senator MALONE. Let me say this to you, just to complete the record—time is of no object to me when I am talking with someone who I think is trying to find the solution. All the tariff was ever supposed to do was to make that competition fair and competitive, so that never was it supposed to make up anything but the difference in the cost of doing business, here, and producing an article or like article in a foreign nation, and here.

And that, I understand, you are not opposed to, because, from what you say, you are paying about the same price, and you want fair and reasonable competition. That is what you want, isn't it?

Mr. ELLIS. That is right. Fair and reasanable competition. I certainly want that.

Senator MALONE. That is right. And that is exactly the principle laid down by Congress for the Tariff Commission to operate under, in 1930, which it has never allowed to function.

Now, this thing called the Trade Agreements Act has come along to allow some one man to disregard that difference in the cost of production and that fair and competitive, reasonable and competitive situation.

He can disregard it entirely for a number of reasons. Any reason, the way the act is worded, either a national situation, or the relation between industries, or an international situation, or a political situation internationally that he thinks might be remedied by allowing more imports in one industry and more exports from another industry, and change the industrial map to that extent, of this Nation. That is what I object to. I don't object in any case to a fair and competitive basis of doing business, no matter how it is brought about. But this law doesn't intend to bring that about. You are for the extension of it, and I doubt very much if you have thought it through, but you are making a good witness for your people and you have said things here that make sense. You just want a fair and competitive situation. And that, I think, when the Congress finally wakes up—and I think it will and I think it will not be very long—it will come back to the principle of fair and reasonable competition, and a principle that covers all domestic industries of this Nation. And of course, you know that 50 to 60 percent of all the products never have had a tariff because we were not producing enough of them to become competitive.

We had a good law, but we just didn't follow it. We followed this propaganda that extremely high tariffs had been set on everything and you had to cater to the foreign nations in order to keep them from blackmailing you.

Right now, we are under the greatest blackmailing scheme that anybody ever saw.

Recently we have had a picture of the United Nations passing a resolution and creating another worldwide trade organization that is supposed to do the same thing, theoretically. We have no control over what they do, at all.

They go by majority vote, and we are so far outvoted, that it is not even funny.

The International Materials Conference was created by the State Department, following the refusal of Congress to accept the International Trade Organization.

All I would like to see is just to get back to another commonsense attitude which is already on the lawbooks. We don't need any new laws except maybe one limited to 50-percent up and 50-percent down. Inflation has lowered tariffs more than 50 percent.

I like to see people take an attitude that what they want is fair and reasonable competition, however, it can be arranged and I gather from your testimony that that is really what you want.

Mr. ELLIS. I think I could pretty well summarize our feelings about our tariff laws this way, Senator Malone—and now I am speaking personally and not from any resolution of the council, as I do in everything I say in my statement. I don't go beyond that. Whether what we have is good or bad, or the best that could be, I won't profess to say.

I will say this, that so long as our tariff policies are administered by men who are appointed because of political affiliation rather than because of their background of experience, and their ability as being warranted to take these matters, say, for example, as they come before Tariff Commission, and weigh them carefully without bias or political feeling, or pressure, but weigh them as carefully as the frailty of a human will permit, until we have such a thing as that, we are going to have problems with any tariff policy, or law that we have, Senator. I say that regardless of the way the thing comes out about oil.

Senator MALONE. What you really want, though, is a fair and reasonable competitive chance to do business.

Mr. ELLIS. That is all we ask.

Senator MALONE. I think that is clear enough, and the record is clear in that regard.

Now, will you go right ahead and finish up.

Mr. ELLIS. There is one thing that I would like to clear up before I move farther and that is this. When I talk about the order of importance of oil from a geographical standpoint, to our Nation in time of war—and I list them United States first, Western Hemisphere second, and wherever else we can get it—I would like to make it clear that while we might not be able to defend the oil in the Middle East that is now produced, and controlled by, principally, American companies, thank God we now have it, so that if war came, we could at least, before we got out of it, neutralize it to a point that our most likely enemy, Russia, could get it.

Now then, I don't know how to go about trying to insure that we hang on to that.

Senator MALONE. Well, that is impossible, of course.

Mr. ELLIS. I don't mean in time of war, Senator, but let us try to hold it in time of peace so that these folks over there don't say to us, "We don't like the way you are handling our oil, we will let Russia produce it, and you get out of here."

Now, I don't know how to do it, but I didn't want to leave the record in a point where it might indicate that I was ignoring Middle East oil.

When we talk about crude-oil imports, we don't want any restrictions on any of them from any source, because if they cut them off and left the demand and supply situation in the hands of the Railroad Commission of the State of Texas, and the price of products went up it is my jobbers who have to walk into the farmyards and say, "Joe, I am sorry, but gasoline is a cent a gallon more today; tractor fuel is three-fourths of a cent a gallon more." We are the people who have to go to the service-station operators who are now out here, faced with price wars and every other conceivable type of competition and say to them, "Gasoline has gone up a cent a gallon more." It was embarrassing 2 years ago, when the price of crude oil went up—no rhyme or reason for it—and these station operators and these farmers said, "Well, we read in the paper where the country is being flooded with foreign oil. How do you raise the price of oil to us when you got so much of it it is running out of your ears?"

My people can't explain it, Senator.

Senator MALONE. We do have the antitrust law, the Sherman antitrust law and I think if it is enforced the competition in this country will take care of it. I don't think you have to buy any nation. They know if they go to Russia that they will have a rougher time than they could possibly have with us.

The duty doesn't keep out imports. They come in if they are needed.

You can get minerals cheaper in Africa with the low-cost labor. Of course you can. You can make almost any product in the world cheaper with low-cost labor, with our machinery and our direction, and ship it in here. That is the reason that there was set down for the Tariff Commission the principle of fair and reasonable competition.

The reason I am giving time to you is because you said you wanted competition and I believe you.

Mr. ELLIS. That is exactly the way I feel. I am just as independent as my jobbers.

It is the consensus within the petroleum industry that we have approximately 2 million barrels of daily capacity in excess of current demand. It would appear to us that if this Nation has achieved a position of oversupply of crude oil then there is no further necessity for the 2½ percent depletion allowance as an inducement to find more oil and thus aggravate a situation of oversupply.

Senator MALONE. You know they have that 27½ percent depletion in income wherever it is produced, Venezuela, the Middle East, and everywhere else.

I am for that, because I think we would have been out of oil, only for this depletion allowance. At my suggestion, this committee included in the tax bill last year, a depletion allowance of 23 percent on 31 minerals. There is some gambling money to find new supplies and I am for that. I don't think there is any occasion to compare it to anything else, at all.

If we temporarily have an oversupply, let's keep an oversupply in the country. Give them the gambling money. Give the miners the gambling money and let them go to work.

Mr. ELLIS. I and my people are not opposed to depletion allowance per se. I want that definitely and clearly understood in the record.

We do have, I recall quite vividly, the testimony of producer after producer who appeared before the Finance Committee, as well as the Ways and Means Committee, year after year, saying that we need the 27½-percent depletion allowance as an inducement to go out and find more oil to insure an adequate supply both for our own domestic economy and for our national security. I think that had it not been for the depletion allowance, we would not have the oil we have today. What I am pointing out is this, though, Senator, that those people had better watch their arguments for consistency. Now, the oil boys are in a different position from the mining people you are talking about; the oil people in addition to having their depletion allowance, also have the intangible drilling cost factor which I don't think your people have, or from a practical standpoint they can't use it in the same way as the oil people have.

So that the oil industry, when you take their combined proposition of intangible drilling cost, plus the 27½-percent factor, they had better watch their step when their argument is: "We need it as an inducement to have adequate supply," and then they come in and say, "We have adequate supply and now want to curtail imports."

Senator MALONE. I think it would be a very shortsighted policy to threaten with reduction or elimination of depletion allowance simply because there was no method of equalizing the cost from a cheap labor country or a cheap production country and the production here.

You know my position on that, and my position is very clear on the depletion allowance. I think as long as you have an adequate depletion allowance you will have oil in this country and when you do away with it, you will not have it, and that is a very great consideration, both economically and in national defense.

It is obvious—almost anyone would realize that, with our new weapons and defense, that you cannot get a barrel of oil from the Middle East an hour after the war starts. I know from my own knowledge when I was in the Middle East in 1947. I saw all these oil areas and wells at that time. Almost every outfit, including the English, had a very intricate method where they could almost instantly destroy their wells and get out if war started. They had to get out and they knew that.

Go ahead.

Mr. ELLIS. It is on the basis of this reasoning that the National Oil Jobbers Council recommends to this committee that if you see fit to impose quotas on oil imports that you also take the necessary steps to either reduce or eliminate the depletion allowance during such a time as the quota remains in effect. It strikes us that any other position would be inconsistent.

These independent producers have been groaning and prophesying doom and destruction for 25 years if imports were not restricted.

Despite their prophesy of doom and destruction, we have the healthiest oil industry that the Nation ever saw. We drilled more wells last year than ever before in our history. We produced more oil than at any time in our history. The oil industry has bred millionaires like rabbits and the integrated companies—both those engaged in domestic operations as well as those in foreign operations—have seen their assets and incomes achieve levels undreamed of. Yet, in the face of all this, the independent producers would have you believe that they are drowning and that all future wars will be lost unless immediate action is taken to restrict imports.

Surely, if the independent jobber is willing to battle for his existence in the toughest competitive arena known to American industry then the coal industry and the independent oil producers should be willing to do the same.

Please see exhibits 1, 2, and 3.

I would like to point to this last exhibit. It is an article reproduced from Oil Forum, entitled "Independent Petroleum Association of America—the False Prophet." In there, they have abstracted these prophecies of doom that for over 20 years these independent producers have been giving to Congress.

I would direct your attention, Senator, to the last page of exhibit 3 under "Conclusions."

Now, Senator, I, like everybody, think I am a person of average, practical tendencies. How, in the face of growth as reflected by this industry here, can we say that exports have ruined us?

Why should we believe any more today the independent's claim of doom and destruction than 10 years ago when they were howling?

Senator MALONE. Well, now, I will say this to you—and I am the one I think who had a good deal to do with blowing up the Ickes myth that we were running out of oil continuously.

It was in 1948, in San Antonio, and in Chicago before the American Petroleum Association.

The first thing I said, if I remember correctly, was that the United States of America cannot possibly run out of petroleum fuels except by design, and then I went on to tell why.

Harry Dexter White and his people were behind this scarcity theory in the first place.

White recommended, you will find, and maybe you have noticed it in the report you have, No. 1627, Senate, that we loan Russia $10 billion to develop materials and sell them to us because he said we would run out of petroleum in 13 to 16 years, run out of 6 or 7 other minerals, in fewer years than that.

Therefore, he said, we must import petroleum and minerals and keep our own in the ground. You are familiar with that. You are familiar with Ickes bawling to high heaven all the time. God bless him, he is dead now, but I am like the fellow who says, "I am sorry he died, because he was one man I could always whip."

You see, we were on the verge of taking all that advice.

Ickes, every year had a bill in, or someone working for him, to do away with the depletion allowance. If he could have accomplished that, we would have run out of oil. Who was directing Ickes? No one can make me believe he was disloyal to his country. He was loyal to this country. But he was following the line, and didn't know it. Those are the people who do harm in this country.

If you do away with fair and reasonable competition and you continue this Trade Agreements Act, we might just as well follow Harry Dexter White's direction because we are becoming dependent on foreign nations for things we can't fight without, and you will find that in the report.

We are putting ourselves out of business to such a degree that the Government of the United States has to loan the taxpayers money so that people can go into business to keep us going.

If we could only get back to just a little horsesense.

Mr. ELLIS. That is a short commodity around here, Senator.

Senator MALONE. It is a short commodity in Washington, and is getting worse and worse all the time. People don't like what is going on here, but they duck their head and take it, and say, "Let's get something to permit us to live another week." That has been the spirit of 90 percent of the witnesses who have appeared before this committee.

Mr. ELLIS. The day I walk in here asking for any form of subsidy or undue protection, I hope you will remind me of what I said today.

Senator MALONE. You stay with that one thing that you said here, that all you want is a fair and reasonable competitive basis for doing business, and you will survive a long time. If I have anything to say about it, you will. But whenever you get to the point where you want an advantage of cheap foreign labor, or the advantage of cheap production that comes from a foreign nation, you will get very little sympathy from me, and I am very frank with you.

Mr. ELLIS. I don't know the cost of producing oil in Saudi Arabia, nor the cost of producing oil in Venezuela, nor for that matter, the average cost of a barrel of oil in the United States.

But whatever those may be, Senator, the situation up to date does not reflect to me that our domestic industry has suffered serious injury. That is the point I am making here today, and these are the facts. They are not my opinions. These are the figures.

Senator MALONE. You are submitting those exhibits as an exhibit for the committee, not to be typed in the record, but as an exhibit?

Mr. ELLIS. Yes, sir.

Senator MALONE. That will be exhibit No. 2 that you have offered?

Mr. ELLIS. That is exhibit No. 3.

Senator MALONE. You may submit it for the record.

Mr. ELLIS. I have three exhibits to my statement. The first is——

Senator MALONE. That will be typed in the record, because it is simply figures.

(The tabulation is as follows:)

EXHIBIT I.—*Work stoppages in bituminous coal mining, 1927–52*

Year	Stoppages	Number of workers involved	Man-days idle	Year	Stoppages	Number of workers involved	Man-days idle
1927	22	176,000	23,000,000	1940	34	24,400	153,000
1928	30	63,300	5,940,000	1941	75	593,000	6,750,000
1929	58	18,100	182,000	1942	96	43,800	264,000
1930	52	26,800	883,000	1943	400	487,000	7,510,000
1931	57	52,400	1,540,000	1944	792	230,000	1,080,000
1932	43	63,600	5,910,000	1945	598	582,000	5,010,000
1933	102	142,000	2,210,000	1946	485	834,000	19,500,000
1934	78	110,000	1,560,000	1947	415	490,000	2,190,000
1935	42	421,000	2,970,000	1948	561	582,000	9,560,000
1936	38	19,600	533,000	1949	421	1,130,000	16,700,000
1937	54	99,300	1,930,000	1950	430	165,000	9,320,000
1938	27	9,500	133,000	1951	549	213,000	887,000
1939	25	355,000	7,300,000	1952	560	472,000	2,760,000

Mr. ELLIS. With your permission, Senator, I would like to put in a little better form than the rough draft I have now, at the conclusion of my statement, figures showing what the reductions would be under this quota amendment which has been proposed.

Senator MALONE. Why don't you just submit that to be included in the record, and then submit the supplemental statement to the secretary of the committee. No doubt it will be printed in the final record.

Mr. ELLIS. I would like to have it printed at the conclusion of my testimony. It is very meager. I have it here, but not in the form I would like to have it in the record.

Senator MALONE. It will be accepted but put this in the record and bring your supplemental statement which can also be printed in the record.

Mr. ELLIS. Yes, sir; because these figures, particularly on residual oil will reflect, Senator—and I don't want to prolong this any further, but I have a lot of jobbers up there that this is life and death for, and there are a lot of consumers that it is even more of a life and death proposition to than any jobbers.

If this quota as to residual oil that they have recommended goes into effect, it would mean that next winter, New England is going to be one awful mess, because they will not have the fuel.

Senator MALONE. You submit any statement you wish to submit within reason and it will be entered in the record.

(The document referred to is as follows:)

INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA—THE FALSE PROPHET

As the leading exponent of close restrictions on oil imports for the past quarter century, allegedly detrimental to domestic operations, the IPAA has testified in strength before an average of somewhat more than two congressional committees a year to repeat its prophecy of doom like a scratched phonograph record. Only once, 22 years ago, did it in part get what it asked for—only to declare it ineffective. Since that time import tariffs on petroleum have been gradually lowered, yet the domestic oil-producing industry has waxed even more prosperously—and the official record, fattening innumerable Government publications, proves the Independent Petroleum Association of America to be self-convicted of wholesale inaccuracy in its predictions. This history of false

Miners Return Slowly to Pits As Strike Ends

1943

Full Schedule in Most of Workings Seen by Monday

... on Page A-2.)

50 Mines Closed By Coal Strikes; 26,000 Idle

Nation-Wide Tie-Up By End of Week Feared by Officials

BULLETIN.

More than 26,000 soft coal ... were reported to have ... by midday as ... were shut

Miners Resume Work; Full Shifts Tomorrow Seen

Operators and Others Protest Failure to Settle Contract Issue

JUN 3 1943

By the Associated Press.

A back-to-work movement in ...sylvania and West Virginia ... signaled the end ... third gen-

Ickes Asserts Miner Strikes Cause 'Unparalleled' Crisis

By the Associated Press.

Secretary of the Interior Ickes has told Congress that the country faces a fuel crisis unparalleled in its history as a result of the loss of 40,000,000 tons of coal production through miner strikes. DEC 4 1943

He made that statement, it was learned today, in asking for a $3,550,000 special supplemental appropriation to carry out a plan of allocating available coal supplies this winter. The Senate Subcommittee on Deficiency Appropriations today approved the amount.

District allocation ...

In the meantime operating managers of all Government seized coal mines were instructed yesterday to request the draft deferment of all men engaged in mine operations and to appeal if local selective service boards deny deferment.

C. J. Potter, deputy coal mines administrator, sent out the instructions, which said the continued maximum production of coal for the effective prosecution of the war makes it necessary for all mine workers to stay at their jobs and produce even more.

Mr. Potter said the patriotism of the mine workers is beyond question ...

THE EVENING STAR, Washington, D. C.

Strike Facts

NOV 1 1943

High Lights of 6-Month Coal Controversy

By the Associated Press.

Here are the high lights of the six-month controversy which has shut down the Nation's mines a fourth time:

April 1—Mine contract expires but is extended 30 days while United Mine Workers and operators negotiate on a $2-a-day wage increase demand.

May 1—Miners strike and President Roosevelt orders Government seizure of mines.

May 2—UMW announces 15-day truce, orders mining resumed.

May 17—Mining truce extended through May 31.

May 25—WLB Refuses miners' demand for a $2 wage increase; refers portal-to-portal pay demand to negotiations or courts.

May 26—UMW and operators resume collective bargaining.

June 1—Miners stop work a second time.

June 3—President Roosevelt orders mining resumed June 7.

June 4—UMW calls off strike, effective June 7.

June 21—Miners strike for third time.

June 22—UMW Policy Committee orders mining resumed until October 31 provided Government keeps control of mines.

July 2—UMW President John L. Lewis declines to appear before WLB in support of a proposed "model" Illinois wage contract.

August 25—WLB turns down Illinois agreement as involving a "hidden wage increase."

September 23—UMW and Illinois operators sign second proposed wage pact, raising daily earnings $1.50 a day.

October 26—WLB disapproves second Illinois contract, proposing alternative plan to raise earnings $1.12½ a day.

October 28—WLB refers strikes of more than 60,000 miners to White House.

October 29—President Roosevelt ...

Defense Comes Last

APR 2 1943

At the end of the fourth week of the bituminous coal strike, with the effects of the coal shortage becoming increasingly serious throughout American industry, there is mounting evidence to support the conclusion that the parties to this dispute are putting their selfish interests first and the defense of the country last.

On Monday the President, declaring that the public interest demanded the prompt reopening of the soft coal mines, submitted two proposals to the miners and operators. First, he said, the Northern mines, whose operators tentatively have come to an agreement with the miners, should be reopened at once. And, second, he urged that the Southern operators and the miners resume their broken-off wage negotiations and start the mines working, with the understanding that any agreement reached should be made retroactive to the date of the resumption of work. As a result of this appeal, negotiations were resumed, but all of the mines are still closed and the pinch of the shortage is becoming more severe each day.

Coal Lobby

The Northern operators and the miners have said that they are willing to resume work, provided the Southern operators also resume mining operations under the terms of the President's proposal. The Southern operators, who have been insisting upon maintenance of a wage differential allegedly based on higher ...

WEDNESDAY .... April 28, 1943

Coal Strike Looms

The ultimatum which John L. Lewis has delivered to the Federal Government in behalf of the United Mine Workers virtually precludes any hope of a peaceful settlement of this issue. Mr. Lewis, possibly with extensive support in his union, has taken the position that the miners are not amenable to Government control—that their dispute with the operators must be settled on terms which he approves and under conditions which he dictates.

This is the effect of the letter which the UMW Policy Committee, at Mr. Lewis' behest, has sent to Secretary of Labor Perkins. In this letter the War Labor Board, set up by the President to handle all wage disputes, is roughly brushed aside as the "pawn of designing politicos." Mr. Lewis demands that the coal operators, who came to Washington at the board's request, be ordered back to New York at once to resume direct negotiations with the miners. And, he adds, unless this is done "it is perfectly reasonable to assume" that the mine workers will not "trespass" upon the properties of the coal operators after their contract expires on April 30. This, both in effect and intent, is as flagrant a defiance of the Government as this country has witnessed in many a long day.

What is the Government going to do about it? If a general strike in the coal industry becomes effective ...

New Strike Threat

In view of the position taken by John L. Lewis with respect to the War Labor Board's latest mine pay decision, there seems little hope of heading off a general coal strike next week. Hence, in referring the matter to the White House, the board took the only rational course that was open to it. OCT 2 4 1943

Following a series of strikes, Mr. Lewis sent the miners back to work last June. But this was a "truce," to last only until October 31 unless a satisfactory contract could be worked out in the interim. That deadline expires Sunday night, and Mr. Lewis has indicated that he will not be satisfied with the terms of the proposed contract which the board outlined this week.

Mr. Lewis takes the view, which he has communicated to the district presidents of the United Mine Workers, that the board's proposals contemplate a cut in the miners' basic wage rates. He arrives at this conclusion by including pay for travel time in his analysis of the board's plan, while excluding it from his statement of the basic rates. Since the miners have never been paid for travel time, however, it seems obviously improper for him to attempt now to include such compensation in any definition of basic rates of pay. But that is what Mr. Lewis has done, and in telling the miners that the Government is attempting to reduce their pay scale, the UMW ...

Cracking the Whip

For the second time within a month, John L. Lewis and the United Mine Workers have resorted to a strike in the vital coal industry to force the Government and the mine operators to meet their wage demands. To most Americans, who would not think to challenge the authority of their Government in time of war, it is a humiliating spectacle. JUN 2 1943

This second strike—Mr. Lewis calls it a refusal to trespass—has come about in almost casual fashion. After the Government had taken over the mines following the first strike, and after the men had gone back to work with American flags flying at the pits, the War Labor Board stepped out from under the main point at issue by returning the portal-to-portal pay question to collective bargaining negotiations between the miners and the operators. This, on its face, was unrealistic since the Government, and not the private owners, was operating the mines. Furthermore, this question had been the subject of negotiations for weeks prior to the first strike, and was certified to the board only after it had become evident that the parties to the negotiations could not agree.

Nevertheless, Mr. Lewis and the operators—the latter deprived of control of their mines—resumed their discussions. When two weeks passed without agreement, Mr. Lewis granted an extension of the "truce" ...

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were resumed, but all of the mines are still closed and the pinch of the shortage is becoming more severe each day.

The Northern operators and the miners have said that they are willing to resume work, provided the Southern operators also resume mining operations under the terms of the President's proposal. The Southern operators, who have been insisting upon maintenance of a wage differential allegedly based on higher freight rates they must pay, have taken the position that they cannot reopen their mines under the retroactive provision because of the "contingent liabilities" they would incur.

Meanwhile, due to the coal shortage, the Nation's steel operations have been reduced from a virtually 100 per cent basis to 85 per cent of capacity. And if the strike goes into the week beginning May 5, according to steel officials, operations will have to be cut to 60 per cent of capacity.

Appraised against this background, the positions taken by the three parties to the coal strike reflect an appalling disregard of the national welfare. With the defense of the Nation at stake, there is no reason whatsoever why the miners and the Northern operators should not resume work in the latter's mines, regardless of what the Southern producers do. If the position taken by the Northern group is valid, then there is no reason why every steel mill in the country should not have shut down while the strike at Bethlehem was under way. As matters stand, it seems rather obvious that the Northern operators, with the support of the miners, who have an axe of their own to grind, are merely trying to gain a new competitive advantage by using the national emergency to force the Southern operators to give up their wage differential. The Southern operators are in no better position, however, for it appears that they, too, are trying to make capital out of the Nation's desperate need for coal. Certainly, the reference to their fear of incurring "contingent liabilities," whatever that term may mean, does not justify the refusal to reopen their mines.

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Under the circumstances, continuance of this strike would be intolerable. As the President has said, the public interest in this matter is paramount, and it is time that selfish interests on all sides were subordinated to it.

New York at once to resume direct negotiations with the miners. And, he adds, unless this is done "it is perfectly reasonable to assume" that the mine workers will not "trespass" upon the properties of the coal operators after their contract expires on April 30. This, both in effect and intent, is as flagrant a defiance of the Government as this country has witnessed in many a long day.

What is the Government going to do about it? If a general strike in the coal industry becomes effective over the week-end, and the fact that some 50,000 miners already have left their jobs indicates that this will be the case, how are the Nation's war plants to get the coal which they must have to carry on? That this will be a matter of the most pressing concern is shown by the notice from Irving S. Olds, chairman of the United States Steel Corporation, that a coal strike would force the steel industry to close down within two weeks. If the miners strike, what can the Government do in two weeks to get them back into the pits?

It has been suggested, first, that the President might go over the head of Mr. Lewis and appeal directly to the miners on grounds of patriotism to return to work. Second, it is also proposed that troops be sent into the mining communities to protect those who want to work. But what if the miners should remain deaf to an appeal from the President and indifferent to the presence of troops? In this event, which seems not at all unlikely, the problem of getting the coal mined would remain unsolved. But does that mean that the Nation would be helpless?

This question would have to be answered in the affirmative unless the Government is prepared to face the seemingly inescapable conclusion that Mr. Lewis and the United Mine Workers have more power over the life of the Nation than can safely be lodged in the hands of any minority group. If the miners are prepared to stand behind Mr. Lewis, he has the power to bring about a collapse of this country's war effort. In such circumstances it would seem that this power ought to be curtailed or taken away by law, and if Mr. Lewis goes through with his threat to shut down the coal mines, the real question confronting the Government will be whether this is the time for taking that drastic but seemingly unavoidable step.

template a cut in the miners' basic w[illegible] He arrives at this conclusion [illegible] including pay for travel time [illegible] of the board [illegible] plan, while [illegible] from his statement of the [illegible] Since the miners have never been paid for travel time, [illegible] now to include [illegible] in any [illegible] of pay. But [illegible] the Government [illegible] to [illegible] UMW chieftain apparently [illegible] a general strike [illegible]

In the face of [illegible] on Lewis' part, there [illegible] from a detail [illegible] the board's decision. It should be pointed out, however, that the board has made a real effort to adjust such legitimate grievances as the miners may have. Last June the board was unwilling to permit pay for travel time to be "averaged out" over the whole industry, correctly contending that this would amount to an outright pay increase for those miners who actually have no travel time. In the decision announced this week, this position apparently has been abandoned in an attempt to find a workable formula for travel time pay. As a result of this, plus a lengthened work week, the board held out to the miners a prospect of increasing their weekly earnings by $10 to a total of $60 a week.

One would expect this offer to prove attractive, since Mr. Lewis' principal bargaining claim has been that the miners earned so little that they could not buy enough food for themselves and their families. But that expectation apparently has no foundation in fact. The miners, one must presume, are determined to take strike action despite the fact that they now have opportunity to earn nearly twice as much as they were getting two years ago.

Should the strike materialize, its effect on the war effort will be disastrous. And since that is the case, the people of the country will be waiting to see, first, whether the administration is prepared to invoke the penalty provisions of the Smith-Connally Act after it again takes possession of the mines, and, second, whether these penalty clauses will be effective if applied with determination.

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private owners, was operating the mines. Furthermore, this question had been the subject of negotiations for weeks prior to the first strike, and was certified to the board only after it had become evident that the parties to the negotiations could not agree.

Nevertheless, Mr. Lewis and the operators—the latter deprived of control of their mines—resumed their discussions. When two weeks passed without agreement, Mr. Lewis granted an extension of the "truce" to the end of May. When that deadline passed—still without an agreement—Mr. Lewis failed to authorize another truce and the miners simply stopped work. No formal strike was called and none was necessary.

In this situation, which Mr. Ickes properly calls a "strike against the Government," the negotiations are continuing, and pressure is being put on the operators to agree to something that will induce Mr. Lewis to order his men back to work.

But it is absurd for any one to take the view that this is an issue between Mr. Lewis and the operators, who have been elbowed out of the picture. This is a clash between Mr. Lewis and the President, as has been the case from the beginning, with the former apparently determined not only to get the money that he wants, but also bent upon demonstrating to all of organized labor that he can defy the Government and get away with it.

To this point although the strike is in its third day, the President has remained silent. Nor, with the exception of Mr. Ickes, has any other Government official lifted a finger, except to go before a House committee to oppose enactment of the Connally-Smith antistrike bill. But on the night of May 2, when Mr. Roosevelt spoke directly to the miners, he said that "a stopping of the coal supply, even for a short time, would involve a gamble with the lives of American soldiers and sailors and the future of our whole people." Therefore, he added, "I say to all miners—and to all Americans everywhere, at home and abroad—the production of coal will not be stopped."

But the production of coal has been stopped, openly and defiantly. Once again, Mr. Lewis is cracking the whip. What is the Government going to do about it?

Lewis de[illegible] to appear before WLB in support of a proposed "model" Illinois wage contract.

August 25—WLB turns down Illinois agreement as involving a "hidden wage increase."

September 23—UMW and Illinois operators sign second proposed wage pact, raising daily earnings $1.50 a day.

October 26—WLB disapproves second Illinois contract, proposing alternative plan to raise earnings $1.12½ a day.

October 28—WLB refers cases of more than 60,000 miners to White House.

October 29—President Roosevelt promises "decisive action" if UMW Policy Committee fails to halt strikes by November 1.

November 1—Most mines shut down as UMW Policy Committee meets.

The Public Suffers

It is a novel and, withal, disturbing situation which has been presented by the strike of anthracite coal miners in Pennsylvania in protest against an increase in union dues and assessments.

High-ranking officials of the anthracite section of the United Mine Workers of America, after meeting to discuss the strike, have urged that the striking miners return to their jobs at once, but the strikers in the dissident mining districts are asserting that they will not return to work, and are demanding that their employer abstain from the checkoff collection of the increased dues and assessments, although the higher rates were approved in a union referendum.

This situation—involving a strike against an employer and, incidentally, against the public—to enforce a demand upon a majority of a union is something new in a labor relations picture which has brought many innovations. Certainly, it is hardly a dispute which comes within the purview of the National Labor Relations Act, a statute designed to penalize employers for anti-union activity, but which carries no corresponding penalty for irresponsible unionism. Hugh V. Brown, president of one of the affected districts, has described the strike as being merely a "family quarrel." Without doubt, it is that, but it is also a family quarrel in which the employer and the public seem to be cast in the unhappy role of innocent suffering bystanders.

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prophecy inevitably will influence the response of United States Senators and Representatives to the IPAA's 1954 propaganda campaign. The Oil Forum has no wish to pillory the IPAA but will unhesitatingly expose any part of the industry whose actions we believe damage the whole.—Editor.

WASHINGTON.—The Independent Petroleum Association of America was organized in 1929, chiefly to seek congressional action to slow down imports of crude oil and petroleum products. During the 24 years of its life, the organization has become the most prominent oil industry voice in favor of limiting petroleum imports. An exhaustive check of the record discloses that over the period, IPAA spokesmen have appeared before the several committees of Congress in at least 48 separate appeals for relief.

At times, spokesmen for the association asked an import tax of 21 cents per barrel, 42 cents, 84 cents, $1, and, most recently, of $1.05.

At times, spokesmen asked a quota ceiling on imports of crude oil and products.

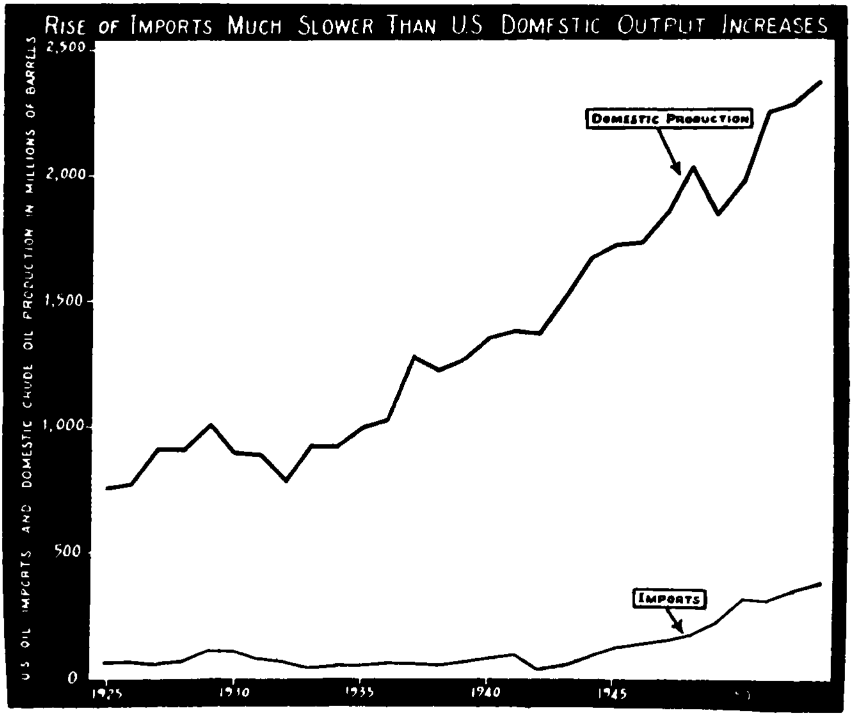
At times, spokesmen asked curbs on the powers of the State Department to reduce tariffs.

At times, spokesmen asked that the foreign-aid program, the Economic Cooperation Administration, be curbed on financing petroleum expansion abroad.

At times, spokesmen asked that the ECA be barred from financing foreign crude oil and products for use in European countries, as harmful to United States producers.

In each appeal, spokesmen for the IPAA predicted dire events to follow unless the sought relief was given. The words "ruin" and "annihilation" and "destruction" of the American petroleum industry were mentioned in these forecasts.

"The domestic petroleum industry is being ruthlessly destroyed" by imports, said the IPAA in 1931—yet, drawn to identical scale, its tremendous gains in output dwarf the rise in imports! (Statistics for this article and graphs have been drawn from DeGolyer's Twentieth Century Petroleum Statistics" and similar standard reference works.



The warnings of oil shortages, of monopoly, of high prices, of dependence on foreign oil, of shutdowns of 250,000 or more United States oil wells appear throughout the statements. Even today, the IPAA is seeking the same ends; giving the same old shopworn warnings.

After all this, what have been the results?

In a nutshell, the IPAA did not get what it sought from the Congress. The single concrete relief that followed an IPAA appeal was a tax on crude oil and product imports of 21 cents per barrel in 1932. This they held to be ineffective at the time, although a step in the right direction. Since then, this tariff has been lowered step by step, until it now stands at 10.5 cents per barrel for some gravities of crude oil and products, and 5.25 cents per barrel for heavier gravities.

Here, in one of the many important stories in the Oil Forum, is a recapitulation of virtually all the principal appearances of IPAA witnesses before Congress over this period. Here is the factual account of what was asked, and their warning of what would happen in the event Congress failed—as it did fail—to give IPAA what it sought.

TESTIMONY

July 1929 (Senate Finance Committee)—H. B. Fell, representing the Independent Petroleum Association of America, asked Congress to tax crude-oil imports at $1 per barrel, saying:

"Now, those particular wells cannot be operated at a profit. It is going to result in the necessity ulimately of the operators who only have wells of that character to abandon these wells, which would mean abandonment of development of known oil resources in our own country. And I think that this is one of the important things that should be considered in the proposition of conservation—is to conserve what we already have."

July 1929 (Senate Finance Committee).—F. E. Tucker, executive secretary of IPAA, asked Congress for a $1 per barrel tax on crude oil and product imports. He filed a brief which said:

"When the producer has a great number of small wells that are no longer on a paying basis because of the price of crude being below the cost of production, then there is nothing left for him to do but abandon his wells. When we shut down and abandon 250,000 wells, those wells are lost to our country for all time and we must replace this oil with the cheap foreign oil at the expense of our own laborers."

January 29, 1931 (Senate Finance Committee).—Wirt Franklin, president of the IPAA, asked Congress for legislation holding oil imports at 20 percent of the 1928 levels. Testifying, he warned:

"Ultimately these wells will all be lost, and in the name of conservation, 300,000 small wells, with a daily product of 500,000 barrels, and with recoverable reserves of oil of hundreds of millions of barrels all will have been destroyed. To save these wells would be true conservation, and it is within the power of the Federal Government to save them, if it will * * *. The domestic petroleum industry is being ruthlessly destroyed."

February 13, 1931 (House Ways and Means Committee).—E. B. Roeser, of IPAA, president of Barnsdall Oil Corp., Tulsa, Okla., asked Congress for a $1-per-barrel duty on oil imports or, in the alternative, a law limiting imports to 20 percent of the 1928 levels for 3 years. He said:

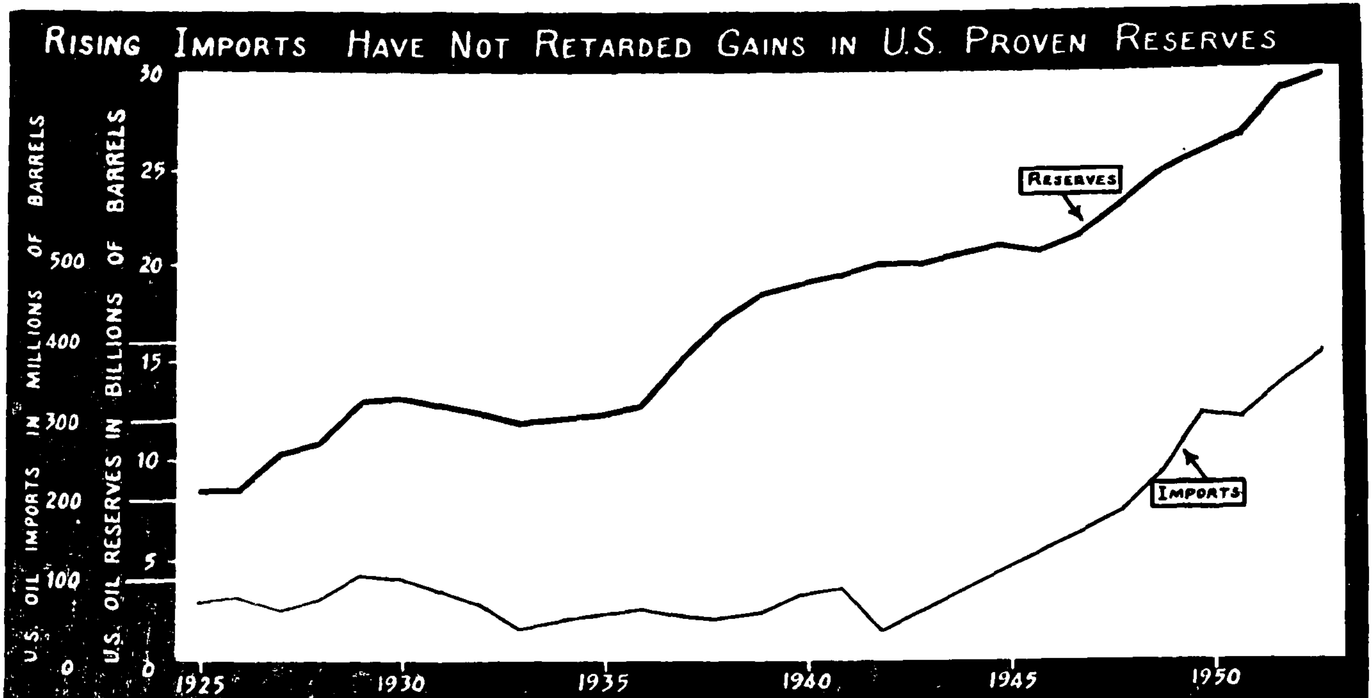
"In my opinion, proration in the United States has become a permanent proposition. The demand for petroleum in its raw state has practically reached its limit. We will have an increase in the demand for gasoline, lubricating oils, and so forth, but because of the improvement in refining methods, the present refineries will be able to supply our entire requirements from the present production * * *. My estimate is that there are at least 10 billion barrels of potential production today."

February 13, 1931 (House Ways and Means Committee).—Russell B. Brown, secretary of the IPAA, asked Congress to limit petroleum imports to 20 percent of recent levels. He testified:

"It would, however, make all the difference between continued activity and absolute ruin for the many independent producers of petroleum in this country. In view of the fact that 4 million persons are normally employed in the oil industry, with 22 million persons directly affected and dependent upon the success of that industry, the importance of this phase of the question need not be overemphasized."

Mr. Brown gave Congress a telegram from Wirt Franklin, president of IPAA, saying:

"Without . . . safeguarding against imports . . . Soon new discoveries would come to an end.", said the IPAA in 1946—yet, the rising curve of proven reserves from new discoveries parallels in its *billions* the millions of oil imports!



"Values have been destroyed, the old, small settled production which is the backbone of industry is being abandoned, and reserves totaling hundreds of millions of barrels lost forever. Ultimate result will be complete annihilation of independent producer, refiner, and marketer, with resultant centralization of ownership and control of entire petroleum industry in hands of same few companies now causing demoralization by imports of foreign crude."

February 13, 1931 (House Ways and Means Committee).—Wirt Franklin, president of IPAA, asked Congress to tax petroleum imports, crude and products, at $1 per barrel. He warned:

"* * * but I do fear, unless some new plan is found by which importations can be curtailed—I feel that the feeling that the American producer is being discriminated against in that manner, will have a detrimental effect upon proration and might break it down."

January 13, 1932 (House Ways and Means Committee).—Wirt Franklin, president of the IPAA, asked Congress for a tax of 84 cents per barrel on petroleum imports. He inquired:

"Now, gentlemen, I want to ask you, Is it fair to tax out of existence the domestic oil industry and make us compete under those conditions with foreign oil that comes in here absolutely free and which is the cause of the destruction of the American petroleum industry, and I will say to you that the independent branch of the oil industry cannot exist for another year unless relief is obtained."

April 1932 (Senate Finance Committee).—Wirt Franklin, president of IPAA, asked Congress for a tax of 42 cents per barrel on imports of crude oil and products. He testified:

"Under present conditions, if they are continued, gentlemen, the American oil producing industry will be destroyed. It cannot live another year."

May 1, 1934 (Senate Finance Committee).—H. B. Fell of the IPAA asked Congress for legislation to forbid any reductions in the New Deal program's temporary oil import quota:

"Unless some proposal such as that suggested is clearly written into the Reciprocal Tariff Act, the only positive assurance the American petroleum industry has against this uncertainty is the extremely moderate excise taxes imposed in the Revenue Act of 1932 and continued in the new revenue act. Those excise taxes are so low they will not constitute any serious obstacle to demoralization of the industry by foreign oil imports."

June 6, 1934 (House Commerce Committee).—H. B. Fell, executive vice president of IPAA, asked Congress for a quota ceiling on petroleum imports. He appeared to warn:

"Without the principles of this bill in effect, most of these wells would have to be abandoned and these reserves lost forever."

November 12, 1934 (House Commerce Committee).—Wirt Franklin, president of IPAA, asked Congress for a tax of $1 a barrel on imports of crude oil and products. He foresaw doom:

"The vast supplies of oil in South America are sufficient to completely destroy this whole industry in the United States if that oil is imported without limit * * * it is a question of holding our domestic market for American citizens in our own country because if the bars are thrown down, if there is not legislation on imports, or if there is not a tax to equalize them with our own cost of production, we will lose our domestic markets as well as our foreign markets, and that is unthinkable, and I know you gentlemen will not permit it, and I feel that Congress will not permit it."

May 1936 (House Ways and Means Committee).—Russell B. Brown, counsel of the IPAA, asked Congress to double the oil import tax to 42 cents per barrel, and limit imports to 4.5 percent of domestic demand. He stated:

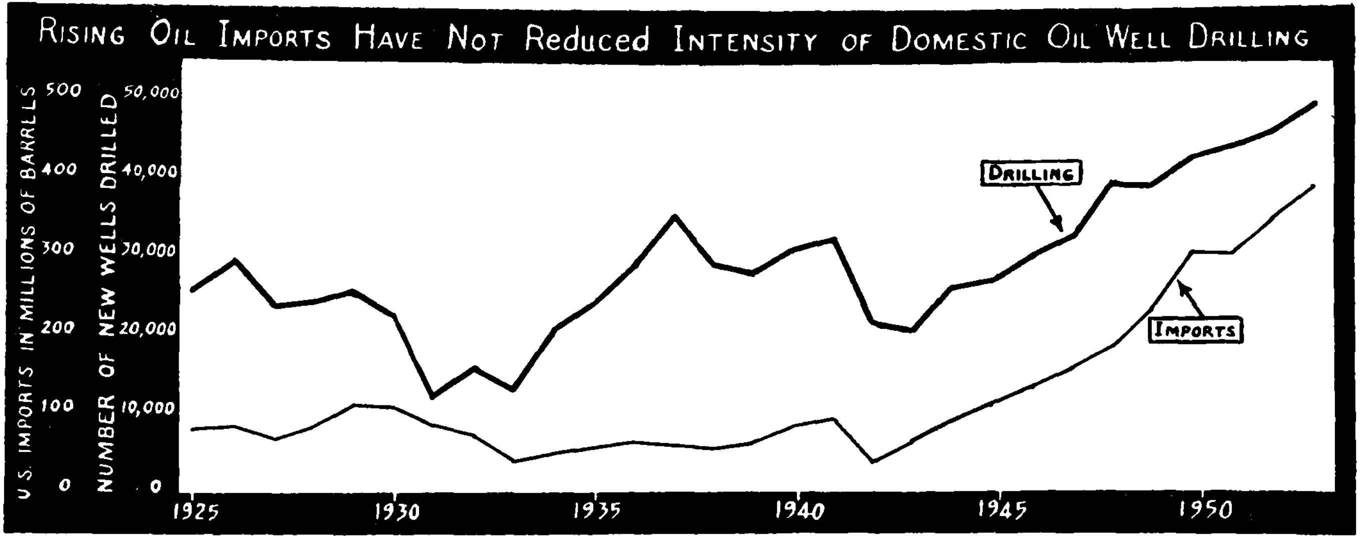
"These new sources of supply are absorbing markets formerly enjoyed by countries who are now seeking to bring their fuel oil into our home markets. In the absence of any adequate excise tax or any limitation, the importation of this fuel into this country would demoralize the market in this country and create very widespread unemployment."

He also warned:

"The minute Congress adjourns without assurance of legislation, in my judgment, under the present trend, prices will break instead of increasing."

In 1936, the price of crude oil averaged out to $1.09 per barrel, according to the API. The next year, it went to $1.18.

January 23, 1940 (House Ways and Means Committee).—Wirt Franklin, president of the IPAA, asked Congress to raise the tax on crude oil and product imports from 10.5 cents per barrel to either 21, 42, or 100 cents. He testified:



With substantial dependence on imports, "search for new fields would be curtailed and perhaps almost ended," said the IPAA in 1945—yet, the respective curves show that when imports have fallen off intensity of domestic drilling has declined instead of increasing; both respond to the same economic influences, and they have both risen in parallel since that gloomy prediction!

"They will be in a position to exercise control of the price of oil and bring about a monopoly in the United States because if they can destroy the price of crude oil over a long enough period, most of the independents will be broken and they will buy the properties up like they were doing in 1931 before you gave us this protection."

February 3, 1940 (House Ways and Means Committee).—Russell B. Brown, counsel for IPAA, asked Congress to curb the Reciprocal Trade Agreements program. He warned:

"In the case of the petroleum industry, the harm which has already been done by inclusion of the oil excise taxes in that agreement justifies the fears which we had expressed before it went into effect. Then, we merely had the fear; now, we are facing present facts which justify an even greater fear of the future."

February 23, 1943 (House Ways and Means Committee).—Russell B. Brown, counsel for IPAA, asked Congress to curb the Reciprocal Trade Agreement program. He declaimed:

"Foreign oil has been characterized by the large volume per well and consequent low cost of its production. Our wage levels in this country, and all other costs of production of oil, including taxes, royalties, rentals, and bonuses paid to landowners, cannot meet that form of competition.

"This must be recognized and an effective program maintained else the domestic industry will stagnate and perish. There are many thousands of small wells that will be abandoned and many thousands of wage earners, living in hundreds of oil-producing communities will be forced out of their employment."

May 10, 1945 (House Ways and Means Committee).—Russell B. Brown, counsel of the IPAA, asked Congress to curtail some powers in the reciprocal trade agreements program. He testified, prophesying gloomily:

Let us consider for a moment the effect of a program of substantial dependence upon low cost imports. As I have said, the producing industry would be affected to the extent that search for new fields would be curtailed and perhaps almost ended. The higher cost producing properties would be shut in or abandoned; low price invariably leads to the sale of equipment salvaged from producing wells. The supply of oil needed for the inland refiners would speedly decline."

May 30, 1945 (Senate Finance Committee).—Russell B. Brown, counsel of IPAA, asked Congress to curb executive powers under the reciprocal trade agreements program. He deposed:

"The industry has already been injured by reciprocal trade agreements. We now face a far greater menace from abroad than at any time in our history. Producing capacity already established in foreign countries is great enough when added to normal domestic production to wreck the domestic producing industry.

"Foreign oil is produced through wells of greater volume and at less expense than our own. Our domestic oil-producing industry cannot long survive such competition; cannot further continue the conservation program in the United States and cannot maintain American wage standards."

March 19, 1946 (Senate Special Committee Investigating Petroleum Resources).—Russell B. Brown, counsel of the IPAA, asked Congress for legislation to ráise the tax on imports of crude oil and products. His testimony told of this threat:

"Without some definite policy safeguarding against imports, our entire conservation program must fall. The domestic producer would be forced to skim the cream of any new field and abandon the greater part of the reserves. Soon new discoveries would come to an end."

March 21, 1946 (Senate Special Committee Investigating Petroleum Resources).—Wirt Franklin, president of IPAA, asked Congress for legislation providing congressional approval of all trade treaties. He warned:

"Otherwise, not only the oil industry but other industries of just as great importance to the economic welfare of the Nation may be seriously harmed without any remedy being available, even from Congress itself."

April 24, 1947 (House Ways and Means Committee).—Russell B. Brown, counsel of the IPAA, asked Congress to curb import tax cutting powers of the State Department. He warned:

"The action of the State Department heretofore shows that its officials apply this general cost theory to all cases—automobiles, petroleum, and others alike. This theoretical policy, advocated and applied by the State Department, may give world markets to the makers of iceboxes, but it would eliminate the domestic petroleum industry."

June 2, 1947 (Senate Foreign Relations Committee).—Russell B. Brown, counsel of IPAA, asked Congress to scrap plans for a proposed Anglo-American oil treaty. He testified:

"Our difference is, if I may try to differentiate, that when you do not protect the American industry, so that they can have a reward for their efforts, they will not go out and produce."

January 26, 1949 (House Ways and Means Committee).—L. Dan Jones, attorney for the IPAA, asked Congress for relief against foreign oil imports. He answered a member:

"Well, sir, in the first place, as soon as you bring in a great flood of imports, its first impact or its first result is a curtailment of the domestic industry, and it is that top portion of the production of any industry that gives it its real life and vigor; and as soon as these imports come in and start deadening the domestic industry in time of emergency, if it should come, then the United States from a national security standpoint is without an industry here that is capable of producing its needs."

February 2, 1949 (Senate Banking and Currency Committee).—Russell B. Brown, counsel for IPAA, asked Congress to set a quota ceiling on imports of crude oil and products. He testified:

"Our welfare and safety are in jeopardy from unreasonable imports and a curtailed market for the domestic oil industry."

February 17, 1949 (Senate Foreign Relations Committee).—L. Dan Jones, attorney for the IPAA, asked Congress to earmark less money on foreign petroleum under the Economic Cooperation Administration. He said:

"This world surplus is now seeking an outlet in the domestic oil market, thereby depressing and discouraging the oil producers in this country in their efforts to assure adequate supplies to meet any national emergency."

February 21, 1949 (House Ways and Means Committee).—L. Dan Jones, attorney for the IPAA, asked Congress to change the ECA program so fewer ECA dollars go to buy petroleum abroad. He testified:

"We are not worrying about our equipment or our industry rusting or stagnating unless the Government should adopt a policy of relying upon imported oil and saving our own * * *. Assuming the industry is not stymied in some way, and right now we think it is threatened to be stymied by the imports absorbing our domestic market."

February 21, 1949 (Senate Finance Committee on the reciprocal trade-agreements programs).—Russell B. Brown, counsel of the IPAA, asked Congress to put a quota ceiling on imports of crude oil and products. He testified:

"The most important problem now confronting the domestic oil producer is that of increasing imports. The independent producer is concerned because his existence is at stake; but more important because the security of our Nation is at stake * * *. Plans for expansion of foreign oil facilities show that more and more foreign oil will be seeking a market outlet in this country at the expense of the domestic industry."

February 21, 1949 (Senate Finance Committee).—Wirt Franklin, president of the IPAA, asked Congress to set a quota ceiling on imports of crude oil and products. He warned:

"I tell you, gentlemen, if imports of oil are allowed to increase so as to shut back our production in this country, and destroy the market demand for oil produced by these men who have gone out over the country and explored and discovered oil, and develop it, that work will stop, and in a few years we will be dependent upon foreign oil."

February 28, 1950 (Senate Foreign Relations Committee).—L. Dan Jones, attorney for the IPAA, asked Congress to change the Economic Cooperation Administration Act so fewer funds went to foreign oil purchase. He insisted:

"As this foreign oil invades the home market it displaces the domestic industry, thereby hampering the domestic industry's activities and sapping its strength."

March 15, 1950 (House Ways and Means Committee).—L. Dan Jones, attorney for the IPAA, asked Congress to change the ECA program so smaller funds went to foreign oil purchases, assenting:

"* * * it has operated to develop a condition in foreign areas that now threatens to destroy the ability of the domestic oil industry to meet its responsibilities of providing this Nation with sufficient oil at all times. The ECA program has had the effect of abetting and encouraging the development of a world surplus of oil * * *. This surplus, at an alarming rate, is displacing the American industry and American labor."

April 28, 1950 (House Small Business Select Committee, at Oklahoma City).—H. B. Fell, executive vice president of the IPAA, asked for a tax of $1.05 on imports of crude oil and products. He warned:

"* * * it is apparent that employment and economic stability of both of our basic energy industries are at stake, and the issue is clear that the decision will rest with whether or not oil imports are to continue to come into this country in unlimited, increasing amounts, or by some means are curbed to reasonable volumes."

May 18, 1950 (written statement to House Foreign Affairs Committee).—Russell B. Brown, counsel for IPAA, asked Congress to refuse to ratify the proposed International Trade Organization. He said:

"The domestic petroleum industry is faced with a flood of imported oil which is threatening the very existence of the industry and is causing widespread injury to the national economy, including mounting unemployment. It is becoming widely recognized that some relief must be forthcoming if further injury and unemployment is to be avoided."

May 22, 1950 (Senate Labor and Public Welfare Subcommittee).—H. B. Fell, executive vice president of the IPAA, asked for a tax of $1.05 on crude oil and product imports. He warned:

"The foreign oil monopoly now being encouraged by oil imports, if permitted to run its course, will mean higher prices to consumers, and an uncertain supply, and in the end, Government control."

June 1, 1950 (House Education and Labor Subcommittee).—H. B. Fell, executive vice president of the IPAA, asked Congress for a tax of $1.05 per barrel on crude oil and product imports. Alternatively, he wanted a quota ceiling on imports. He predicted direly:

"If imports continue at an excessive rate, we can look for a decline in exploratory and development work in the State and in leasing for oil and gas. This decline would be detrimental to the national economy and security. It will also detrimentally affect the economy of many other States, as it will result in unemployment and a reduction in the purchase of products manufactured in other States, such as steel, automobiles, clothing, foods, insurance policies, and everything of that type."

June 2, 1950 (House Labor and Education Subcommittee).—Russell B. Brown, counsel for the IPAA, asked Congress to levy a tax of $1.05 per barrel on imports of crude oil and products. If not that, he wanted a quota ceiling on oil imports. He stated:

"Evidence shows that geophysical and core-drilling activity has been steadily declining since the third quarter of 1948 * * *. This is a grave warning of what is sure to follow in drilling of wells, in building up new reserves, in increasing productive capacity, and in employment throughout the industry * * *.

"So, you see, it catches us both ways, both in price and in volume. The ultimate result of such staggering curtailment is obvious. Many independent producers will be forced out of business; the industry will trend toward a monopoly; exploratory and additional development wells will not be drilled, and in the end our self-sufficiency in oil will be jeopardized."

June 1950 (Senate Labor Subcommittee on Oil Imports).—J. Ed Warren, then president of the IPAA, asked Congress to enact legislation setting a quota ceiling on petroleum imports. In the alternative, he wanted the oil import tax raised:

"Continued increases in imports to the current alltime high level demonstrates that the importing companies cannot be relied upon in effectuating a solution of the problem."

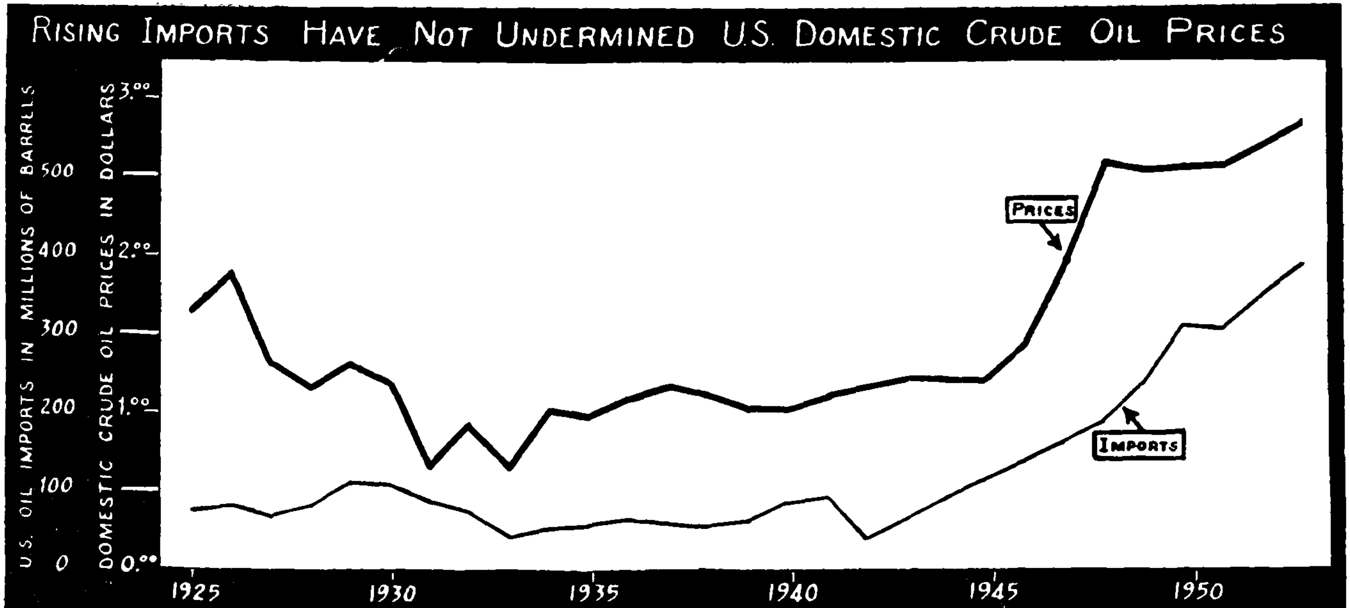
June 16, 1950 (Senate Labor Subcommittee).—Russell B. Brown, counsel of the IPAA, asked Congress to put on a tax of $1.05 per barrel on crude oil and product imports, or to set a quota ceiling. He testified:

"The consumers' interest and national safety have been endangered by the increased importation of residual fuel oil through a sharply increased dependency upon foreign sources of fuel and power controlled principally by only two companies—the Standard Oil Company of New Jersey and the Dutch-Shell group."

January 26, 1951 (House Ways and Means Committee).—Russell B. Brown, counsel of the IPAA, asked Congress to abolish the reciprocal trade argeements program. He said:

"Judging the overall program from its effect on oil shows that its continuation would be disastrous. In the case of oil, the results have been to damage the domestic industry, weaken the economy of more than half of the States and jeopardize the Nation's security by forcing our country to become dependent upon distant and uncertain sources of supply for a vital munition of war."

"Imports . . . will demoralize the market . . . prices will break instead of increasing" said the IPAA in 1936—yet the graphic curves show that domestic prices of crude have risen almost parallel to increases in imports!



March 12, 1951 (Senate Finance Committee).—L. Dan Jones, attorney for IPAA, asked Congress to establish oil import ceilings in the Reciprocal Trade Agreements Act:

"In some cases quotas will be the only means of a proper solution. It was our thought 2 years ago when imports were such a problem to the domestic oil industry that perhaps the quota was the only solution to our problem at that time."

May 11, 1953 (House Ways and Means Committee).—Russell B. Brown, counsel of the IPAA, asked Congress to limit crude oil and product imports to 10 percent of domestic demand.

"These men and these imports control every program of production and every person or company producing oil in the United States. By such power they determine the market outlet and the price of every barrel of oil produced in the United States."

May 11, 1953 (House Ways and Means Committee).—Charlton H. Lyons, president of the IPAA, asked Congress to limit crude oil and product imports to 10 percent of domestic demand. He affirmed:

"If the present import rate continues, or increases, drilling in this country will be even further curtailed. In that event, the industry would be unable to supply the increasing volume of petroleum necessary to our expanding economy and defense program."

May 11, 1953 (House Ways and Means Committee).—H. B. Fell, executive vice president of the IPAA, asked Congress to limit crude oil and product imports to 10 percent of domestic demand. He warned:

"Unless effective action is taken, the American consumer and our military safety as to oil will become increasingly dependent upon these companies."

CONCLUSIONS

Despite its vigorous representations, the IPAA obtained virtually none of its requests from Congress, and this failure to get relief is written into the official records. Nevertheless, their predictions of dire events to come were not realized:

The petroleum industry did live another year.
The stripper wells are still in business.
The independent producers were not broken up.
The industry did not stagnate and perish.
The industry is further from monopoly than ever.

The story of the American petroleum industry during the past 24 years is a saga of tremendous growth in all phases; in production, sales, income, and service to the American people.

The number of new oil wells drilled was 26,356 in 1929, but a thumping 49,279 during 1953 (1954, 53,930).

Proven reserves of crude oil in the United States were pegged at 13,200 million barrels in 1929, and 29,044 million in 1953 (1954, 30,700 million).

Wells producing oil in the United States during 1929 totaled 328,000 and as many as 472,149 in 1953 (1954, 499,509).

During this period, the daily production of United States crude oil rose from 2,760,000 barrels in 1929, by well over 100 percent to 6,454,000 during 1953 (1954, 6,300,000).

The price of crude oil went from $1.27 per barrel, in 1929, to $2.83 per barrel today (1954, $2.88).

A simple multiplication of these figures shows that gross revenue from United States crude-oil production rose from $3,505,000 each day in 1929 to an impressive $18,264,820 daily in 1953.

The United States petroleum industry achieved this expansion even as imports into the United States advanced. The total of imports was 295,000 barrels daily average for 1929 (when actually America was net exporter), and 1,058,000 barrels daily during 1953 (1954, 1,065,000).

In fact, the United States petroleum industry today stands 2 or 3 times as large as it was 24 years ago, has more independent oil operation than ever, and is making at least 5 times as much money.

The United States oil business is at its richest in history; more vigorous than it ever was. The American petroleum industry is drilling more wells, finding more oil, producing more oil, selling more oil, and has more in proven reserves than ever before. The prophets of doom are proved false prophets, indeed. But they have deceived no one—for an alltime record exploration program is planned by most domestic companies for 1954.

The United States petroleum industry is just the healthiest thing in the world—and the IPAA is just as wrong as anyone could be.

Senator MALONE. The next witness is Wallace J. Campbell, director of the Cooperative League of the U. S. A.

You may identify yourself for the purpose of the record and proceed in your own way.

STATEMENT OF WALLACE J. CAMPBELL, DIRECTOR, THE COOPERATIVE LEAGUE OF THE U. S. A.

Mr. CAMPBELL. The Cooperative League is pleased to have the opportunity to express to this committee its wholehearted support of the President's proposals for the extension of the reciprocal trade agreements. I am Wallace J. Campbell, director of the league's Washington office, speaking in behalf of our membership of about 2 million farm and city families who are members of consumer, purchasing, and service cooperatives. If we include the credit union and rural electric cooperative members who are also affiliated with the Cooperative League, we serve a membership of approximately 11 million families.

Your committee staff has already presented to you the essence of our testimony before the Ways and Means Committee of the House. I would like to quote just one paragraph of the testimony Murray D. Lincoln, president of the Cooperative League, presented before that body:

> Tariffs are in fact a tax on all Americans for the benefit of a few Americans. They are the penalty we levy against our efficient producers to protect our least efficient producers. In a country like ours which is strong and prosperous, whose industry is the most advanced in the world, we have everything to gain by freer trade, and everything to lose, even to the cold war itself—and many of our allies—by raising hurtful barriers against our neighbors.

The reciprocal trade agreements have long been an important part of United States foreign policy and have drawn substantial bipartisan support. We are happy to endorse the extension requested by President Eisenhower from June 12, 1955, until June 30, 1958. As a matter of fact, we would be happy to lend our support to providing continuous authority to the President for such trade negotiations until the Congress would find it necessary to withdraw such authority. In other words, this might well be considered as permanent legislation.

The bill before you, H. R. 1, places a very moderate amount of power in the hands of the President, for it forbids "decreasing by more than 50 per centum any rate of duty existing on January 1, 1945." The further provision that the President may not decrease any rate of duty more than 15 percent below the rate existing on July 1 of this current year, with another restriction allowing only 5 percent reduction in any one year is cautious enough to guarantee that no changes will be made which may substantially affect the economy. We realize that dislocations within our own economy should be avoided where possible and concur in the purpose of the bill to make such tariff reductions gradual. In our own view, we would like to see a greater amount of freedom in our foreign trade, stimulating eventually a maximum amount of foreign commerce which we feel will benefit not only our own economy but the economies also of the countries around the world with which we trade and which need increasing economic strength.

We commend also in H. R. 1 the provision for the President to make an annual report on the trade agreements program, including information regarding new negotiations, modifications in duties and import restrictions of the United States, reciprocal concessions obtained, modifications of existing trade agreements, and other information relating to the program.

The two most consistent arguments against extension of the Trade Agreements Act are the need to safeguard the defense features of our economy and the necessity of protecting domestic producers.

As an organization representing the consumer interests of our people, we would like to point out that in some cases it may be in the interests of the national economy to subsidize certain strategic types of defense production in order that we may have certain crucial industries available to us in case of all-out warfare. Such a subsidy to industry should be borne by the taxpayers as an outright defense subsidy rather than to be borne by the consumers as an indirect tax on consumption for national defense.

The second argument is one which has just recently found an extremely interesting solution. That argument is the protection of domestic industry. Last year the administration requested and the Congress adopted an economic measure in the agriculture field which illustrates the formula we have in mind. The Wool Act was designed to protect the American farmers who are producing wool for domestic consumption. American producers raise only a comparatively small portion of the wool consumed in the United States. It was found economically advantageous to abandon the traditional rigid price payments on wool, allow wool prices to seek their own level in the market, and pay the American wool producers the difference between a support price above parity (actually 106 percent of parity) and the actual return such wool produced by American farmers received in the market. This eliminated the necessity of a price-support program for foreign wool producers and was a genuine break for the American consumer and the American taxpayer.

While this formula may not work in every field, we urge the Congress and the administration to make a careful study of the feasibility of using subsidy payments to American producers instead of price supports through tariffs, thereby continuing the support of a given industry while allowing the consumer to get the full benefit of lower costs of production overseas. The Wool Act, we feel, provided an important new experiment designed to solve a domestic and an international problem at the same time and with a solution satisfactory both at home and abroad.

In the interests of the American consumers—who are everybody—increased trade is not only an economic advantage, but also is a keystone in our pattern for peace.

It is a pleasure and a privilege to be able to appear before your committee and present our views on this subject.

Senator MALONE. We are glad to have you.

I presume you are for the two-price system in agriculture?

Mr. CAMPBELL. Our organization has not taken an official position on the two-price system because there are producer organizations in the field who represent many of our same people. The Grange has been very strong for the two-price system and many of our members are Grange members. Some of the other organizations have been less favorable to it.

We feel that our job here is to represent our people in their consumer capacity, which is the relation in which they are affiliated with our organization.

Senator MALONE. It has been amply demonstrated that you are for the two-price system in agriculture.

Mr. CAMPBELL. I am not here to speak for our organization in that field. My own personal feeling, Senator, is that there may be reason to experiment with the two-price system as a way to meet the farm problem. My own personal feeling is that our production in agriculturue, though it is very great and looks at present like a surplus, is a surplus which would disappear very quickly if we got into trouble. We are better off to take care of these costs of buying up, storing, or giving away our agricultural surplus, than we would be in cutting down our production, even at what looks like a saving to the taxpayer.

Senator MALONE. I probably did not ask the question in quite the proper way. You are in favor of the support price in agriculture?

Mr. CAMPBELL. That is right.

Senator MALONE. You are in favor of selling it for what you can get it on the world market and the taxpayer taking the loss?

Mr. CAMPBELL. We would like very much to have the principle involved in the Wool Act applied to some of the other commodities in agriculture.

Senator MALONE. You understand my question; answer it.

Mr. CAMPBELL. This bill——

Senator MALONE. Will you answer the question?

Mr. CAMPBELL. The principle involved in the Wool Act is on the record, now. It is a part of agriculture policy. We prefer this policy to either a rigid price policy or a free market.

Senator MALONE. I have no objection to your making a speech, but what I want you to answer me now is whether or not you are for the support price. You said you were for it, and you are for selling it on the open market, the grains, for what you can get for it, and the taxpayer pocketing the loss; is that what you are for?

Mr. CAMPBELL. That is what we are for, at the present time, but we would prefer the program set forth in the Wool Act to the present rigid price support, if the Congress will see it and adopt it.

Senator MALONE. Now, Congress is evidently for what they passed. I think I voted for it. Something has to be done with these surplus commodities, if we are to have enough farm land left after the storage is taken off, to raise additional crops.

You would be for, then, treating every industry, then, in the United States—the crockery industry, the glass industry, the mining industry, and all other industries in the same manner, I presume?

Mr. CAMPBELL. We feel the American ecoonmy is so strong that most of our industries can operate without tariff protection. We would prefer if protection is absolutely essential, as an alternative to tariff protection, the kind of protection that is given to wool producers in the Wool Act.

Senator MALONE. Now you are getting around to answering my question. Would you be for that, on all other industries?

Mr. CAMPBELL. If it is advisable we would; yes.

Senator MALONE. Who is to decide whether it is advisable? I am talking about the people in business who will go out of business without it, or a tariff. Are you for it?

Mr. CAMPBELL. In the long run, Senator, we feel that years ahead, down the road, we would be better off without any tariffs at all, but we know that these changes must be made gradually.

Senator MALONE. I am glad you say you are for ultimate free trade, because I am for ultimate free trade, but I would like very much to see the protection that is accorded in the Tariff Act of 1930 afforded to the producers in this country, that differential of production, while we are making an earnest effort to raise the standard of living of other nations, and as their standard of living comes up, there could be a lowering of the tariff until we are living at about the same standard of living.

I think we both have the same objective. You want to reach it, as I understand it now, by wiping out all protection and having a price system supported on each product, whatever the product might be, of what you might call a parity price, and dispose of a surplus in a foreign nation at the market price and pocket the loss, until you raise everyone up to our standard of living. You want to do that, I suppose, just as I would like to see it, but you have a little different system, and I would like to get it clear in the record.

Mr. CAMPBELL. Well we feel, Senator, is that if you are to make adjustments to protect the American producer, that it may be cheaper for the country as a whole, and certainly cheaper for the consumers of the commodity, instead of raising the tariff barrier and raising the price of all of the commodity consumed in the country, it would be better to let the prices come down and seek their own competitive level and pay a subsidy to the producers directly rather than have what we feel is an indirect tax on the consumers in the price of all the commodities in a protected field.

Senator MALONE. In other words, if we could put every commodity under the same situation that you now have in farm products—that is where we are buying them at the ceiling price—would you dispose of them to the consumers in the United States at a price they would bring and pocket the difference, or do as we do with the grains and withhold them from the domestic consumers and sell them to the world markets for what they bring?

Mr. CAMPBELL. My own feeling, Senator, is in the interests of the consumers—and I am speaking here for one of the few bodies of organized consumers in America—that in the interests of the consumer it is better to let the price, domestically as well as in the world as a whole, reach its own level and pay a subsidy to the producer than it is to have an increased price set by a tariff on incoming products

Senator MALONE. In other words, you would like to see the wheat and corn price, and any other price that is so supported at the present time, just let it reach its level on the open market here, but determine the support price, whatever it is going to be, either 90 percent or 75 percent, or whatever Congress determines it would be, and pay the producer the difference between the domestic price, wherever it reaches the level, and the support price?

Mr. CAMPBELL. That is right.

Senator MALONE. Well, I think your ideas are very interesting and deserve consideration.

You would, of course, accord that same protection to all other products?

Mr. CAMPBELL. That is right. We feel that is a better way in the consumer interest.

Senator MALONE. Thank you very kindly.

Mr. CAMPBELL. Thank you very much, Senator, I hope that both Mrs. Malone and Mrs. Campbell will get earlier dinners other evenings. But I think this has been extremely interesting.

Senator MALONE. Thank you very much.

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

STATEMENT BY ARNOLD W. MULHERN, EXECUTIVE SECRETARY, NATIONAL BOARD OF FUR FARM ORGANIZATIONS

MINK FARMING

Present import duties on mink

A. Raw furs: No duties nor restrictions (except Communist countries).
B. Live mink animals: 7½-percent duty.
C. Dressed mink pelts: 7½-percent duty.
D. Dressed and dyed mink pelts: 10-percent duty.

Brief history

The fur-farming industry is one of the oldest industries in the United States, having its inception in the days of the early explorers who came to this country for the sole purpose of trading for furs with the Indians.

Fur farming has developed in great strides since the trapping of animals in the wild in various degrees of primeness, and there are, at the present time, approximately 6,000 mink farmers in the United States operating in some 46 States of the Union, principally in the northern tier of States, and including the 2 mountain regions of our country.

Over a period of approximately the last 35 years the fur-farming industry has developed into a prominent agricultural industry in many States. This has been possible only through great sacrifice and diligent effort toward self-education in the fields of nutrition, genetics, and disease control. These pioneers of domesticated fur farming take great pride in producing the world's finest quality mink, of many luxurious color phases, developed through scientific, selective breeding.

Present status

Heavy consumer of agricultural and manufactured items.—The average-size fur farm is owned and operated as a family unit similar to dairy, livestock, poultry, and produce farms. It is estimated that about 70 percent of the products used in feeding fur-bearing animals consists of byproducts of the farm.

The great portion of the diet of the mink consists of millions of pounds of beef and pork tripe, liver, and other byproducts of the cattle- and hog-raising industry. Large quantities of cereal, wheat germ and grain, fish, powdered and skim milk, vegetables, and food supplements are regularly consumed.

The estimated investment in fur farming in the United States, in mink alone, is approximately $175 million. Mink farmers have invested these millions of dollars in building materials, refrigeration, trucks, automobiles, electric motors, and other products and equipment, which are tailormade for fur farming, and not convertible to other use in the event of financial failure. The tremendous quantities of refrigeration equipment are required to maintain a season's supply of fish, pork, and beef byproducts over long periods of time.

The fur-farming industry uses thousands of miles of wire, pens, guard fences, etc. There are, in addition, many branches of the fur industry, such as those engaged in dressing, dyeing, manufacturing, wholesaling, retailing, who have tremendous investments, and employ thousands of highly skilled workers, and, like many fur-farm suppliers, depend uou the fur-farm industry for their existence.

Employment.—Congress and many States have declared fur farming to be an agricultural pursuit. Approximately 6,000 mink farming citizens, including veterans of both World Wars, are consistently contributing to the support of their own families, schools, churches, and Government. In addition to this, they give sustained, healthy employment to approximately 25,000 other American families, constituting in excess of 11½ million man-hours to produce the raw mink pelts.

Fur farming contributes greatly to the national economy by considerable employment of agricultural employees whose wages are a great deal above the agricultural wages of this country's foreign competitors.

From the meager figures available, the wages paid to fur farm employees of this country are 35 percent higher than those of Canada; 100 percent higher than those paid the Scandinavians, and about 500 percent higher than those received by Japanese agricultural fur farm laborers.

Research.—The success of fur farming depends, principally, upon scientific feeding, breeding, and good farm management. A thorough knowledge of proper nutritional feeding, and an extensive study of disease control and genetics have been the prime factors in improving the quality of United States-produced mink to the point where they are unexcelled.

The fur farmers have contributed to many types of research for the development of their industry through research grants to various colleges and universities throughout the country for studies on genetics, nutrition, and disease.

(*a*) Nutrition of mink: Studies on nutrition include those on fat levels of fish, and further studies on beef, pork, and other meats to determine greater uses for fish, meat products, and byproducts. These studies have resulted in considerable progress on development of dry feeds consisting principally of grain, supplemented with high-potency vitamin feeds.

(*b*) Disease in mink: Disease research by fur farmers is presently dealing with such problems as anthrax, botulism, urinary calculi, infection enteritis, parasitic infestation, distemper, and other virus diseases, all of which are of interest to all phases of animal husbandry. The results of the research projects conducted by our universities have been made public, and, consequently, all foreign producers of mink have been quick to obtain the benefits of our research without contributing toward it.

(*c*) Genetics: Mink farming, like no other industry, has, through persistence and experimentation developed a wide variety in colors of pelts. With each new color development, increased interest in mink has been expressed by the fur-conscious women of America.

Foreign mink production

Foreign governments have been of tremendous help to their fur farmers through various favorable regulations and controls. Many of these governments have actively encouraged and sponsored fur farm expansion in their countries.

Fur farming is one of the few agricultural industries which has not, as yet, been assisted by price supports or other Government subsidies. We do not want Government handouts, such as price supports, or other gratuities. We want others competing for our market, developed through our advertising, to meet us on a fair competitive basis, according to the American standard of living.

The cost of production of most foreign fur farmers, especially the Scandinavians and Japanese, is only a fraction of the cost to the American rancher. The principal reasons are:

1. That their mink diet is principally fish, and almost void of grain and meat and meat byproducts.

2. That they have little or no investment in refrigeration, electric motors, grinders, trucks, land and buildings.

3. That their wage cost is practically negligible because of the low rate, and they being small "backyard" operators.

Foreign mink imports

The production of mink in most foreign countries has multiplied in the last few years. The following table shows the alarming soaring of imports to this country over a 3-year period. While the imports for early 1955 are not, as yet, available, the quantities have been tremendous; this can only result in driving down the price to the United States fur farmers considerably below our cost of production, with resulting destruction of this industry, similar to the ruin of the fox farming industry.

United State mink imports

[Parentheses show percentage of increase over base year, 1951]

Year	Canada	Denmark	Sweden	Finland	Norway
1951	575,988	87,379	92,494	39,018	26,108
1952	831,991 (44.44)	141,683 (62 44)	110,886 (19.88)	39,344 (0.83)	33,326 (27.64)
1953	752,000 (30.55)	197,000 (125.45)	162,000 (75.14)	82,000 (110.15)	57,000 (118.32)
1954	805,465 (39.84)	218,230 (149.75)	214,681 (132.10)	72,867 (86.75)	92,118 (252.83)

Source: U. S. Tariff Commission.

According to the United States Tariff Commission, also, Japanese mink imports to this country were 349,000 in 1953, rising to 419,413 in 1954, an increase of 70,413 mink pelts, or a 20.17-percent increase in 1 year alone.

FOX-FARMING INDUSTRY

Tariffs affecting imports on fox

(*a*) Live fox, 15 percent.
(*b*) Silver- or black-fox pelts, dressed or undressed, 37 percent.
(*c*) All other fox pelts, free.

Until the early 1940's fox farming was considered a stable, well-established agricultural industry. Then imports from foreign countries, with resulting glutting of the market in this country—lack of timely legislation—ultimately resulted in the complete destruction of the fox-farming industry. The effect of this glutting of the market in turn resulted in a style change from long-haired to short-haired furs, which tragically broke the back of the fox industry.

The destruction of the fox industry caused a complete loss of millions of dollars invested in fox pens, specifically designed for fox farming, and similar equipment which could not be converted to the raising of mink or any other use.

Thousands of acres of land were covered with fox pens, which made the land useless, because the cost of removing the pens and buried wire was greater than the value of the land, even though the land was of desirable quality.

Some thousands of fox farmers in the era of the 1940's were forced out of business, and there exist now about 150 who have struggled to maintain a nucleus of a breeding herd for the time when fox will again be a high-fashion fur.

There has been considerable evidence in the past few months that fox is again becoming a desirable and popular fur. The huge quantity of fox furs in the warehouses have been gradually reduced by the use of fox fur for trim. Renewed interest in fox fur has been evidenced by recent sales in New York, wherein the buyers of platinum and of full silver foxes showed considerable active interest, with a top price of $15 per pelt, and 91 percent sold, as compared to the 1953 average price of $7.74 per pelt and only a small percentage sold. The rebirth of the popularity of fox fur indicates increase in the fox as a fashionable fur.

According to the last figures tabulated (1950), the cost of producing fox in the United States was $37 each. Obviously, the cost of production greatly exceeds the present pelt price, and to permit foreign fox furs, raised with little or no cost of production, to be imported into this country at all, at a time when fox farming shows signs of recovery, is a serious mistake, but to decrease the small amount of protection which presently exists ifor this once great industry would be extremely disastrous.

It is very probable that, within a very few years, and with increased interest being shown, this once profitable industry will be revived. The pens, buildings, equipment, and land which has been held for many years, at great sacrifice, will again become a thriving agricultural, healthy American industry.

Recommendations

We oppose H. R. 1, in its present form, as it relates to our industry for the following reasons:

(1) We believe that the bill will permit indiscriminate reduction of tariff without sufficient consideration of the effect on the American fur-farming industry such as an analysis of—

(*a*) The difference in wage scale paid by the American fur farmer and the foreign producers.

(*b*) The difference in cost of production due to little or no food cost, plant investment, and Government subsidies.

(*c*) Investment and importance of fur farming in our national economy, particularly as a consumer of our agricultural products and byproducts, motors, refrigerators, trucks, and other manufactured items.

(*d*) The fact that fur is a fashion, and its very existence is dependent strictly on style. Dumping of foreign furs, glutting the American market, would result in a change of style. Once a fur is out of fashion, it is next to impossible to revive any interest in that fur for from at least 15 to 20 years.

(*e*) The fact that destruction of our industry would mean loss of millions of dollars in fixed investments, loss of a heavy consumer of agricultural and manufactured products, and considerable unemployment, both by those actively engaged in fur farming, fur processing, and all supplying industries.

(2) We respectfully recommend:

(*a*) That the present tariff regulations on foreign imports be maintained for an additional 2-year period, during which time more extensive study can be made of each particular industry:

(1) With respect to its importance and position in the national economy.

(2) To determine the peril point at which foreign imports would destroy each respective American industry.

(*b*) That, following the above study, selective tariff revisions can be made to do the greatest good for American economy.

With the present state of our national finances, we cannot conceivably understand how it could be of any advantage to permit and promote foreigners to encroach on a healthy, existing, well-established American agricultural industry on some fanciful theory that the world will be bettered by the promotion of foreign competition, using substandard wages and costs of production.

(Whereupon, at 9: 50 p. m., the committee recessed, to reconvene at 10 a. m. Thursday, March 10, 1955.)

TRADE AGREEMENTS EXTENSION

THURSDAY, MARCH 10, 1955

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

The Committee met, pursuant to recess, at 10:05 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd (chairman), George, Long, Smathers, Barkley, Millikin, Williams, Malone, and Carlson.

The CHAIRMAN. The meeting will come to order.

The first witness is Mr. Edwin Wilkinson, National Association of Wool Manufacturers.

STATEMENT OF EDWIN WILKINSON, EXECUTIVE VICE PRESIDENT OF THE NATIONAL ASSOCIATION OF WOOL MANUFACTURERS

Mr. WILKINSON. Senator Byrd, I appreciate the opportunity to be here.

Gentlemen, I appear before you as executive vice president of the National Association of Wool Manufacturers to record its full opposition to H. R. 1.

Notification on my scheduled appearance before this committee admonishes me to limit my oral presentation to 10 minutes.

The 20-year failure of the trade treaty program to achieve all but one major objective from time to time advanced for its enactment or renewal would be impossible in such restricted time. I shall do my best to be brief and to this end incorporate many references.

The one objective the trade treaty program has accomplished is the reduction of American tariffs to a point where they stand among the lowest of the trading nations of the world. On many products, wool textiles among them, they appear perilously low. Yet many proponents of this measure still attempt, unjustly we think, to brand United States tariffs the culprit impeding world trade.

The National Association of Wool Manufacturers has consistently opposed the trade treaty program on principle, logic, and now on experience. It opposes H. R. 1 because it would extend the life of that program and, in addition, extend the authority of the administrative branch of the Government in an area constitutionally assigned to the Congress—apparently already assumed by the State Department. Both extensions should be denied.

The proposals in H. R. 1 have been described as "gradual" and "moderate" in effect by proponents in and out of Government. There is nothing gradual in a provision which would permit an immediate 50-percent reduction in the 1945 rate of duty on an item ((E) p. 5, line 24) and then expose that same item to a 15-percent reduction of the July 1, 1955, rate over a 3-year period ((D) p. 4, line 7). There appears to be nothing moderate in another provision that would permit 50 percent reduction in the 1945 rate of duty on items normally imported in negligible quantities. The word "normally" is an insertion of the House Ways and Means Committee. (When in the last 20 years has world trade experienced normality?) This House amendment fails utterly to provide a reasonable reference for the word "negligible" and, therefore, we contend this section remains as faulty as law as originally written. Finally, there is nothing moderate, in our opinion, in legislation which would enable the administrative branch of Government to get the United States inextricably involved in a supranational organization such as GATT or ITO for the control of world trade policies, with or without inclusion of the Communist nations, as we predict will be the result if this measure is enacted into law. Assurances made to you that Congress is to have a look at the organizational proposals for GATT should alert rather than allay your concern. It is the substantive features that will be important. The substantive features are important because, whether we like it or not, our domestic trade policies are irrevocably intertwined with our international trade policies, and the surrender of sovereignty over our foreign trade policy is tantamount to surrender of control over our domestic trade or commerce policy.

The fact that such surrender may be achieved through bipartisan action will not alter the consequence. Further, we need not reach far back in history to assess the importance of retaining sovereignty and responsibility for our offshore acts. Recall the recent successful unilateral action in the Tachen Islands.

PRINCIPLE POOR

We do not believe it good principle to continue to disturb the constitutional division of authority between the branches of Government. In the House committee report on H. R. 1, page 5, it is argued that if the Congress was willing to delegate discretional military authority to the President in the Formosan matter, why should it not do likewise on tariffs? We wonder if the framer of this attempt at persuasion would follow the same line with respect to taxes and excises? We think not.

Moreover, an extremely important point has been missed. With respect to Formosa, a known President and a known circumstance were involved. H. R. 1 delegates authority to June 30, 1958, and no one living can now name the President of the United States in 1957 and for 6 months in 1958.

LOGIC FAULTY

The trade treaty program originally, covertly, was for the purpose of achieving by Executive action what its proponents realized could not then be accomplished by congressional action—the reduction of United States tariffs. If United States tariff reductions are all that are required to cure the world's trade ills, why make the procedure so complicated? In this connection we are surprised by the reported suggestion of certain witnesses that some tariffs might be increased.

This has not occurred in 20 years, and we doubt that the United States negotiators command sufficient persuasion to convince foreign nations to agree to increases in our rates of duty.

Originally no industry was to be injured. At least today it is recognized that some American industries of necessity will be injured. All kinds of schemes, most foreign to American principles, are advanced as the solution for the problem of unemployment to be created by this act. Displaced citizens are to be trained in other trades, moved to other sections of the country whether or not they elect to be treated coldly as a commodity by their Government. Just what trades or skills, just which areas need those soon to be, if not already, jobless or create these green pastures: and, at the same time, increase the minimum wage rate for the job that was.

Gentlemen, we just do not believe that, in denying a wool textile worker the opportunity to continue working at his chosen occupation under American standards of work and by transferring that job to his foreign counterpart, the result will be increased domestic or international commerce. The employed American worker is a far better prospect for radios, TV's, washing machines, and even automobiles than is the foreign worker who would replace him at wages one-fourth or worse less than his. On the other hand, an employed, prosperous American is not only the world's best customer but, as has been proven, with its diversified skills and industries in being, it is the world's greatest source of material and financial strength in pursuit of freedom.

It is argued that the United States cannot continue its financial and material contributions to peace through freedom; that we must, in justice to ourselves, materially reduce or discontinue our largess to foreign countries. Involved here is a question of fact. We would not presume to have the answer. But we would contend that, if this be true, H. R. 1 is not a substitute solution. If we are at the end of our resources for aid, the substitution of our wealth-producing industries and skills for the finances and products we have been pouring out would be self-defeating. One is of value as a blood donor only if healthy and vigorous. Controlled bloodletting can maintain the source of blood in full vigor. Let it be uncontrolled or profligate and the production source, the distribution channels, will degenerate and collapse. Gradually to bleed to death would be of advantage to no one except our enemies.

EXPERIENCE WORSE

The trade-agreements program was, among other things, to reduce foreign barriers to world trade in reciprocity for our tariff reductions. It is said that without additional authorization further to reduce tariffs we have no bargaining position. This is the second such instance in which we have heard this. In short, the ante and second stake are used up. What is the result? Even the State Department must admit that foreign-trade barriers are more numerous and restrictive than at the program's beginning. Such fruitless experience should itself justify termination of this 20-year failure.

In our earlier appearances in opposition to the trade-treaty program we have been accused of crying "wolf." Statistics, alleged incontrovertibly to establish the benefits of the trade program, were arrayed and paraded before congressional committees. We were glad to note that this committee is insisting upon a distillation of recent statistics advanced in support of the program so that the aid content of our exports may be distinguished from true commercial exports. We believe your insistence will reveal that the horse in this trading is of another color. We can tell you that during an almost unprecedented depression in the manufacture and sale of wool textiles, of several years' duration, foreign manufacturers have been enjoying alltime peak operations, and United States imports of woven fabrics for 2 years running set 30-year records.

We do not ascribe our plight entirely to imports, but the estimated 8 million or more annual man-hours they represent, or even part thereof, would have materially helped the situation in many mills in our industry.

One of our chief concerns is that, in seeking administrative implementation of a reservation incorporated in the Geneva agreement, we are rebuffed on a point of interpretation sustained by secrecy attached to the underlying documents. Gentlemen, secrecy has no place in matters of this nature under democratic principles.

Senator MILLIKIN. May I inquire: What is the particular reference to which you refer?

Mr. WILKINSON. Senator Millikin, that refers to an application we made in the summer of 1953 for the implementation of the Geneva reservation, which I will briefly state as saying it provides for the restoration at administrative discretion of the former duties in the event that imports of woven woolen and worsted fabrics under paragraph 1108 and 1109 (a) exceed 5 percent of the average 3 prior year production in the United States of similar fabrics.

In 1953, we were of the opinion that the trigger point was surpassed. We were amazed to learn that this word "similar" was construed by the State Department or the executive branch or by those in charge of this program to mean "all." On this very point 11 New England Senators addressed a letter to the President last week, I believe it was. We are very happy to find that they are in accord with our opinion that similar means what it says.

We were told that the underlying documents negotiated at Geneva clearly revealed that "all" was intended to mean all woven woolen fabric imports must exceed 5 percent of the average 3 prior years' production in the United States of all woven woolen fabrics. That seems like a different meaning.

Senator MILLIKIN. That seems like a strained meaning.

Mr. WILKINSON. We couldn't go any further because we were told the documents were classified and were not for our reading.

Senator MILLIKIN. I don't know why they should be classified.

Mr. WILKINSON. Thank you, sir.

Our wool bed blanket manufacturers are undergoing severe contraction of their market and, as is the case in many other areas of wool manufacture, they are fighting for survival. What careful consideration are they accorded by those presently charged with the administration of the trade agreements program? Their product is included on the list of items to be involved in negotiations of a special agreement with Japan and other countries. Is Japan among our principal foreign suppliers of wool blankets? Is the duty on blankets high in relation to relative wage scales here and in Japan?

Do we need more wool blankets than we are capable of producing here? The answer is three times no. The only reason we can see for the inclusion of blankets was that our State Department, in its anxiety to increase the market for some Japanese product in some third country would negotiate with the latter a reduction in the present meager protection for an American blanket millworker's job.

Gentlemen, on principle, on logic, and on experience we oppose H. R. 1. We urge you to oppose it.

Senator MILLIKIN. What do you proposed as a substitute or an amendment?

Mr. WILKINSON. We have reached the conclusion that H. R. 1 is such a hodgepodge of contradictions that there seems to be no single amendment that could cure it. We believe that the administration of foreign policy should be restored to the control of the Congress and not delegated to the administration. We believe the Congress can be liberal as any administrative agency of the Government, and that is the proper course for the United States to follow.

Senator MILLIKIN. You, of course, are aware of the objections to that. Congress doesn't want to get back to the history of the so-called logrolling and the defects that have developed in practice in connection with Congress doing the job.

Mr. WILKINSON. I remember at the time this act was originally enacted logrolling had become a nasty word, but we think the 20 years' experience horse trading is running it a very close second if it isn't neck and neck with it. We don't think there has been any elimination of logrolling whatever. That may be. It is just transferred to another area.

Senator MILLIKIN. May I make a personal suggestion to you?

Mr. WILKINSON. Please do. I would be grateful.

Senator MILLIKIN. The committee has not taken any action on any of these things. I want to suggest to you that the act will be extended in one form or another. The question is not one of abolishing the reciprocal trade system, it is a question of making it work as best we can make it work, rather than picking up a new system. I think you will find that is the result that will come out of this Congress. My only suggestion is that you should perhaps aline yourself with an extension of the system, but under such terms as you feel will protect your industry.

Mr. WILKINSON. It is very difficult for an industry which on principle has opposed this measure so long, to take any position except on the basis that you put it, that here we are confronted with what is almost an accomplished fact. Under those circumstances and on that basis only, would modification of our opposition to the principle be justified. First, it would seem that the authority should not be extended into an unknown future, as the case is in this bill. Both the House Ways and Means Committee and this committee have received many, many assurances as to the general considerations, and so forth. We insist that nobody is qualified to make any such assurances beyond the indicated term of the present President to whom this power would be conferred.

Senator MILLIKIN. That would be the case, I suggest, in any kind of law that you could pass.

Mr. WILKINSON. There is another point that is dwelt upon ceaselessly by the proponents, and that is that it is moderate, and that its effect will be gradual. As I have demonstrated at the start of this statement, it really isn't moderate when you analyze the bill. All the items on the list of the Japanese agreement are in double jeopardy. The only thing that removes them from that double jeopardy is the fact that they may not succeed in concluding the Japanese negotiations before July 1, 1955, but if they do succeed in concluding that negotiation prior to that date, then all the items on that list which may or may not have been subjected to a reduction in the duty stand again in jeopardly of an additional reduction in the duty. I don't think that is a moderate program, sir.

The same applies to the question of the negligible quantities. The President has delegated the power to reduce the duties on imports normally not imported or imported in negligible quantities. There isn't a single point of reference to tie to on that word "negligible." Is it negligible in respect to imports? No one can tell. It is unknown. It is wide open. We don't think that is good law. We think there is much support, I understand, for an amendment of the escape clause and the peril points. In all frankness, I think our industry is convinced that those who would settle for that support willingly are kidding themselves. I do not believe that those clauses can be written in such a way as to insure the protection the industry endorsing them hope to achieve. The advantage, if any, to be gained in our judgment are purely psychological. But anything that does restrict or limit the authority and the degree must be considered as some improvement. There is no question about it.

Senator MILLIKIN. I am not arguing one way or the other with you. I want to get your viewpoint.

Mr. WILKINSON. Thank you very much.

The CHAIRMAN. Thank you very much.

Are there any further questions?

Senator MALONE. Mr. Chairman.

The CHAIRMAN. Senator Malone.

Senator MALONE. Mr. Wilkinson, do I understand that you are opposing the extension of the 1934 Trade Agreements Act?

Mr. WILKINSON. Yes, sir.

Senator MALONE. You don't believe there can be any reduction of studies or tariffs, assuming they already represent the differential between the cost to you and the competing product without further injury to the industry in that particular connection?

Mr. WILKINSON. The question goes beyond the scope of my competence. I would like to limit it to wool textiles. Offhand there occurs to me no duties which could be reduced without further jeopardizing the workers in this country to increased imports.

Senator MALONE. Are they already jeopardized?

Mr. WILKINSON. We believe they stand in jeopardy at the present time. We believe the record will demonstrate our imports have been at 30-year peaks during at least 2 recent years. Our industry is depressed. We have more than sufficient capacity to meet our own requirements. You can't bring in something on top of that without displacing domestic activity.

Senator MALONE. Isn't the whole idea of the Trade Agreements Act to do just that, to displace products in one industry on the judgment of the Executive or the State Department, whoever runs it, allow more imports to be sold in one particular industry, which may prove an encouragement to the foreign nation because of the sale of a larger amount of products in another industry?

Mr. WILKINSON. That seems to be the underlying philosophy.

Senator MALONE. Under any amendment so far offered and under the present setup of the bill, including the peril point and escape clause and all other fiddling with the bill that has been done in 21 years, the President or the State Department or whoever does it is still the final judgment, is he not?

Mr. WILKINSON. We have no recourse to Congress except through legislation.

Senator MALONE. Of course, Congress can take up legislation at any time, which I hope they do right here. If they refuse to extend this act, which I hope they do, then you understand, of course, that all of the duties and tariffs on the remaining products on which there is no trade agreement revert to the Tariff Commission, an agency of Congress? You do understand that that is what will happen?

Mr. WILKINSON. They stay as in the 1930 Tariff Act, if not subject to agreement.

Senator MALONE. That is right.

Mr. WILKINSON. Yes, sir.

Senator MALONE. The instructions of Congress to the Tariff Commission are very definite. They only have one criterion, and that is the difference of cost and production of an article here and that same article or a like article in a chief competing foreign nation, and that they then recommend that to be a tariff. That is the only criterion. You understand that?

Mr. WILKINSON. That is right.

Senator MALONE. That is what you want the tariff to be, that differential of course?

Mr. WILKINSON. Our theory of tariff is that the basic principle is that of need. You see, even under the existing tariff, that theory of course does not apply to every commodity that is imported. Those commodities which we need, because either we don't have or do not have in sufficient quantity, come in duty free—many of them. We think that is a perfectly valid philosophy.

Senator MALONE. Of course, I neglected to mention that 50 or 60 percent of the products are on the free list, and nobody is talking about a duty on those products. I am talking about the ones we produce in some quantity, and at a fair cost. Most of those have had a duty, and that duty, if fixed by the Tariff Commission under the 1930 law, there is only one criterion Congress has laid down, and Congress has laid down the principle that the difference between the cost of production in this country and the competitive country should be recommended as the tariff. That is what you want.

Mr. WILKINSON. That is the basic principle of the tariff, where a duty obtains——

Senator MALONE. Is there any protection to an industry at all upon which an investor can invest his money if you can take in any other factor such as the association or the relation between industries in this country and the good of the whole economy or the political situation in foreign nations or buying friends or something by lowering duties, on a certain product; is there any protection to an investor at all in that case?

Mr. WILKINSON. There is not much cause for confidence in the economic environment of tariff-protected industry.

Senator MALONE. Of course, not. The whole theory of protection is destroyed. If the money was not already in your industry, perhaps no one would put any in it. But now the people that have their money in these industries all over the Nation, frantically come here and try to get assurance that they can live. That is about what you are here for, isn't it?

Mr. WILKINSON. Yes, sir.

Senator MALONE. And you shouldn't have to come at all, if the principal already established in the 1930 Tariff Act were utilized. You wouldn't have to come at all, would you?

Mr. WILKINSON. No. I think that is largely the case, sir. If I followed the testimony before this committee and the House Ways and Means Committee to the extent that I think I have, those who support this measure seem to try to give that assurance to all, that this act will hurt no one, that it will only do good. We don't understand it.

Senator MALONE. The ones that support the measure?

Mr. WILKINSON. That is correct.

Senator MALONE. They give that assurance?

Mr. WILKINSON. Yes.

Senator MALONE. I have the highest regard for the President of the United States. It is not a question of trusting the President at all. It is a question of any one man's knowledge of the whole intricate economic system and the international system, and trying to judge what is good for an industry. I think the whole principle is wrong, and we shouldn't burden a President of the United States with any such responsibility. I think that he meant what he said in that letter to Congressman Martin, Joe Martin, but I don't think he is in any position to understand the situation.

Certainly the advice he gets in the State Department would not help him, because that record is clear for 21 years.

I don't think he would knowingly hurt anybody, but this thing has been going on for 21 years. We are so far away from the dog that bit us that we forget what the color of it was and what it was. If we just do not pass anything and let it revert, we are on the way.

You understand also that these trade agreements already made would remain in effect until the President served notice on the country with which such trade agreement was made for cancellation; you understand that?

Mr. WILKINSON. That is my understanding.

Senator MALONE. It is my opinion that it would not take him long to realize the situation, and when he served the notice within a specified time, that reverts to the Tariff Commission on the same basis of far and reasonable competition; you understand that?

Mr. WILKINSON. Yes.

Senator MALONE. So we are on the way. The first step is to let the act lapse. I agree with you that there is no way to amend it if you leave it to the final judgment of one man in the executive branch. There is no way you can amend it so an investor is in any way assured of the safety of his investment.

I say to you that this act in the first place followed by less than a year the act to recognize Communist Russia in 1933. In 1934 this act was passed to throw into the executive department and take from Congress the resposibility that the Constitution puts on Congress, and that Constitution was amended by a simple act of Congress giving to the Executive the power that he now has. In my honest opinion it could be called an approach to destroy the workingmen of the country and the small investor. The small investor I define as an investor who is not large enough to put his plant behind the low-wage curtain in foreign nations and ship the products back here. For those people it will help, there is no question about that.

You understand, too, that this General Agreement on Tariffs and Trades at Geneva has been going on since 1947, and they meet while you sleep. They are waiting now for this extension to become final and then the work they are doing will again become effective. But if this doesn't pass, all such extraneous organizations throughout the world that build a great world trade organization, hoping that the American markets will be thrown into the pot, and then divided on the basis of entitlements for consumption, as they say, on the basis of population will be out of business. That includes this organization of the United Nations that has recently been set up through an Assembly resolution, another world trade organization to divide the markets; the International Trade Organization that this Congress has already refused to have anything to do with, but which is still lying dormant, and the International Materials Conference organized by the State Department to take the place of he ITO.

You understand that all these organizations were formed for one purpose, to divide the markets of the United States. They fall on their face, if you do not extend this act.

Mr. WILKINSON. We feel that is one of the surest ways of averting entanglements in a supernational organization in which, if it were patterned along the lines of ITO, we would have one vote. We are extremely concerned about the possibility of surrendering our sovereignty over our foreign commerce policy through such course.

Senator MALONE. Mr. Wilkinson, I think you are a breath of fresh air. There have been 3 or 4 who have come in to this committee. I personally appreciate your appearance here. That is all the questions I have, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Mr. J. M. Wilson, secretary of the Wyoming Woolgrowers Association, is the next witness.

Senator MILLIKIN. Mr. Chairman, I want to say to the members of the committee that I know Mr. Wilson very well. He is a great leader in the wool-production business in the West, and I personally am very glad you are here to listen to his testimony.

STATEMENT OF J. M. WILSON, SECRETARY, WYOMING WOOLGROWERS ASSOCIATION, ACCOMPANIED BY KARL H. HELFRICH, FORSTMANN WOOLEN CO., PASSAIC, N. J.

Mr. WILSON. Mr. Chairman, gentlemen of the committee, I appreciate the remarks of the senior Senator from Colorado who I think is perhaps the best-informed man on tariff that we have in the country.

I do not have a prepared paper, so I hope at any time you will feel free to interrupt me and ask questions. Perhaps it may seem strange that a representative of the Wool Growers Association is appearing before this committee because you gentlemen are all aware that last year you passed what is now known as the Wool Act of 1954 which, in effect, is a subsidy act for the domestic woolgrowers of this country. It is called an incentive payment, but we can't escape the fact that it is a subsidy. That was done, I should say, because the woolgrowers had filed a case with the Tariff Commission and the Tariff Commission had recommended an import duty on wool which in effect meant an increase in the duty. That was denied on the theory that there was a better way to handle the wool situation, and as a result the 1954 Wool Act was passed.

We are interested, however, very much in the manufacturers. Mr. Wilkinson has just testified. Mr. Robinson testified on Tuesday of this week, and I endorse everything that they have said.

I want to refer to a statement that Mr. Wilkinson just made about "similar." There has been a rather broad interpretation perhaps of "similar," and I think that Mr. Robinson showed the committee—I happened to see the fabrics that he presented to the committee on Tuesday—and if any fabrics in the world were similar, those fabrics that he gave to the committee were similar in construction, so far as one could tell the construction—and I am not an expert on that, but the general feel of the fabrics was practically identical.

I felt on this 5 percent matter, as he indicated and Mr. Robinson indicated, that the way they interpret the 5 percent imports to be damaging, exceeding 5 percent of domestic production, we assume that most of the imports are of all wool, whereas our domestic figures are on 50 percent or more of wool, and I think if the Government or your committee had the figures showing the actual amount of all-wool fabrics produced in this country, it would be found that the imports of all-wool fabrics greatly exceeded the 5 percent.

I would guess, and it is merely a guess, that it would be at least 3 times 5 percent and in those brackets of the better class woolens and worsteds, our manufacturers are being hurt and hurt badly.

As both Mr. Robinson and Mr. Wilkinson have testified, we have and have had for several years the worst depression in the textile industry that I can ever remember, and I think that anyone perhaps on this committee can remember. It has been particularly bad in woolens and worsteds, but it has been bad in other textiles. Cotton textiles are now improving, and I think perhaps some of the synthetics may be improving, but the woolen and worsted situation is still extremely bad.

Senator GEORGE. While cottons are improving some in volume, it has not improved in price.

Mr. WILSON. I am glad it is improving in volume.

Senator GEORGE. That helps.

Mr. WILSON The woolen and worsteds are improving a little in volume, but it is infinitesimal, it isn't enough to be felt. That applies to all textiles, but is particularly true with woolens and worsteds.

I don't know what can be done because we have this severe depression and, after all, we cannot export wool. Our costs of production are entirely too high to export wool. Mr. Wilkinson pointed out a situation that I didn't realize until I had a friend from abroad stop off here about 3 weeks ago when I was here before, and he told me that the woolen and worsted industry was in better condition, more prosperous abroad than he had ever seen it, and he has been in that business, to my certain konwledge, for over 60 years.

They are prosperous there and in this country we have about one-half of the employees in the woolen and worsted industry that we had a few years ago. The mills, with few exceptions, are all losing money and lots of it.

But on the contrary, in England, they are prosperous and are seeking more of our markets. That was shown by the samples that Mr. Robinson presented to your committee. They were comparable, similar, and were practically exact duplicates as far as anyone could tell.

I am in hopes—first, let me say that the woolgrowers have always been opposed to the Reciprocal Trade Agreements Act and the extension of the act. I think, however, I am a realist, and I think perhaps that Senator George is the only one now on this committee—and Senator Barkley—who was in Congress at the time the original Trade Agreements Act was passed, and the Senator will recall that the vote on the Pittman amendment requiring congressional approval was very, very close.

Senator GEORGE. I remember it very well.

Mr. WILSON. That was the closest vote, Senator, that there has ever been on the reciprocal-trade agreement. We missed that by just a little. We were unhappy about that, because we still would prefer to come to Congress.

I am a realist and I want to suggest that the escape-clause and the peril-point amendment be rewritten so that they cannot possibly be misinterpreted, as in the case of "similar." I also feel, as Mr. Wilkinson does, that the act should not be extended for more than 2 years. I had hoped that the Senator from Pennsylvania, Senator Martin, might be here this morning, because when Mr. Robinson was testifying on Tuesday, Mr. Robinson spoke about the use of the stockpile for defense purposes; that is, to have it be made into goods.

The Commodity Credit Corporation has a stockpile of somewhere between 130 and 150 million pounds of domestic wool which they have been accumulating under the price-support program for several years. Today, for example, they are taking in a lot of wool that the growers have been unable to sell for as much or nearly as much as the support price. They are selling fine wool, for example, today for about $1.50 a pound, clean basis, and they are paying under this loan, the Commodity Credit Corporation on recourse loans, about $1.64, so they are getting a lot more wool.

At a meeting which Senator Barrett of our own State called—Senator Millikin attended the meeting, as did several other Senators—we asked that the defense forces take over the stockpile and have it manufactured into goods on the theory that a stockpile of goods would be valuable. It takes quite a while, gentlemen, to convert wool into goods. First, it has to be scored, soured, combed, and so on. If it was in a stockpile of goods, they could immediately be converted into uniforms. They have a stockpile of what they call shelf goods, as they testified before the informal meeting, of approximately a 2-year supply, which they figure is the equivalent of 15 million pounds of clean wool for a year at the present size of the Army. That does not take into consideration any possible reserves.

They also have a stockpile—this is the Army—for all the defense forces of about 95 million pounds clean basis. What that is in yardage, I am not prepared to say. I don't have the figures.

That covers all the services. I assume that covers all the items to be used for clothing and equipage.

We don't think the addition of perhaps not over 50 million pounds clean in the wool stockpile, probably more nearly 30 million pounds, which would be suitable for defense requirements, would increase that stockpile enough to make any material difference.

I can sympathize with what Senator Martin said about the mothballs, but we have made some improvements where they can use DDT and it will not have the mothball odor in the cloth.

At the informal meeting the Assistant Secretary of the Army said they had agreed not to use the new gray-green uniform, which is not to be standard until 1956. From his own figures, they will have enough goods on the shelf of the present OD color to last them until through 1956, I believe. Then they must have, I assume, in the defense stockpile for all of the Defense Department an additional quantity of goods, so it will probably be later than 1956.

They have already issued of this new gray-green cloth some six-million-odd yards, which is not going to last very long, and certainly they could replace the present OD series that they have with this new gray-green. If we got into a war, they would have it immediately available for manufacture into uniforms, and it would at least be 5 months nearer the soldier's back than it would in the form of wool.

I would again suggest that the escape clause be strengthened so that it cannot be misinterpreted and will mean exactly what Congress intended it to mean. I think the same thing applies to the peril-point amendment. I do hope that your committee will give consideration to the plight of the manufacturers in this country.

As I said before, they are our customers. If we could use this stockpile, it would help tremendously, but would only be a temporary help in easing the unemployment situation in the mills. But the manufacturers need help and need it badly. I think if the figures could be secured showing the amount of all-wool yardage produced in this country, it would be found that the imports were much more, several times the 5 percent.

I thank you. I thank the committee very much.

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

Are there any questions?

Senator LONG. I would like to ask this question: It has been suggested to me that perhaps there ought to be some sort of an amendment to this bill to indicate that when the President felt it necessary to protect some industry for defense purposes, he should have the power to impose quotas or even to raise tariffs, if he felt that industry was going out of business otherwise. I take it that that would have some appeal to you.

Mr. WILSON. It would have decided appeal if it were done, if the power were given and it was done.

Senator LONG. It was never suggested to me that any such power should be anything but permissive, or that it should be required of the President. If he feels an industry should be protected and the situation was such that the industry was in peril, perhaps he ought to have the authority under this act.

Mr. WILSON. Naturally. We would like any authority that would take care of a distress situation, such as we have in manufacturing industry at this time. At the moment the woolgrowers are all right. Despite the liberal incentive payment we will get on our 1955 wool, due not only to market, but the weather conditions—the severe drought we have had in most of the sheep area—sheep operations, despite the incentive payments, will still show a loss.

The CHAIRMAN. How many pounds does the Commodity Credit Corp. have?

Mr. WILSON. This is a guess. They will take the 1954 wool clip until March 31. It has to be under the loan plan by March 31. My estimate was somewhere close to 150 million pounds. I understand they are negotiating with Turkey for some 15 million pounds. These are grease pounds that come off the sheep. That would leave somewhere around 130 million pounds.

The CHAIRMAN. Is there any prospect of disposing of any more?

Mr. WILSON. They are trading this for manganese, I believe, for tungsten, or something with Turkey. I know very little about it. I was told about it the other day. I don't think so. Our price is—due to the loan—$1.64 for fine wool as compared to a market price of $1.50. Of course, they could dispose of that wool to any foreign country, but it would have to be done at a considerable sacrifice.

The CHAIRMAN. Do you anticipate an increase in the amount the Commodity Credit Corporation will have?

Mr. WILSON. No. That is the end. Since we passed the Wool Act of 1954 there will be no further stockpiling by the Commodity Credit. This year, with the 1954 program, it is concluded, and March 31 they will no longer loan or purchase wool.

The CHAIRMAN. The growers will get the same price?

Mr. WILSON. The growers will get a better price, Senator Byrd, when they get the incentive payment. The incentive payment is to be figured on a percentage basis. They first determine the average price at which the growers sold the wool in this country. They do that from the actual sale. That will be done starting April 1, 1956, and the difference between the average price at which the grower sells his wool and the 62 cents which is the incentive level set by the Secretary of Agriculture will be paid each grower percentagewise. I will take as an easy figure if the average price was 50 cents——

The CHAIRMAN. Then the grower will sell his own wool?

Mr. WILSON. Yes.

The CHAIRMAN. Do you anticipate that circumstances will permit them to sell that much wool?

Mr. WILSON. Unless our manufacturing business improves, I don't know what will happen. We only are producing in this country probably 35 to 40 percent of our requirement of apparel class wool.

The CHAIRMAN. What I want to know is: whether the stockpile will increase, either that owned by the Commodity Credit Corporation or that in the hands of the woolgrowers? Will there be a steady increase?

Mr. WILSON. I would hope not.

The CHAIRMAN. In other words, woolgrowers will sell the products.

Mr. WILSON. That is the purpose of the act.

Senator GEORGE. With the incentive payment they will sell.

Mr. Wilson. They have to sell because they get the incentive payment.

Senator George. They have to sell before they can realize the incentive payment.

Mr. Wilson. That is right.

The Chairman. How much will incentive payments decrease?

Mr. Wilson. They will get more, Senator Byrd.

The Chairman. What I want to know is: What will be the price of the wool compared to the incentive payment?

Mr. Wilson. That is a $64 question. I have been connected with the woolgrowing industry all my life and appeared before this committee a number of times. I haven't the slightest idea. The Government estimates 50 cents will be paid for the wool. The only actual figures I have in our own State where the same clips of wool were contracted about 3 weeks ago at 42 cents per pound and the identical clips, as near as you can have them one year from another, sold last year at 52 cents a pound, so the price is down 10 cents in the year. So that would be 30 cents, clean.

Senator Williams. The producers are not concerned with the prevailing price because they will get the difference in incentive payment up to 62 cents; isn't that right?

Mr. Wilson. That is correct, except they are concerned about the price.

Senator Williams. They would be in the long run effect, in that maybe too large an incentive payment might cause it to be repealed. From a financial angle, whether they sell it for 30, 40, or 50 cents, it is all made up out of the Treasury; is that correct?

Mr. Wilson. Yes; let's take an example, if I may take the time. Let's say you sell your wool for 30 cents and the average price is 30 cents. The difference between 30 cents and 62 cents is 32 cents. So you get a 100 percent incentive payment, 102 percent, or whatever the figures are. At 50 cents, if the average is 50 cents, and the grower sells at 50 cents, he will get an incentive payment of 24 percent, being the difference between the average price and the incentive level set by the Secretary of Agriculture. If he got 70 cents and some wools will bring that, then he would still get the 24 cents if the average price was 50 cents.

He would still get the 24 cents. His incentive payment is based on a percentage of the price at which he sells his individual clip of wool.

Senator Williams. It still averages back pretty much to the 62 cents.

Mr. Wilson. I don't think it will average back to 62 cents, Senator, because there will be a lot of fellows due to the variation and character of the wool who will sell their wool, say, at 40 cents and while they will get a 50-cent incentive payment—that would be 20 cents. They would still be under 62 cents. Theoretically it is supposed to average 62 cents, but I don't think it will.

The Chairman. Are there any further questions?

Senator Barkley. Did I understand you to say that we produce about 30 to 40 percent of the wool we consume?

Mr. Wilson. From 40 to 50 percent probably would be a fair figure.

Senator Barkley. How long has that been?

Mr. WILSON. Our sheep crop has been decreasing steadily for a good many years. The figure this year would be a little larger than last year, but when you go to analyze the figures, you find that the sheep numbers have declined slightly, and they figure the grease weight will be a little more. We have declined from fifty-odd million sheep to some thirty-odd million, and it isn't much less than a forty-odd percent decline.

Senator BARKELY. Over what length of time have we produced less than half of the wool that we used in the United States?

Mr. WILSON. That would depend on several factors, Senator Barkley. One is that we have had an enormous demand for wool for defense during World War II, during the Korean situation. For example, when the Korea war started, wool was selling at, I would imagine, about $1.80, clean, and by the time the Government got into the market and bought all the wool and bought it rapidly, it was just about doubled. I don't know what you would consider normal. Normally we used to produce in this country two-thirds of the wool we consumed.

Senator BARKLEY. We never have been self-sufficient?

Mr. WILSON. Not within my time.

Senator BARKLEY. Has the use of other fabrics, like nylon, Textron, all these "-on" that have been made out of all sorts of artificial commodities had any effect upon the use of wool domestically in the field of clothing for men and women?

Mr. WILSON. I think it has had some effect. I don't think anyone can measure how much effect. We seem to find that those who have used an all-synthetic fabric, for example, have gone back to wool. They didn't prove entirely satisfactory for any number of reasons. There are good many blends made, and some will tell you the use of the blends is increasing; that is, in proportion to these "-on" fabrics, as you call them.

Others will tell you not. I don't know. It has had some effect.

Senator BARKLEY. Where do you think the present language of the law concerning the peril point and the escape clause it is weak and should be strengthened?

Mr. WILSON. I think it should be strengthened so the findings of the Tariff Commission, which is supposed to be a fact finding body—and I think it is—should be mandatory.

Senator BARKLEY. You mean the President should be required to obey the Tariff Commission?

Mr. WILSON. If they find injury; yes.

Senator BARKLEY. Isn't that rather a departure from our usual legislative and executive procedure to require the President to be governed absolutely without any discretion by some agency viewpoint and the Senate confirms?

Mr. WILSON. I suppose it is, Senator Barkley. You asked my opinion and I gave it to you.

Senator BARKLEY. I understand. I appreciate your frankness. To me it constitutes somewhat of a departure from the ordinary procedures. It would make out of the President—we use the word "rubber stamp" around here a good deal. It would make one out of him, wouldn't it?

Mr. WILSON. Well, he wouldn't have the discretion he has now.

Senator BARKLEY. He wouldn't have any at all, would he?

Mr. WILSON. Not if the Tariff Commission made their findings, no.

Senator BARKLEY. Do you think that is a wise sort of legislative and executive coordination?

Mr. WILSON. You would be a much better judge of that than I would be, Senator Barkley.

Senator BARKLEY. I am not so sure about that. You are here to give us your views and your judgment.

Mr. WILSON. I have given my judgment. Whether it is wise or not, that is still my judgment.

Senator BARKLEY. You have to determine that, I guess.

Just one further question: Would it or would it not be more difficult for the Tariff Commission or the President to determine precisely—and as we say, down to a gnat's eye—and I am sure you are familiar with that expression—where the peril point would really be in a case where we do not have as much as we consume produced in this country and must depend on the foreign market to supply part of our market?

Mr. WILSON. I am not asking for the peril point. The wool is taken care for 4 years by the Wool Act. I am asking for protection for the wool manufacturers. We do not have figures on all the wool production in this country. I think that could be determined. I pointed that out.

Senator BARKLEY. Do we export a considerable of manufactured products, manufactured goods?

Mr. WILSON. Not in woolen and worsteds. We cannot. First, our wool price is higher. And as you know—you are very familiar with it, I know—they have a duty on wool, we have an effective duty for the duty paid on wool, a compensatory duty, as we call it, on manufactured wool. We couldn't do it for that reason, and because of labor.

I had a conversation with a friend of mine from abroad who is interested in mills in several countries. He has a combing plant in Canada. Due to the recent decision of the Canadian Tariff Commission denying them quotas or increases in tariffs—incidentally, he told me the wages in Canada were just three time the wages he paid in England—and he is going to have to close his Canadian plant and supply Canada with goods from England. That is due to the tariff situation. That is just one example.

May I ask you to repeat your question. I was diverted in my answer.

Senator BARKLEY. I think my last question was: Is it not more difficult where we rely upon foreign markets for part of our supply in any article in the United States, would it not be more difficult to find where a peril point existed when it would be reached in view of the fact that we must rely upon outside supplies to fulfill our demands?

Mr. WILSON. I don't think so, Senator Barkley. As I stated, it doesn't apply to wool——

Senator BARKLEY. I understand.

Mr. WILSON. But it does apply to manufacturing, and I think that could be found. It would require a different system for the census in reporting the production of all wool goods rather than 50 percent.

Senator BARKLEY. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Any further questions.

Senator MALONE?

Senator MALONE. I too have known Mr. Wilson for many years and am very familiar with his work in this field, Mr. Chairman. I think he thoroughly understands the difficulty now in both fields, that of raw materials production and manufacturing.

You mentioned the grease wool and the clean wool, Mr. Wilson. What is the relation, for the record, between a pound of grease wool and a pound of clean wool?

Mr. WILSON. Well, Senator, that varies with different localities. I would say the average would be probably—we used the figure as a rule of thumb, it would shrink 40 percent, and we would have 60 percent.

In Senator Byrd's country it would yield probably 70 percent, a shrinkage of 30 percent.

Senator MALONE. Over what period of years has the shrinkage in the production taken place; that is the number of sheep——

Mr. WILSON. Since 1942. I believe that was the high point, Senator Malone.

Senator MALONE. Since that time there has been a steady decrease?

Mr. WILSON. Yes.

Senator MALONE. Why? Why do you believe that to be true?

Mr. WILSON. Because every other line of agricultural endeavor was more profitable.

Senator MALONE. In other words, there was no adequate duty or tariff to make up that difference in the cost of production here and in the competing countries?

Mr. WILSON. That is right.

Senator MALONE. At least none by law, so that you can depend on it.

Mr. WILSON. Well, we didn't—our tariff was not sufficient, as the Tariff Commission found in their case, to take care of the difference in cost between Australia, for example, and our country.

Senator MALONE. Therefore the sheep grazers, producers, growers, just did not feel safe in their investment?

Mr. WILSON. That is right. They went into other lines which were more profitable. We had 1 good year in the sheep business, about Korea time, when everybody went crazy and paid twice as much for the wool as it was worth, but not since.

Senator MALONE. There has been a great deal of testimony here to the effect that any industry should be able to meet a gradual reduction in tariff, or, as has been indicated, go out of business.

I want to ask you, if a gradual reduction of 2 percent, or 5 percent, or 10 percent, providing the tariff is correct in the first place, correctly represents that differential of cost between this country and the chief competing nation, that any reduction affects materially the industry concerned?

Mr. WILSON. Of course, irrespective of the amount of percentage of reduction.

Senator MALONE. If it is right in the first place, then the 1-percent reduction means you have to meet it by a reduction in wages, writing down the investment or going out of business?

Mr. WILSON. That is right.

Senator MALONE. This peril point and escape clause, as I understand your testimony, has been of very little use to the industry so far, any industry?

Mr. WILSON. Well, we did get a recommendation from the Tariff Commission of an import fee of 10 cents, as I recall it. That was 2 years ago, and that was refused. It has been of little use; yes.

Senator MALONE. I think I debated that on the Senate floor and brought out at that time and have brought out several times before and since in debate on the Senate floor that the peril point and the escape clause, I think in my language, is just to wet down the public for another year or two so it will think it will be protected until it comes under the gun.

How would you improve the peril point or escape clause so there will be any assurance to an investor going into the buesiness unless you have the mandatory clause you suggested? The President must take the recommendation of the Tariff Commission or should it be subject to approval by Congress?

Mr. WILSON. Of course, I have always liked to have these things subject to approval by Congress, Senator Malone. That is where Senator George will well recall, as will Senator Barkley, when the late Senator Pittman's amendment failed, when the first reciprocal trade agreement was up. That amendment was that it would have to be approved by Congress.

Senator MALONE. Anyway unless you had one assurance or the other, either the assurance that the President would take it or it be subject to approval by Congress?

Mr. WILSON. I know of no other way.

Senator MALONE. Of course as Senator Barkley has so well said, it would defeat in my opinion the original plan of the 1934 Trade Agreements Act if either of those amendments were adopted by Congress. It is obvious that the original plan of the act was to rearrange the industrial map of the country and allow additional imports in certain items with the assumption that it would be made up or more than made up by the sale of goods in another industry.

So you would agree that it does change the theory of the act entirely?

Mr. WILSON. Yes, that, however, does not change my position, Senator Malone.

Senator BARKLEY. Would you permit me to interrupt right there, Senator Malone?

Senator MALONE. I would be glad to have you do that.

Senator BARKLEY. I wish to register my very dissent from the statement that the original purpose of this Trade Agreements Act was to rearrange the industrial map of the United States. There is no such purpose.

The object of the work was to get away from some of the difficulties of the Tariff Act of 1930, to get away from the old logrolling methods of writing tariffs which kept business suspended for a year and a half or more in midair and to bring about the greater cooperation among the nations of the world in the promotion of international trade.

It is not true to say, as the Senator from Nevada, he did not intentionally misstate the thing—but it is not right to say that the object of the act in the beginning in 1934 was to rearrange the industrial map of the United States.

There was nothing connected with the act or anybody who supported it that had anything like that in mind.

Senator MALONE. Mr. Chairman, I do not know what the men had in mind who were Senators or Congressmen who voted for this act.

I only know its effect. That has been its effect without any doubt whatever.

And I do believe—leaving out the Senators and Congressmen that voted for it in the beginning and are still voting for it, that it was the idea of the original sponsors of the act and that was the State Department and God knows how many others who were then and still are ex officio members of the State Department.

Obviously that has been the result——

Senator BARKLEY. I don't wish to take up the time of this committee in debating that question with the Senator from Nevada.

It probably would be more appropriate to do it elsewhere.

Senator MALONE. We will probably have time to debate it on the Senate floor and I am ready at any moment.

As a matter of fact it did displace a large amount of the wool production in this country. Is that true, Mr. Wilson?

Mr. WILSON. A large amount of the wool production in this country was displaced. I think that decidedly had an effect. I don't think it alone was responsible.

Senator MALONE. It was one factor.

Mr. WILSON. It was one factor, yes.

Senator MALONE. It has displaced mineral production, it has displaced crockery production, it has displaced glass production, it has displaced machine-tool production and you can go on and on.

Whether anyone had in mind that it would have that effect, that has been a large factor in the effect I described.

Mr. WILSON. That has been a factor.

Senator MALONE. Which amounts to the same thing, and especially if we still insist on keeping up with the thing after it is obvious that that is the effect of the bill.

Now, Mr. Wilson, I understand that what you are asking for would be the approval by Congress of any decision by the President to disregard the Tariff Commission figures on any industry in this regard, with respect to the peril point or the escape clause; or that acceptance of the Tariff Commission's findings by the President be made mandatory.

Then you are really getting back to the same principle that you had in the beginning, are you not?

The 1930 Tariff Act which was never effective because it was superseded by the 1934 Trade Agreements Act, had flexible provisions so that if any tariff was higher or lower and did not correctly represent that differential of cost of production, the Tariff Commission could at any time either on its own motion or on the request of either House of Congress or the President or any interested party take that particular product up and reexamine it. If it found satisfactory evidence—this is almost the exact language of section 334—that the tariff or the duty did not represent correctly that differential, then it could recommend that the tariff or duty be changed to conform to it. Isn't that a fact?

Mr. WILSON. Yes, sir.

Senator MALONE. And the Congress of the United States in the 1930 Tariff Act laid down that principle to guide its agent the Tariff Commission and it is the only principle that I can consider.

In other words, they could not consider the overall economy in the United States or the relationship between agriculture and industry here, or the political situation or buying friends in any foreign country, as they can under the 1934 act and as the President appears to understand the 1934 act, under the 1930 act, the Commission was required to consider only the differential of cost between the production here of that particular article and the cost in the chief competing country; isn't that a fact?

Mr. WILSON. That is as I understand it, yes, sir.

Senator MALONE. Now then you understand, Mr. Wilson—and I know you do, because I have followed your activities for a long time—that if we do not extend this act, any article upon which no trade agreements have been made revert to the Tariff Commission on the particular basis you outlined this morning.

Mr. WILSON. I would assume so.

Senator MALONE. Any article, whether it be wool or any grade of woolen material on which there is a tariff, upon which there is a trade agreement, remains in effect until such time as the President should serve notice on the country with which such trade agreement has been made for cancellation, and then after a certain period that reverts to the Tariff Commission, does it not?

Mr. WILSON. I assume so.

Senator MALONE. Then isn't the first step to be taken to return to sanity and protect the investors and the workingmen of this country by simply letting the act expire?

Mr. WILSON. That would please the woolgrowers. I am a realist and I don't think it will, so I am suggesting an alternative.

Senator MALONE. I may be an optimist. I think it will. I think it will be a very short time even if we extend it this time.

Because I think the industries will be in such shape that they will move in on this place they call Washington and take care of it.

Mr. WILSON. I sincerely hope you are correct.

Senator MALONE. In other words the first sane move would be to let this act expire, whether it is going to be let to expire or not, would it not?

Mr. WILSON. That has been our position all the time.

Senator MALONE. That is what you think about it.

Mr. WILSON. That has been our position.

Senator MALONE. You are the witness here and I have great respect for your judgment in the matter of what makes an investor put money in a business.

Do you think anybody would buy a band of sheep now if he understood the situation thoroughly? When the subsidy runs out, then you revert back to the same situation that there was before.

Mr. WILSON. No, they would not care to invest under those circumstances.

Senator MALONE. In other words I call it a subsidy. I was for the reversion to the tariff.

Mr. WILSON. You took the same position on that that the woolgrowers did. We were desperate. We had to take what we could get.

Senator MALONE. I said that on the Senate floor—it is this or die. We will take it and see if we can't get this thing reversed, so Congress will let this thing die and go back to the principle that Congress has already had established, the fair and reasonable competition, with directives to the Tariff Commission, its agent, and they are equipped to determine that differential and let them determine it.

There are 5,000 products or more and wool is only one. There are many different kinds of cloth. But we have listened to the parade here and I know something about the industry myself—and you do—and we know that it is not in good condition.

Now, does the tariff or a duty that makes up that differential of costs of production and made on a flexible basis that gives the American workingmen and the American investor equal access to the markets, is it not true if it is done properly under the Tariff Commission, tariff law of 1930, it would give him equal access to his own markets?

Mr. WILSON. That was his intent.

Senator MALONE. If you do that and it is properly adjusted flexibly up or down, continuously which is the intention of the act, does it in your opinion prevent imports when they are needed?

Mr. WILSON. No, certainly not.

Senator MALONE. That seems to be the fear of many people that if we do not produce enough of an article in this country that a tariff or duty is some kind of a scare crow that prevents an article from coming into this country at all. Will you give us your idea of how that works

Mr. WILSON. I don't think that is the way it will work. There was plenty of stuff that came in when we had higher duties than we have now. Not as much as now but it came in.

Senator MALONE. When it needs to come in, it comes in, but it doesn't have a tendency to come in when you don't need it if it is on the basis of fair and reasonable competition.

Mr. WILSON. That is right.

Senator MALONE. And you have had the law since 1930 where there is no logrolling possible except if Congress, except a Congressman or Senator could appear before the Tariff Commission like any other witness, isn't that true?

Mr. WILSON. And do.

Senator MALONE. You are familiar with the operation of the General Agreement on Tariffs and trade at Geneva, are you not? No one knows very much about it.

Mr. WILSON. Frankly I know something about it, but not too much. I know enough that I am opposed.

Senator MALONE. You know they are there and you are bound by what they do as long as this act exists.

Mr. WILSON. That is right.

Senator MALONE. They are waiting there now, waiting for the extension of this act—if it is any information to you, you probably already had known it.

Mr. WILSON. I assumed that was true.

Senator MALONE. If we do not extend this act then all these trick organizations fall on their face: the General Agreement on Tariffs and Trade at Geneva; and this new trade organization, World Wide, that is being created by a resolution of the Assembly of the United Nations, presumably for the same general purpose to throw all the markets of the world into the pot and divide them on this trick phase "entitlements for consumption."

Have you heard of that expression? If you haven't they use it, and the only way some of us can interpret it is on the basis of the population of the countries. You are familiar with that?

Mr. WILSON. I am familiar with that.

Senator MALONE. You are familiar with the International Trade Organization that was presented to this Congress and Congress refused to accept it 3 or 4 years ago when it was before us.

Mr. WILSON. I attended a number of hearings conducted by the senior Senator from Colorado; during those hearings I got a liberal education about them and I did not want this country to have anything to do with the approval of that organization.

Senator MALONE. Are you familiar with the International Materials Organization that the State Department set up almost immediately after the Congress refused to accept ITO?

Mr. WILSON. I am not familiar with that.

Senator MALONE. I will furnish you with information on that trick organization because it really was a lulu.

It was financed by the State Department against the wishes of the Appropriations Committee. They say it is dead now, but it is only dormant, it is not dead.

But you do understand if we don't extend this act, all of those trick organizations that figure when they get us in the pot they will sit down and divide our markets, will die a natural death.

Mr. WILSON. I would assume so; yes.

Senator MALONE. Wouldn't that be a good idea?

Mr. WILSON. From our standpoint, of course, I reiterate that we have always been opposed to reciprocal trade agreements. We don't think they are reciprocal.

Senator MALONE. Don't you think from the standpoint of American people?

Mr. WILSON. It represents a feeling in our part of the country, Senator Malone.

Senator MALONE. I think that is all anyone has asked for that came before the committee, certainly I never heard anyone ask for a high or low tariff or duty, as the Constitution calls it.

They ask for the duty to be arranged on the basis of fair and reasonable competition.

Mr. WILSON. All right.

Senator MALONE. That is all you want?

Mr. WILSON. That is right.

Senator MALONE. Thank you, Mr. Chairman.

Senator CARLSON. Mr. Chairman.

Senator GEORGE. Yes, sir.

Senator CARLSON. You have expressed your thought that we might improve the language in the peril point and escape clause that is section 34 when it comes to the peril point and 67 when it comes to the escape clause.

Do you have any language that you might suggest?

Mr. WILSON. Not being a lawyer and having interpreted language passed by Congress before rather disastrously for myself on an occasion or two, I would rather have someone who is a lawyer prepare the language. I have seen language that I will be glad to submit to the committee that is said will help. Frankly I am not certain because I am not a lawyer.

Senator CARLSON. Mr. Wilson, I have been doing a little studying, and I am not a lawyer, either, but I am concerned about the provisions, and I think it is administration, and I thought possibly we might get something to offer to the committee.

I hope to have an amendment or two to offer before we close these hearings, and I would like to know if you have.

Mr. WILSON. Some of the people I have been working with are preparing an amendment, Senator, and I would be glad to submit it on both the peril point and the escape clause.

Senator CARLSON. Thank you.

Senator MALONE. Mr. Chairman, unless Mr. Wilson's amendment made it mandatory for the President to accept the Tariff Commission findings in the matter of escape clause and peril point or the approval by Congress, it would still be left to the decision of one man as to whether or not it was an overall benefit to the economy and whether or not there was some international political situation that needed curing by this lower tariff and he would have full authority to go ahead with it regardless, would he not?

Mr. WILSON. I would assume that may be right, Senator, but on the other hand they may be able to get language in that that will help the situation.

I am hopeful they can. I am a realist. I would take the same position so far as the reciprocal trade agreements are concerned as you do.

I would rather not have them, that is our group, our association would rather not have them. But having them and thinking we are going to have them for some little time to come, I hope to get some language as suggested by the Senator that will improve the situation.

Senator MALONE. Just be suggestive, if not more.

Mr. WILSON. It would be a yardstick in a way I suppose, it could be drawn so it could be a yardstick, thereby more difficult at least to disregard the recommendation.

Senator MALONE. But my point is it can be disregarded unless made mandatory.

Mr. WILSON. I assume so.

Senator MALONE. You are aware that a suit has been filed on the constitutionality of this act against the Secretary of the Treasury by thte Morgantown Glass Guild, in Morgantown, W. Va.?

Mr. WILSON. I have had a little knowledge of that, Senator. I am not too familiar with those things, because I have difficulty in recognizing you even at this distance. I had a cataract removed from my eyes some two months ago and I don't read very much any more.

I have heard about that but I don't know the details.

Senator MALONE. I am sorry about that.

Senator BARKLEY. I can recommend a good doctor if you want one.

Mr. WILSON. I met you in the hall the other day and I had to ask someone who you were after you passed by.

Senator BARKLEY. That's unfortunate for me.

Senator MALONE. You are aware that article 1, section 8, of the Constitution makes it the duty of the Congress to set the posts and excises and duties and to regulate foreign trade and foreign commerce.

Mr. WILSON. I have always so understood.

Senator MALONE. Thank you.

Senator GEORGE. Thank you very much, Mr. Wilson.

Mr. WILSON. Thank you.

Senator GEORGE. Mr. Raymond Smethurst.

All right, Mr. Smethurst, you may have a seat, you may proceed in your own way.

You are here representing the optical and ophthalmic glass, lenses and instruments industry.

STATEMENT OF RAYMOND S. SMETHURST, ATTORNEY ON BEHALF OF MANUFACTURERS OF OPTICAL AND OPHTHALMIC GLASS, LENSES, AND INSTRUMENTS

Mr. SMETHURST. Yes, sir.

Mr. Chairman and members of the committee, I am here representing a group of individual companies, manufacturers of ophthalmic glass, optical lenses, and scientific optical instruments.

Most of these individual companies applied for time to appear individually, but in order to conserve the time of this committee have agreed to present a consolidated statement.

I believe I can conserve even more time if I dispense with the reading of the statement if I may have permission to submit the statement for the record.

Senator GEORGE. You may have that permission.

Mr. SMETHURST. You will find attached to the statement a list of exhibits. Exhibit A sets forth a list of the companies who have authorized this appearance on their behalf.

These companies account for approximately 95 percent of the production of optical glass in the United States and they account for approximately 85 percent of the scientific optical instruments produced in the United States.

Their production ranges from relatively simple laboratory apparatus to the most complicated of military instruments.

I will have somewhat more to say about some of those instruments at a later point.

Exhibit B attached to the statement sets forth the principles of a proposed amendment to H. R. 1.

I will return to that——

Senator BARKLEY. May I ask you. I am compelled to go to the floor. May I ask you to read that amendment now so I may hear it before I leave?

Mr. SMETHURST. Proposed amendment to protect national defense and public health. This is appendix B.

1. Whenever in any proceeding under section 7—

meaning the escape clause—

it appears that the national defense, security or public health of the United States is or may be jeopardized by importations of any article or material into the United States, the Tariff Commission shall report such finding to the Defense Mobilization Board, or to such other agency as may be designated by the President.

2. The Defense Mobilization Board, or such other agency as may be designated by the President, shall promptly investigate the nature and extent of such actual or potential injury and shall submit its findings thereon, together with such recommendations as may be deemed necessary, to the President within 90 days after the date of such referral by the Commission.

In determining whether or to what extent the security or public health of the United States is or may be injured, the Defense Mobilization Board shall investigate, among other causes of injury, the extent to which loss of the domestic market for a product or service has resulted or will result in loss or threatened loss of unique work skills deemed indispensable to the security of the United States.

3. In any proceeding in which the Defense Mobilization Board shall find any such injury or threatened injury to the national defense or public health, it shall recommend to the President such remedies as it deems appropriate to reduce or eliminate such threat, including imposition of additional duties, use of import quotas, stockpiling, and other forms of Government procurement, including preferential treatment of domestic producers.

4. Without regard to any other provision of the Trade Agreements Act, the President should be authorized, within the limits of existing laws and appropriations, to take such action as he deems necessary to protect the security and health of the United States.

Senator BARKLEY. Thank you very much, as you know, Mr. Chairman, we have a bill coming up on the Senate floor that came out of this committee, and I feel I should have to go to the floor now.

Senator GEORGE. Will it be necessary for me to go along?

Senator CARLSON. Mr. Chairman, I will preside until some of the other members may come back.

Before Mr. Smethurst leaves the suggestion that he has made in the proposed amendment to the peril-point clause, I notice you state that "including preferential treatment of domestic producers" that has been one of the complaints I have received that they have not been given proper consideration in the evaluation of the damage or injury done to a domestic industry. The producers themselves—I was pleased to know you had included that because I had it in mind in my particular amendment.

Mr. SMETHURST. Yes, sir, I think it would also include the use of the Buy American Act which is now, in its application, being modified to the point where it provides no real preference. A 6 percent margin is the only thing.

Senator CARLSON. I appreciate your interest in it.

Mr. SMETHURST. Exhibit C attached to the statement is a series of quotations from a report prepared for the Joint Munitions Board. It sets forth and reports a review of the problems and accomplishments of the optical industry during World War II. The highlights of this report show that optical instrument production for the military was increased some twentyfold during World War II and reached a total of $250 million in value per year.

It also shows the major problem of the optical industry to be the shortage of skilled workers. You will find in that report, because of the 2-year warning we had before Pearl Harbor, that the number of these skilled workers increased from about 2,000 in 1938 to about 4,000 at the time of Pearl Harbor and by 2 years later, the number had increased to 17,000.

But that report emphasizes over and over again that it was the shortage of skilled optical workers, the long periods required to train such workers, which constituted the chief bottleneck of this industry during World War II.

Exhibit D is a tabulation of imports of one of the more vital basic instruments of this industry. It shows the imports of compound microscopes between 1947 and 1954.

You will see in the right hand margin.

Senator LONG. May I interrupt one moment. For the benefit of others who will testify here I will announce when this witness has concluded his statement and the examination of the witness that the committee will stand in recess until 2 o'clock and I believe the next witness at that time will be Mr. Richard Tucker, vice president of Pittsburgh Plate Glass Co.

I say that so the witnesses can make their plans to have lunch if they want to and be back at 2 o'clock.

Go ahead.

Mr. SMETHURST. If you will note the right hand margin on this tabulation. In units, imports rose from 291 in 1947 to 7,273 through October of 1954, and in percentages that moved from 1 percent in 1947——

Senator LONG. What are you referring to now?

Mr. SMETHURST. Exhibit D—to 44 percent of the domestic market in 1953.

On page 6 of the statement which you have, the same data appears with reference to binoculars, showing that 87 percent of the domestic market has now been absorbed by imports.

Also in the statement on pages 6 and 7, there is a report from one of the domestic producers indicating a more serious situation for the future.

It tells of the production in East Germany of a very important industrial measuring device, which that producer was able to make at a price substantially below what a West Germany instrument maker could produce.

The result of the ensuing competition between those two now threatens to flood the American market with this particular instrument and take away the most important market of this one company, one member of this industry.

Appendix E is a rather interesting attempt to illustrate the difference in price competition between imported microscopes and domestic.

You will note that this represents a series of bids submitted to agencies of the Federal Government from 1950 through 1952.

In one column, the fourth column, you will note the bid of the domestic producers, the next column the importers bid.

The significance of that I think may be illustrated even better if you look at the table below, where we have set forth the average declared prices of these imports, made to customs officials.

And you will note the difference between the average declared price and the bid price of the importers on Government contracts.

Needless to say these awards did not go to the domestic producers.

And in one case I think the difference in price between the declared customs price and the bid price was more than 200 percent.

Senator MALONE. What exhibit is that?

Mr. SMETHURST. This is exhibit E.

In general foreign microscopes have seriously curtailed the volume of domestic production. A large share of the instruments purchased by entering medical students are of foreign origin.

Prices range from 20 to 25 percent under domestic prices for German microscopes, 25 to 30 percent lower for Italian instruments are 40 to 50 percent for Japanese products.

Foreign instruments are also being purchased in quantity by schools and colleges because of their substantially lower prices.

This is particularly true in the Pacific Coast States where importers of Japanese microscopes are most active.

Practically all recent purchases of microscopes for local hospitals by the New York City Department of Purchase have been Italian instruments.

A bid which opened February 16, 1955, resulted in awards for Galileo microscopes at the following prices.

That appears on page 2 of exhibit E. You will note the Galileo price ranged from $215 to $408, while the domestic, from $313 to $498.

The next exhibit F compares the average hourly earnings in the major competing countries with those in this, and you will note that Japan, being the lowest, represents 13 percent, at an average rate of 26 cents per hour, 13 percent of the American rates—Italy 17 percent, West Germany 19 percent, and United Kingdom 26 percent.

Senator MALONE. What does the 26 percent represent in dollars or cents?

Mr. SMETHURST. I believe these rates published by the Bureau of Labor Statistics converted those so that they would be comparable.

Senator LONG. Senator, in appendix F you will notice that in the first column.

Senator MALONE. I do notice it.

I notice it now.

Senator LONG. In the first column there is the wage in this country and the second column relates that wage to the first column.

Senator MALONE. I am sorry; I overlooked it.

Mr. SMETHURST. In the optical industry in the United States, labor costs represent between 60 and 75 percent of the industry cost depending upon the particular instrument involved.

Exhibit G: That exhibit sets forth some of the more important skilled jobs in the optical industry requiring more than 2 years of actual training time.

Based on the studies which this industry has made, they reached certain conclusions, certain propositions on which the amendment which I have read was based.

First, we know there are a few highly skilled industrial jobs in this country without which the United States could not successfully fight a war.

Second, these skills take a very minimum of 1 year to learn. They exist only in the particular industry where they are used and unless they are constantly used the skills are quickly lost.

Third, to the extent that a vital defense industry loses its market for products requiring those skills the Nation's preparedness for emergency is likewise impaired.

Fourth, the availability of these skills in case of another M-day is being jeopardized by a growing absorption by imports of our domestic market for products requiring employment of these essential skills.

Fifth, there is now no place in Government where an official decision can be made (*a*) that such skills are indispensable: (*b*) that their availability is in danger; or (*c*) what should be done to preserve them.

This industry was encouraged recently by testimony of the Secretary of Commerce before this committee, and earlier before the House Ways and Means Committee, that special legislation was being considered within the administration to meet this problem. Within a few days after his testimony before this committee was reported to the press, however, another story appeared with the headline "Move to Set Up Defense Skill Post Rebuffed," stating that the plan had been voted down by a subordinate interdepartmental committee assigned by the Defense Mobilization Board to review the proposal.

According to this news report, the New York Journal of Commerce, March 4, 1955:

The task group did agree that there is some danger to the defense program in the potention loss of some special skills, and that it would be helpful if some one part of the Government were charged with checking into the problem and making recommendations.

The report continued:

The task group specifically opposed the Commerce Department's proposals on import quotas and tariffs. It pointed out that any request for such broad, unilateral authority would be extremely harmful to international trade relations. Foreign nations constantly are complaining about the alleged lack of United States stability in foreign trade matters. To add another uncertainty—Presidential action to preserve skills—would have unfavorable repercussions, it was pointed out.

Furthermore, the proposal is contrary to the administration's contention that trade barriers should gradually be reduced.

The task group did not suggest any alternative programs.

Gentlemen, the plan we propose here recognizes that the problem of this industry may become so serious as to constitute a real threat to national security, and that the Congress now should place responsibility on some one agency so that when action is needed it can be initiated before it is too late.

We agree with the Randall Commission when it said:

Our first obligation to the world, as well as to ourselves, is to keep the United States strong.

Thank you.

Senator LONG. Does that conclude your statement?

Mr. SMETHURST. Yes.

(The prepared statement of Raymond S. Smethurst follows:)

STATEMENT OF RAYMOND S. SMETHURST, ATTORNEY ON BEHALF OF MANUFACTURERS OF OPTICAL AND OPTHALMIC GLASS, LENSES AND INSTRUMENTS

My appearance is in behalf of individual companies producing optical glass, lenses, and scientific optical instruments. Several of these companies requested an opportunity to appear individually before this committee. To conserve your time, however, they have agreed to have their problem presented through a single spokesman. There is attached a list of those companies and trade associations which have authorized this consolidated statement. (See appendix A.)

This group of companies represents all segments of the scientific optical industry. Their combined production would account for approximately 95 percent of domestic optical-glass production and approximately 85 percent of the scientific optical instruments produced in the United States. Its market is predominantly domestic; its exports have dropped from $1.8 million in 1948 to less than $300,000 in 1954. In any figures presented, we do not include photographic equipment, nor do I speak for members of that industry.

DOMESTIC OPTICAL INDUSTRY

The domestic scientific optical manufacturing industry is made up of several distinct branches, all of which are almost completely interwoven and interdependent.

Stated simply, this industry makes glass, it molds, grinds, and polishes glass into lenses, and it mounts and assembles lenses into many types of precision scientific optical instruments.

Glass manufactured by this industry may be ophthalmic glass, for glasses or spectacles, or optical glass, for complicated scientific instruments. The important fact here is that in peace time there is no high-volume market for optical glass. Even though indispensable in time of emergency, the fact is that today adequate facilities and know-how for producing optical glass are economically feasible in this country only (1) because the burden of their cost can be partially absorbed by higher volume production of ophthalmic glass, and (2) because there is a demand, even though relatively small in volume, for optical glass by domestic makers of scientific optical instruments.

These facts are vitally important in weighing the effect on vital optical glass production of any serious reduction in production of scientific instruments or ophthalmics.

Optical instruments embrace a wide range of devices essential in modern laboratory research, industrial production and military operations. Many are highly specialized and complicated. Limited demand, small quantity orders, endless variations to meet customer needs, and, above all, the requirements of infinite accuracy, all combine to make the optical instrument business relatively small and largely dependent on a trained corps of highly skilled and experienced personnel.

POSITION OF DOMESTIC INDUSTRY

The scientific optical industry urges this committee to incorporate in any legislation extending the Trade Agreements Act an amendment which will enable this country to keep alive vital industrial skills which are indispensable in time of war. A draft incorporating the essential principles of such an amendment is attached hereto as appendix B.

It is intended:

(1) To provide a place in the executive branch to which a vital defense industry may go when imports so curtail its commercial market as to jeopardize the nucleus of skills needed in time of emergency;

(2) To place specific responsibility on some one agency of the Government to investigate such conditions and, if it finds that the danger exists, to recommend necessary remedies; and

(3) To give the President authority, within powers now granted and subject to congressional approval of any appropriations required, to take action necessary to assure an adequate supply of such vital skills for any future emergency.

In submitting this proposal, let me make a few facts clear.

First, there are a certain few domestic industries which can meet their M-Day and wartime obligations only by expansion of their own available nucleus of skilled workers.

Second, these skills will not be available unless those industries are able to operate profitably during peace time at a level sufficient to train workers and keep them employed.

Third, many of these industries, including the scientific optical industry, have been steadily losing their commercial market to competing imports produced at labor rates ranging from 13 percent to 19 percent of American standards.

Fourth, there is no agency of Government now charged with responsibility to evaluate this problem and, if national defense is found to be in jeopardy, responsible for initiating the necessary remedial action.

To illustrate the need for legislation to remedy this situation, I shall use the domestic optical industry as a case in point.

AN INDISPENSABLE DEFENSE INDUSTRY

The domestic optical industry is indispensable in time of war. That has been demonstrated in two world wars and during the Korean conflict. I do not plan to take the time of this committee to prove this conclusion. It has never been disputed. For ready reference, however, I am attaching pertinent excerpts from a report on the requirements, accomplishments, and problems of this industry in World War II (exhibit C).

In addition, I may add that current M-day planning for this industry contemplates production of its essential components and end products far in excess of its peak production in the Second World War. This is clearly reflected in the production facilities expansion goals established for this industry by the Office of Defense Mobilization. Expansion goal 136 granted rapid tax amortization to increase optical glass capacity to 6 million pounds per year—more than double World War II records. Expansion goal 155 sought to increase capacity for producing precision optics by $7 million, of which $1,433,000 remains unfilled. Goal 176 was revised upward in 1953 to add $100 million in new facilities to produce scientific instruments, over $41 million of which remains unfilled. Goal

198 for medical supplies and equipment was revised upward in 1954 to add $20 million in new facilities, and $7,058,000 of this remains unfilled. Thus, despite the Government-encouraged expansion already accomplished, the best estimates of Government defense planning agencies still show about $50 million worth of additional facilities to be needed to fulfill mobilization demands.

Having these new facilities, moreover, will not assure their utilization.

Military optical instruments and systems have been produced for defense because the skills necessary for this task have been available on similar or identical job occupations made possible through producing precision scientific optical instruments for business, health and welfare, science, industrial research and production, education, and atomic energy. Instruments produced and sold for these uses represent the industry's normal commercial outlet.

The colorimeters, refractometers, and laboratory microscopes upon which the development of high-octane gasoline, synthetic rubber, and blood plasma were dependent in World War II have been further refined and are controlling the processes of food concentrates, gamma globulin and blood derivatives, vitamin synthesis, and today's new miracle drugs.

New advances in industrial quality control, methods engineering and process control have evolved around the use of optical contour projectors, toolmaker's microscopes, paraplane gages, interferometers, stereomicroscopes, and similar optical measuring devices. The metallurgical requirements of high-temperature, high-strength alloys for jet engines, rockets, atomic weapons, tanks, and missiles would not be possible without the metallographs, polarizing and research microscopes, grating spectographs, monochromators, and other optical equipment produced by this industry for commercial use.

All major nations of the world have developed an optical industry as essential to its defense and military preparedness. That was the origin of our domestic industry. To survive and grow in peacetime, however, it must rely primarily on the domestic market it is able to develop.

Since World War II, and in spite of existing tariff duties, there has been a tremendous increase in imports of optical instruments into the United States. Newspaper and periodical ads for imported binoculars, microscopes, and telescopes have become commonplace, and offerings are at prices completely incompatible with American wage scales, and beyond possible price competition from high quality domestic instrument makers.

In 1947, for example, imported laboratory microscopes accounted for slightly more than 1 percent of total sales in the United States. In 1953, imports accounted for more than 43 percent.

In 1953, 133,044 pairs of imported binoculars were sold in this country, as contrasted with 2,126 in 1947—60 times as many, representing 87 percent of the market. The only remaining domestic producer reports that its 1953 domestic sales were about 40 percent of what they were in 1947, and its dollar share of the market has dropped from 75 percent to less than 20 percent.

Recent changes in policy under the Buy American Act threaten further curtailment of the domestic market, and there is growing evidence that foreign competitors are seeking to duplicate with other instruments their success in taking over a substantial portion of this market for microscopes and binoculars.

Let me cite an example indicative of the intensive competition ahead. One company in the industry reports that a firm in East Germany has built a precision measuring instrument with 50 percent greater capacity, to sell far below any conceivable American price. A competitor in West Germany, to meet this competition, has brought out a similar instrument. To do so, he had to produce in large volume to cut unit cost. Now, the overflow from this competition between East and West German producers is being sent into this country at prices arbitrarily set far below any possible American price. This is not normally a large volume instrument, but it is one of the major products made by this American company. Its instrument may be forced off the market.

To illustrate the degree of price competition from imports, I am attaching as appendix E, a tabulation of certain competitive bids on microscopes purchased by the United States Government and others between 1950 and February 16, 1955. While I have no positive data showing the range within which importers may reduce prices below domestic costs, you will note that customs figures indicate a spread in excess of 200 percent between declared import prices and prices submitted on Government invitation.

With technology as fully developed, and wage rates ranging between 13 percent and 19 percent of American rates, there is no possibility of price competition. (See appendix F.) And, if foreign producers can foresee Government policies here favorable to the further expansion of these imports in the future,

.hey can readily provide the type of customer service for their products which ıeretofore has provided the major advantage enjoyed by domestic instrument nakers.

The serious extent to which the domestic market for binoculars and microıcopes has been taken over by imports—the present lack of protection under ɛxisting tariff rates, with the possibility of further reductions on a multilateralıation basis in sight—the high-profit incentive to importers and the high degree of technology and employee skills enjoyed in lower wage countries—all combine .o create deep concern throughout the domestic industry.

Profit margins on many items are already low or nonexistent, and expendi.ures for vital research, design and development are being curtailed. Loss of he domestic market for the bread-and-butter instruments, which represent a large part of the high volume of imports, can bring about drastic changes in the operıtions of the domestic industry.

This industry is not now in financial difficulty. If necessary for its survival t can build plants in lower wage countries, or, as others have done, enter into subcontracting arrangements with foreign suppliers, and compete favorably with other foreign-made instruments.

Such programs, however, can mean only resultant loss in the United States of know-how, skilled manpower and highly specialized facilities for the production of optical glass and instruments. Neither American-owned overseas optical plants, nor foreign suppliers under subcontract, would be of any greater value n times of emergency than would a completely foreign controlled supply. And of these contingencies, the potential loss of skilled optical workers is most ılarming.

UNIQUE OPTICAL SKILLS

The employee skills required in the production of scientific optical instrunents exist only in the optical industry. Hence, the only immediate source for optical skills in war time for production and for training others would be in hat industry. And, those skills will be available in time of national need only if hey are kept alive and employed in peacetime.

This industry is essentially a job-shop type of operation. Mass production of he assembly-line technique is impossible in an industry producing thousands of separate items and in quantities measured by tens or hundreds—not thousands— of individual items per month. In order to operate commercially, these companies must train employees in the whole art of optical instrument production.

Employees recruited for skilled jobs in this field must have better than normal 'ision, and fall within the top 15 percent in intelligence. They must, in addiion, fall within the top 50 percent in employment tests covering skills and aptiudes. Even with these testing devices, it requires from 2 to 5 years on the job o produce skilled optical workers capable of producing and assembling complicated optical elements and instruments. A tabulation of optical jobs requirng in excess of 2 years' job training is attached hereto as appendix G.

It is this trained corps of skilled optical workers which made World War II production possible. Because we had a 2-year warning before Pearl Harbor, he number of such employees was increased from 2,000 in 1938 to over 4,000 n 1941; and this in turn provided the base for an ultimate expansion by 1943 o a total in excess of 17,000.

Even so, however, the shortage of skilled optical workers was the principal ottleneck in World War II production of military optics. Thus, as late as 1945, he War Production Board reported:

"The manufacture of laboratory equipment requires highly skilled labor as 'ell as time in which to achieve the delicate precision necessary in such instruıents. A shortage of such labor is contributing to the present difficulty in obıining a sufficient amount of the various items to meet war-created demands. 'roduction has been expanded to the maximum limit of skilled workers available." (WPB Bulletin No. 8813, August 1945.)

And in a report on the optical industry's wartime problems, prepared for the [unitions Board, it was stated:

"Of the factors which retarded the desired rate of production during the first ɛar of World War II the most serious one was the shortage of trained operators. rewar optical workers were withdrawn by Selective Service or they entered ıe Navy; other workers were trained in large numbers by the in-service teachıg method to perform certain operations and quickly became proficient in these; ıey were skilled in the restricted field, but were not skilled optical workers in ıe usual sense."

Today the number of skilled optical workers is approximately the same as in 1939.

Today the average age of optical workers in critical skills is between 44 and 45 years of age. The average length of service is estimated between 14 and 16 years. These are essentially the employees trained in World War II, and the age concentration and trend gives the industry deep concern. It is caused by two factors. First, recent cutbacks in some companies have forced the layoff of younger people with less seniority, and, second, the uncertain future in the industry has not made it attractive in recruitment of new personnel. In recent months, companies in this industry report no success in securing new demands. Production has been expanded to the maximum limit of skilled workers available." (WPB Bulletin No. 8813, August 1945)

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One company in the industry has graphically described the current situation as follows:

"Our observation is that the average age figure is climbing steadily. This, of course, is due to the difficulty of bringing in younger people for training. The available supply of labor, and employees that are laid off for lack of work apparently are entering industries that require little or no training since they are generally performing repetitious and assembly-line type operations. The skilled, all-around craftsman necessary for precision instrument and optical work is becoming practically extinct. Recruitment of such skilled craftsmen is therefore very difficult. In fact the supply in the Chicago area is virtually nonexistent. This statement can be confirmed by the United States Employment Service."

While the optical industry has made outstanding progress in development of new machines and techniques, the limited volume of production on so many individual job runs, and the extreme tolerances required in producing precision optical elements, place a limit on its ability to find any practicable machine substitute for the highly trained and skilled worker in the foreseeable future. The industry therefore must evaluate its potential for war production on the assumption that success or failure will again be decided by the supply of skilled employees employed on M-day should that ever come again. And if the current trend of imports should continue, as seems likely, and should the market for the domestic industry be further curtailed, this country could be faced with a problem far more serious than in 1941.

There is widespread misunderstanding of this problem of skills, due apparently to indifference or to superficial knowledge of actual World War II experience in the optical industry. Two Government pamphlets are the usual source for much of the mistaken belief that skilled optical workers were then, and can be again, trained in a matter of weeks.

The first of these was an OPM report entitled "Training Within Industry—Precision Lens Grinding, March 15, 1941." This report describes the breakdown of the separate job assignments of (1) poro prisms, (2) eye lenses, (3) reticles, and (4) compass covers. Although the work done at Frankford Arsenal and other places was excellent in these job breakdowns, these jobs are no more than comparatively run-of-the-mill optical jobs. Nowhere have we found any evidence of the breakdown of the highly skilled optical jobs that are absolutely necessary for the making of precision optical instruments, and those are the jobs we are discussing.

Another publication entitled, "Civilian Personnel Pamphlet No. 117, Job Engineering: Modification of Jobs For Better Utilization of Manpower, February 1951" tells how the breakdown of jobs can be done and covers much the same field as the 1941 pamphlet in a different form. This report states, however, that there is no specific formula for engineering jobs "strictly scientifically" because of "uncontrolled variables" such as "diversity of factors for consideration, differences in character and extent of skill, knowledge and experience that can be applied to the operations or process."

A truly remarkable job was done in World War II in developing semi-skilled optical workers for the more routine operations. Breaking down jobs into more simple, single operations, through on-the-job training methods, was successfully employed throughout this industry from 1940 to the end of the War. But, it was made possible by the existence of a nucleus of highly skilled workers whose services were diverted to training and to concentration on the more complex precision work. And this type of specialized, intensive use of skilled workers is far too costly for use in this industry in peacetime when the high volume of war production is lacking. The industry can function in peacetime only with top, all around skills capable of handling a tremendous variety of work assignments typical of its job shop, custom made, type of production.

This industry is not alone in its concern over the potential loss of essential optical skills. An article in the March 1955 issue of Fortune magazine, reviewing a report of the National Manpower Council states:

"Manpower experts predict that a full mobilization would find the United States desperately short of crucial skills.

"In the past a large number of skilled workers came from Europe; but this reservoir is now depleted. Among those who developed their skills in this country, three out of every five did so 'on the job.' In crucial instances, e. g., during World War II, shortages of skills were met by 'breaking down' jobs, although this added greatly to costs.

"But shortages of certain skills cannot be met merely by breaking down jobs. In almost all fields there are cores of key workers * * * whose skills are basic. Their jobs often require apprenticeships of 4 to 5 years. And when such workers cannot be found, an entire operation may have to shut down."

There is no substitute for the highly skilled precision optical worker. They were the backbone of our twentyfold World War II expansion, and would have to fill that role in event of another emergency. They will not be available unless the domestic industry is able to provide employment for these essential skills.

NO REMEDY FOR THIS PROBLEM TODAY

This problem has been presented on numerous occasions over the past few years to most of the interested agencies in the executive branch. The existence of the problem, and its potential seriousness, have not been disputed. No single agency, however, appears to have the responsibility for action, and the concern of procurement officers has not penetrated to policy levels.

The problem has been presented in peril point investigations by the Tariff Commission, and in hearings preliminary to trade agreement negotiations. It has been discussed with Defense Department officials and with agencies charged with mobilization planning. It has not been presented in an escape-clause proceeding, because such proceedings offer no possibility of effective relief.

This industry was encouraged recently by testimony of the Secretary of Commerce before this committee, and earlier before the House Ways and Means Committee, that special legislation was being considered within the administration to meet this problem. Within a few days after his testimony before this committee was reported in the press, however, another story appeared with the headline "Move to Set Up Defense Skill Pool Rebuffed," stating that the plan had been voted down by a subordinate interdepartmental committee assigned by the Defense Mobilization Board to review the proposal.

According to this news report (New York Journal of Commerce, Mar. 4, 1955):

"The task group did agree that there is some danger to the defense program in the potential loss of some special skills, and that it would be helpful if some one part of the Government were charged with checking into the problem and making recommendations."

The report continued:

"The task group specifically opposed the Commerce Department's proposals on import quotas and tariffs. It pointed out that any request for such broad, unilateral authority would be extremely harmful to international trade relations. Foreign nations constantly are complaining about the alleged lack of United States stability in foreign-trade matters. To add another uncertainty—Presidential action to preserve skills would have unfavorable repercussions, it was pointed out.

"Furthermore, the proposal is contrary to the administration's contention that trade barriers should gradually be reduced.

"The task group did not suggest any alternative programs."

Gentlemen, the plan we propose here recognizes that the problem of this industry may become so serious as to constitute a real threat to national security, and that the Congress now should place responsibility on some one agency so that when action is needed it can be initiated before it is too late.

We agree with the Randall Commission when it said:

"Our first obligation to the world, as well as to ourselves, is to keep the United States strong."

Appendix A

Associations:
- Scientific Apparatus Makers Association (optical section), Chicago, Ill.
- Optical Manufacturers Association (lens section), New York, N. Y.

Optical glass, lens and instrument companies:
- American Optical Co., Southbridge, Mass.
- Bausch & Lomb Optical Co., Rochester, N. Y.
- Continental Optical Co., Indianapolis, Ind.
- Corning Glass Works, Inc., Corning, N. Y.
- Farrand Optical Co., Inc., New York, N. Y.
- The Gaertner Scientific Co., Chicago, Ill.
- W. & L. E. Gurley, Troy, N. Y.
- Pittsburgh Plate Glass Co., Pittsburgh, Pa.
- Polan Industries, Inc., Huntington, W. Va.
- Shuron Optical Co., Inc., Rochester, N. Y.
- Titmus Optical Co., Inc., Petersburg, Va.
- Univis Lens Co., Dayton, Ohio

Appendix B

Amendment To Protect National Defense and Public Health

1. Whenever in any proceeding under section 7 (meaning the escape clause) it appears that the national defense, security or public health of the United States is or may be jeopardized by importations of any article or material into the United States, the Tariff Commission shall report such finding to the Defense Mobilization Board, or to such other agency as may be designated by the President.

2. The Defense Mobilization Board, or such other agency as may be designated by the President, shall promptly investigate the nature and extent of such actual or potential injury and shall submit its findings thereon, together with such recommendations as may be deemed necessary, to the President within 90 days after the date of such referral by the Commission. In determining whether or to what extent the security or public health of the United States is or may be injured, the Defense Mobilization Board shall investigate, among other causes of injury, the extent to which loss of the domestic market for a product or service has resulted or will result in loss or threatened loss of unique work skills deemed indispensable to the security of the United States.

3. In any proceeding in which the Defense Mobilization Board shall find any such injury or threatened injury to the national defense or public health, it shall recommend to the President such remedies as it deems appropriate to reduce or eliminate such threat, including imposition of additional duties, use of import quotas, stockpiling, and other forms of government procurement, including preferential treatment of domestic producers.

4. Without regard to any other provision of the Trade Agreements Act, the President should be authorized, within the limits of existing laws and appropriations, to take such action as he deems necessary to protect the security and health of the United States.

Appendix C

Domestic Optical Industry in World War II

"In the manufacturing field the optical industry is a small but important element. It produces the optical instruments used by combat units for observaion and fire-control purposes, for photography and mapping, and for laboratory nd medical tests. A modern Army or Navy unit without optical instrument quipment would be handicapped and nearly helpless under enemy attack.

"In peacetime the optical industry of this country produces optical items to he value of only 5 percent of that needed by the Army and Navy in wartime.)n our entrance into World War II, new facilities for making optical glass and or pressing and molding blanks of optical elements were erected and put into peration. Many inexperienced firms were encouraged by the Army and Navy o undertake the grinding and polishing of lenses and prisms for specific optical nstruments. Factory equipment for these purposes had to be obtained and ısembled and optical workers had to be trained in the various operations. All of this took time. In spite of the difficulties the optical industry entered upon he task wholeheartedly and, by the end of 1942, had the situation well in hand. 3oth industry and Army and Navy procurement groups merit praise for doing his task well and in record time."

'nstruments

"During the second half of 1943, the average shipments for 2 months was nearly equal to the total shipments during the 19 months of World War I. The total shipments during the last 6 months of World War I (peak production) vere 386,556 pounds, an amount approximately one-fifth of that shipped during he first or second half of 1943. In other words the peak demand for optical glass during World War II was about five times that of World War I."

Skills

"A search was made late in 1940 for qualified lens grinders but it met with ittle success. It was then realized that the understudy method of training would accomplish the desired results more quickly and effectively than any other approach.

"The effectiveness of this method was made evident by the experience of the optical shop of Frankford Arsenal. Early in 1942 certain high-school graduates were trained to correct roof prisms and were doing satisfactory work within several months after entering the service. During that period they were taught only the operations for that special task and they concentrated on it. They were, by no means, lens grinders and polishers; but they had become competent in the process of hand correction of the roof-prism angle and of flatness of the roof surfaces.

"In the latter part of 1942 and throughout 1943, the loss of optical workers through Selective Service System withdrawals was serious. Two meetings were held, the first on October 20, 1942, and the second on July 9, 1943, with the Selective Service System and the War Manpower Commission by representatives from the optical industry and the Army and Navy services. At the first meeting the nature of the optical industry and of its significance to the armed services was discussed; also the policy of Selective Service and of War Manpower Commission toward the optical industry. The importance of optical fire-control and observation instruments in modern warfare was emphasized; likewise the need by ndustry for retention of highly skilled optical workers with eyesight better than average. It was realized by industry that in a large optical factory approximately one-half of the labor is unskilled and can be replaced without difficulty; also that, in the semiskilled branches, men and women can be trained in the course of a few months to replace men who may be drafted. This situation was expected and accepted by the optical industry."

Optical industry

"The optical industry is highly technical in character, but it is not large as measured by the number of its optical workers. The dollar value of its products s relatively great and in World War II was well in excess of $500 million. It is highly critical industry to the Army and Navy because optical instruments for observation, for the control of gunfire, and for the photography of enemy installations and terrain are indispensable for success. Optical instruments function n part as the eyes of the Army and Navy, who rely on them for aid in nearly ll actions against the enemy. Without adequate optical equipment, a field Army r a fleet of the Navy would be almost helpless in the presence of the enemy."

Optical workers shortage

"Of the factors which retarded the desired rate of production during the first ear of World War II the most serious one was the shortage of trained operators. Prewar optical workers were withdrawn by selective service or they entered the

Navy; other workers were trained in large numbers by the in-service teaching method to perform certain operations and quickly became proficient in these; they were skilled in the restricted field, but were not skilled optical workers in the usual sense.

"The number of optical workers on January 1, 1942, was estimated to be 4,000; this number does not refer to the number of optical workers during peacetime in this country. Census reports indicate that the peacetime number was somewhat less than 2,000 during the 1930's. The number began to rise in 1938 and 1939 especially after war had been declared by England on Germany. The records show that during that period our War and Navy Departments placed orders for military optical instruments as did also the English. By the time this country entered the conflict the number of optical workers had increased to 4,000 and rose to more than 17,000 in July and August 1943. Thereafter it fell to below 12,000 in 1944 and 1945."

Production

"Although the optical industry was relatively small, the dollar value of its output during World War II was of the order of $250 million per year. It was not unionized; at peak production in 1943 the number of processing optical workers reached 17,000; the industry was not concentrated in a single area; optical factories were fairly well scattered from coast to coast. The ratio of peacetime demand for optical instruments to that during the war period was so small that, after cessation of hostilities, many optical firms had of necessity to withdraw from precision optical work and to shift to other fields.

"In peacetime the needs of the Armed Forces in the event of war must be kept in mind and arrangements made to meet the sudden demand for optical material in case of attack by a relentless, swiftly operating foe desirous of making the most of the element of surprise. We must not again be caught so unready as we were in the last two wars in which the impact of the blow was fortunately cushioned by a 2-year period of grace between the start of the war in Europe and our entrance into it."

(Source: "Development of the Optical Industry in the United States During World War II," by Frederick E. Wright, Technical Adviser, Joint Optics Committee, War Production Board and Army and Navy Munitions Board.)

APPENDIX D.—*Imports of compound microscopes of value of $25 or over, 1947–53, by units* [1]

Year	West Germany	United Kingdom	Italy	Japan	Total [2]
1947	270	0	1	0	291
1948	785	28	1	1	827
1949	1,617	42	4	949	2,651
1950	3,291	208	287	1,806	5,992
1951	5,237	522	999	1,563	8,416
1952	4,363	43	1,305	1,320	7,136
1953	4,670	50	841	1,310	7,070
1954 (through Oct. 31)					7,273

[1] Source: Scientific Apparatus Makers Association, Dec. 20, 1954.
[2] Totals include additional imports from countries not listed separately above.

Imports versus United States sales by units [1]

Year	Imports	Domestic	Total	Share of imports of United States market
				Percent
1947	291	27,890	28,271	1
1948	827	22,735	23,562	4
1949	2,651	11,608	14,259	19
1950	5,992	12,293	18,285	33
1951	8,416	10,809	19,225	44
1952	7,136	8,985	16,121	44
1953	7,070	9,096	16,166	44

[1] Source: Scientific Apparatus Makers Association, Dec. 20, 1954.

Appendix E

Domestic Versus Import Prices

There are few cases where specific information is available on this point. 'he following tabulation shows purchase of Italian microscopes by the Armed 'orces Medical Procurement Agency, Brooklyn, N. Y. Instruments were made y Officine Galileo in Milan, Italy, and sold by the importer, the Opplem Co., of Iew York City.

Bid No.	Opening date	Quantity	Domestic bidder	Importer's bid	Product
)-362	Feb. 9, 1950	162	$409.50	$319	Binocular microscope.
l-551	Nov. 8, 1950	12	282.50	216	Monocular microscope.
l-583	Nov. 15, 1950	50	423.50	329	Binocular microscope.
l-781	Jan. 11, 1951	103	420.70	329	Do.
l-1259	Apr. 16, 1951	62	420 70	329	Do.
2-1091	Apr. 23, 1952	649	349 90	297	Do.
2-1479	May 6, 1952	584	242.45	164	Monocular microscope.
2-231	Sept. 12, 1952	118	390 65	303	Binocular microscope.

Specific information is not available as to the declared value. The records of he United States Customs show that the average declared prices of microscopes mported from Italy during the 3 years 1950–52 were as follows:

	Units	Total value	Average
940	287	$30,011	$104.57
951	999	79,994	80.07
952	1,305	95,221	72 96

It is interesting to note that the total number of instruments recorded by the 'ustoms office is not much greater than the known purchases by this one Governnent agency.

As examples of offshore purchases the following are mentioned:

General Services Administration, Emergency Procurement Service, Washington, D. C.

Request No.	Quotation	Item	American bid (each)	Olympus Japan bid (each)
30-051945-4604-4319	Aug. 23, 1954	50 micro	$100 80	$35.90
7-00-201-4227	Sept. 3, 1954	100 micro	229.00	71.00

In general, foreign microscopes have seriously curtailed the volume of domestic production. A large share of the instruments purchased by entering medical students are of foreign origin. Prices range from 20 to 25 percent under the lomestic price for German microscopes, 25 to 30 percent lower for Italian instrunents, and 40 to 50 percent for Japanese products. Foreign instruments are also being purchased in quantity by schools and colleges because of their substantially ower prices. This is particularly true in the Pacific Coast States where importers of Japanese microscopes are most active.

Practically all recent purchases of microscopes for local hospitals by the New York City Department of Purchase have been Italian instruments. A bid which opened February 16, 1955, resulted in awards for Galileo microscopes at he following prices:

	Galileo (Italian)	American bid
st microscope	$215	$313.30
l microscope	395	498.60
l microscope	408	521.10

Only in rare instances is the Buy-American Act observed. An Executive order issued in June 1954 canceled early instructions which favored domestic bidders when foreign prices were less than 25 per cent lower. This order was outlined in the July 24, 1954, issue of the United States Government Advertiser. Now, domestic bids will normally be rejected if they are more than 6 percent above the foreign bid price.

OTHER CASE EXAMPLES

"Our particular company has not been faced with any flagrant cases of unfair foreign competition. The products of our manufacture are generally very technical, highly precise and relatively expensive. Concerning business in this country as a whole our portion of the market is quite small. The actual number of units manufactured of each type of instrument are relatively small on this basis. Therefore, our problem is not the so-called unfair competition such as the use of subterfuge, erroneous classification, etc., in order to get the equipment into the country at the lowest possible rates but rather the fact that the foreign instruments, which may be comparable to ours in quality and in spite of present tariff rates, can still be sold in this country at sufficiently lower price to capture a rather large portion of this relatively small market. Apparently the pricing is not dependent upon the actual cost of the instrument because the labor rates are so much less than ours and the tariff rates are very low. Rather they seem to be deliberately priced sufficiently below ours to make the purchase attractive and, of course, make the offering agencies low bidder on strictly competitive bids."

"We have no factual data other than the reference to existing wage rates in these countries (Germany, Japan, and Italy) for skilled labor and generalization regarding the activities of the various instrument manufacturers. We can recite this bit of information, however, that again typifies the position we are in in this country and how we can be injured by activities of foreign competitors. We have been told that a firm in the Russian-controlled zone of Germany has built and is offering for sale successfully a precision optical measuring instrument similar to one of our manufacture but of about 50 percent greater capacity with additional valuable features. The instrument is priced at about the equivalent of $4,000. This was seriously underselling the West Zone German competitor who in self-defense has brought out an instrument of equal quality priced under the $4,000 in order to meet competition from the Eastern Zone. In an effort to keep the unit cost as low as possible they are producing relatively large quantities for this type of instrument. The overflow of production from this competitive battle between East and West Germany now is being sent into this country with the prices arbitrarily set far below what we would have to charge for a similar instrument and so close to our existing standard instrument that with the proper promotion there is a possibility it could force our standard instrument out of the market in this country. This happens to be one of the major instruments in our line."

APPENDIX F.—*Comparison of average hourly earnings*

	Hourly rate	Percent
United States	$1.97	100
United Kingdom	.52	26
West Germany	37	19
Italy	.34	17
Japan	.26	13

Source: Bureau of Labor Statistics, Department of Labor, October 1954.

APPENDIX G

ESSENTIAL OPTICAL JOBS REQUIRING MORE THAN 2 YEARS' TRAINING TIME

Glass batch mixers
Glass furnace man
Glass inspectors
Assembly foremen
Lens foremen
Assembly methods engineers
Process engineers
Design and development engineers
Development physicists
Optical technicans
Instrument makers
Special lens grinding and polishing
Lens polishers and surfacing inspectors
Lens mounter
Lens supervisors
Final lens assembly inspectors
Optical engineers

Senator LONG. You have made a very able statement here. You feel that there is need of some sort of device to assure that production of this type of instrument will be continued here in this country?

Mr. SMETHURST. Very definitely, sir. And I might say that we have explored the matter with all agencies of the Government that have any interest, or should have an interest in the problem, with the exception of an escape-clause proceeding, which we do not think appropriate for this type of problem, nor properly designed to apply any remedy.

Senator LONG. Under our Sugar Act we recognized the fact that sugar can be produced more cheaply by certain foreign nations, but in the event of war, this Nation must have a sugar industry. Therefore, we allotted about 25 percent of sugar production to the domestic industry, but through the tariffs and other special charges on importation and processing, we do subsidize the domestic sugar industry to a certain degree. You haven't asked for that type of relief here, but that is one more possibility by which this industry might be preserved.

Mr. SMETHURST. This industry today is not interested in any form of direct subsidy. They do believe that an import quota system could be operated effectively; it would not be inconsistent with the position taken by other nations with reference to a highly essential military item.

Senator LONG. Any further questions, Senator Smathers?

Senator SMATHERS. No questions.

Senator LONG. Senator Carlson?

Senator CARLSON. I want to compliment Mr. Smethurst on the statement he has made. We have many witnesses who have complained about the effects of the reciprocal trade system, but they have not brought in this language, and I am happy that he has brought in some language that we may work on.

Senator LONG. Senator Malone.

Senator MALONE. Mr. Smethurst, how many firms do you represent in your testimony?

Mr. SMETHURST. The list is given, I haven't counted them.

Senator MALONE. Another question. About what investment do they represent?

Mr. SMETHURST. I would have to guess at that. I can supply it.

Senator MALONE. In round numbers what would you judge to be the total investment in the business?

Mr. SMETHURST. If I might, I might reason from the fact that the M-day mobilization goals, which have been designed in the last 2 or 3 years, would indicate expansion goals of over—I have got the figures on page 4 of the statement—which would indicate the extent of investment required.

In addition, I may add that current M-day planning for this industry contemplates production of its essential component and end product far in excess of its peak production in the Second World War. This is clearly reflected in the production facilities expansion goals established for this industry by the Office of Defense Mobilization. Expansion goal 136 granted rapid tax amortization to increase optical glass capacity to 6 million pounds per year—more than double World War II records. Expansion goal 155 sought to increase capacity for producing precision optics by $7 million, of which $1,433,000 remains unfilled. Goal 176 was revised upward in 1953 to add $100 million in new facilities to produce scientific instruments.

That would give you an idea.

Senator MALONE. If you care to furnish the total later it would be helpful. But in any case you do represent a very great segment of the economy of the country.

Mr. SMETHURST. In terms of total employment and dollar value of the product, it would rank as a relatively small industry.

Senator MALONE. By comparison?

Mr. SMETHURST. Yes, sir.

Senator MALONE. Where are these plants mostly located?

Mr. SMETHURST. Well, they are scattered through New England, New York State, Ohio, Indiana.

Senator MALONE. Now, Mr. Smethurst, all you have asked for is an even break in this business with foreign imports; isn't that it?

Mr. SMETHURST. I don't know whether we have even asked for that much.

Senator MALONE. Well, you would like to have just your place in the sun.

Mr. SMETHURST. That is all. And I might state, Senator, this is not an export business. The products of this industry are not an important element in the export market. As a matter of fact, since 1948 exports have dropped from 1.8 million to less than 300,000 in 1953. So it is not an export business.

Senator MALONE. As a matter of fact, aren't there very few businesses in the United States that haven't been priced out of the market one way or the other? In other words, our standard of living is high enough so that on an even basis we can't compete with the foreign producers in any case in any but a very few industries.

Mr. SMETHURST. Well, I might say that the only way this industry could produce on that basis would be to build foreign plants and use cheap foreign labor.

Senator MALONE. I was coming to that later. I am glad you brought it up. If you are finally convinced that there is no way of surviving in this country under the trade acts, under the reduction of tariffs and duties, that had the potential of making up that difference in the domestic market between the cost here and the cost abroad in the chief competitive nation, once you give up the idea of existing here it is not a very difficult situation to move your industry to a low-labor country and compete in any market; is it? Of course, it would be a very difficult situation and I don't mean to imply it could be done easily, but it could be done, and that would be the only profitable way; is that right?

Mr. SMETHURST. It can be done. And in fact it has been done.

Senator MALONE. As a matter of fact, there are very few industries in the Nation whose products cannot be produced cheaper in another nation at lower cost labor with our machinery and know-how—and we take it right with us, as a matter of fact, the taxpayers have paid for a lot of it—and produce cheaper in some European nation, or Africa, or Asia; wouldn't that be your conclusion?

Mr. SMETHURST. I think that is right. At least I can't think of any product about which that wouldn't be true.

Senator MALONE. Well, following World War I, we learned a great deal, I thought we had, in the chemical industry and the optical industry. There was a special effort made to set the duties and tariffs so that the American businessman and workingman and the investors could be protected under competitive conditions; isn't that right? Wasn't there a long period of time when you were not worried?

Mr. SMETHURST. Well, that goes back to the Tariff Act of 1916.

Senator MALONE. Well, it protected you; didn't it?

Mr. SMETHURST. It was valuable in case protection was needed.

Senator MALONE. Now, if this act is not extended, then, of course, where trade agreements have not been made on any product, they do revert to the Tariff Commission under the 1930 act, and that act has laid down the criterion of the difference in cost between this Nation and the chief competitive nation; isn't that right?

Mr. SMETHURST. That is correct so far as I know.

Senator MALONE. That would be satisfactory to you; wouldn't it?

Mr. SMETHURST. I am sure that personally I have no objection to it. I do not think the industry would. That seemed to be a suitable solution prior to 1934.

Senator MALONE. That was based on fair and reasonable competition, and that is all you have asked for; isn't it?

Mr. SMETHURST. I am not familiar with the formula for determining that, but the basic proposition is all right.

Senator MALONE. It is basically to determine the cost of producing an article in this country, not the highest or the lowest, but a fair price, and the cost of producing the same article in the chief competitive nation, and the difference is represented as a tariff. Isn't that about what you want?

Mr. SMETHURST. Certainly; no more than that. I would say "Yes."

Senator MALONE. Then I take it you would be opposed to the extension of this act knowing that where there are trade agreements and the President serves notice on that country for cancellation, they then revert to the Tariff Commission just the same as any other duty on any other product.

Mr. SMETHURST. Well, speaking for the industry, I couldn't say for sure whether they would be in favor of permitting the Trade Agreements Act to expire.

Senator MALONE. Well, your own opinion.

Mr. SMETHURST. My opinion is that there are areas of trade which can be opened up to our own advantage as well as others by agreements. I think we have always had agreements, even under section 336 of the act of 1930. In other words, there is room for trade agreements alongside of the proposal for reviving section 336, in my judgment.

Senator MALONE. There may be. But do you advocate in some cases that the duty or tariff be reduced below that differential, so that you can trade product for a greater sale in foreign nations for another product; is that what you are advocating?

Mr. SMETHURST. I am a little disturbed by the formula, Senator. I can visualize cases where a true comparison of the cost would not subject the domestic higher-cost producer to unfair competition, either in this market or elsewhere. I think it is a tool in a foreign-trade program which is a very important one. I just don't feel it is an exclusive one.

Senator MALONE. You think that if you got an amendment here so that the protection would have to be set for you, everything else is all right?

Mr. SMETHURST. No, sir. I know there are very many other industries that are in serious shape and I certainly think they ought to be protected.

Senator MALONE. Who do you think should decide which industries are going to be protected and which should be sacrificed under this great organization?

Mr. SMETHURST. I think we had relief in the Tariff Commission for a good many years; I don't think that should be scrapped or I don't see why it should be scrapped.

Senator MALONE. If this act is not renewed, the first step is to return to the principle of fair and reasonable competition, and isn't that what you would like to see?

Mr. SMETHURST. Yes; in principle.

Senator MALONE. That is all it is, in principle, and that is the only principle they could operate on. They could not take an industry and say, "It would be better to sacrifice this so that we can build up another one." Under the Trade Agreements Act the President—or the State Department, which we think has done most of the work—can and do say that; that is, the effect is the same, so I presume they say that. Do you think they do?

Mr. SMETHURST. I don't know what they do, to be perfectly frank about it.

Senator MALONE. Neither do I, but you have the General Agreement on Tariffs and Trade; you have all these trick organizations that grow up under this act and they are all working while you sleep. They have been having something to do with it on the basis of 40 or 50 nations' vote while we have 1 vote. And another thing, the most-favored-nation clause has grown up under it, so if you make an agreement with one nation it is available to all the others. Are you aware of that?

Mr. SMETHURST. That is right.

Senator MALONE. What do you believe in that connection? Are you talking about your own industry, or a policy or principle?

Mr. SMETHURST. I can summarize my views in a few sentences.

Senator MALONE. I would like for you to do so.

Mr. SMETHURST. First, I think there is a chance that the Reciprocal Trade Act will be extended.

Senator MALONE. I didn't hear you.

Mr. SMETHURST. First, I am assuming that the Trade Agreements Act will be extended.

Senator MALONE. That may be. But it is a matter of industry. They come down here and say they are going to be crippled, that it is a question of how long they can survive, so they bring in some kind of an amendment that will let them survive another year or two. But if you are expressing your views—and that is what I am asking you to do—what principle would you like to see adopted?

Mr. SMETHURST. I would like to see the principle of foreign trade on a fair competitive basis established.

Senator MALONE. Well, that competitive basis would mean——

Mr. SMETHURST. That may mean section 336, coupled with authority to execute agreements.

Senator MALONE. You come down here assuming that everything is going to remain the same, and you are going to survive for another year or two.

Mr. SMETHURST. We hope so.

Senator MALONE. Your first statement is very good—you would like to have tried a basis of fair and reasonable competition, or a fair competitive basis, that is what you want. Now any agreement that would have to be signed would have to be on that same basis; isn't that right?

Mr. SMETHURST. I think so.

Senator MALONE. Do you believe that those agreements that have to be signed are on that basis?

Mr. SMETHURST. I am afraid they are not.

Senator MALONE. Aren't you in favor of the policy laid down in the 1930 act—and that is, on the basis of fair and reasonable competition?

Mr. SMETHURST. Certainly.

Senator MALONE. And you would like to see that policy revived and established?

Mr. SMETHURST. Right.

Senator MALONE. So that no one can evade it?

Mr. SMETHURST. Right.

Senator MALONE. That, Mr. Chairman, is all.

Mr. SMETHURST. Thank you, sir.

(The following statement was subsequently received for the record:)

STATEMENT ON H. R. 1 SUBMITTED TO THE SENATE FINANCE COMMITTEE BY THE OPPLEM CO. OF EAST RUTHERFORD, N. J.

For over 28 years this company has both produced and imported scientific instruments. We import primarily Italian optical instruments produced by Officine Galileo of Florence and Milan.

Tariffs on optical instruments, apart from cameras and binoculars, have hardly been reduced under the Trade Agreements Act of 1934 as extended and amended. A minority of the items have enjoyed limited reductions. Most tariffs continue at a level of about 50 percent, some higher, others somewhat lower.

We believe the national interest is best served by reducing these tariffs. For this reason we endorse H. R. 1 but would favor making it a permanent statute and eliminating the escape-clause provision.

The following discussion demonstrates that the public interest is served by greater imports of optical instruments.

I. IS THERE A CASE AGAINST IMPORTS?

A. Foreign wages

The American optical instrument industry faces no real threat from lower foreign wages. First of all, these wages are almost always understated by those arguing against imports. In the Italian optical industry, for example, the skilled wage earner's nominal salary is $0.45 per hour, but additional payments of social security charges for maternal care, health, canteen feeding, etc., raise the wage cost nearer to $0.75 to $0.80 per hour, not $0.30 as often claimed.

B. How important are wages?

The difference in wages assumes less importance because wages are not a very large part of costs in the United States. Figures of the Census Bureau show that wages account for only about 38 percent of the value of shipments.[1] It is

[1] The Instrument Market, Instruments Publishing Co., Pittsburgh, Pa., p. 5.

difficult to reconcile this official figure with higher figures mentioned by domestic industry. And when administrative overhead, sales costs, cost of machinery, equipment, and buildings are taken into account, it is particularly difficult to accept these higher figures.

C. The productivity of labor

The greater productivity of the American worker also reduces any wage advantage enjoyed by foreign firms.

The scale of production of optical instruments in the United States exceeds by far the scale abroad. Large scale—we do not say mass scale—production economies are thus more possible here. Where very intricate and expensive optical instruments are produced abroad in one's, two's, or ten's, the American market is large enough to warrant a much larger production. This is so both because the United States is of itself a vast market numerically, and because American firms are richer and can afford the luxuries of the highest class and highly specialized instruments.

American mechanical ingenuity further enhances productivity. Mr. Charles Percy, of the Bell & Howell Co., a major producers of optical equipment, has pointed out to the Ways and Means Committee how mechanical processes are supplanting the older finger techniques in the production of lenses, resulting in manifold increases in labor productivity.

D. The cost of selling and distribution

There are still other cost factors offsetting the advantages of low foreign wages. The costs of selling and distributing optical instruments are great. A $5,000 microscope is not a shelf item which can be bought from a catalog. Through demonstrations the scientist must be convinced that the microscope can meet his pressing scientific problem. Sales work must be continuously carried on, servicing and repair facilities must be established, and much more be done to sell scientific instruments.

The importer has no advantage in this respect. All his costs are incurred on this side of the water at American wage rates. Indeed, he has a distinct disadvantages. By sheer virtue of their size, strength, and the wider variety of the products that they offer, American concerns generally have distributors everywhere, and the most economical servicing and repair depots. Dealers will be found throughout the United States for the more important American companies. Obviously, a modest-sized importer cannot be everywhere. The $50 million and $70 million American giants are. They gain considerable advantages and economies in selling and distribution that we cannot match. American firms readily admit that they enjoy an advantage over foreign competition in rendering consumer service.

E. Other higher costs for imports

There are still other ways the foreign product is disadvantaged. Certain costs of manufacture certainly exceed those in the United States We have already mentioned the low scale of production; also, money must be borrowed at 12 percent in Italy compared to 6 percent or less in the United States; generally speaking, materials cost more abroad than in the United States; after manufacture, there are heavy costs of packaging, transportation, insurance, and handling charges related thereto to bring the product to the United States; after this, duty must be paid. And at this point we first begin the arduous task of developing familiarity with the Galileo name and of selling the product. The American giants have it all over us in these respects. No doubt, generally speaking, they have the bigger and better distributors and more economical servicing arrangements.

II. COMPETITION BETWEEN AMERICAN AND FOREIGN PRODUCTS

A. Are American prices competitive with foreign prices?

The answer is definitely "yes." And it is downright difficult to honor the claims of American companies that they cannot compete with imports. Here is excellent proof. On recent offers made to the Armed Forces Medical Procurement Agency on March 15, 1955, bid No. 55–496, the American Optical Co., was low on 3 out of 4 items and almost low on the fourth:

TABLE I

Item	Quantity	American Optical	Bausch & Lomb	Opplem (Italian)	Buhl
Binocular microscopes, price each	86	$314.00	$344.45	$303.00	
Dark field condensers, price each	480	39.50	56.10	42.00	
Eyepieces, 5X, price each	24	7.30	8.62	7.50	$7.65
Eyepiece, pair 10X, price each	48	20.50	28.50	24.00	19.00

This demonstrates beyond the shadow of doubt that the Americans can compete when they wish to do so. They intensely dislike foreign competition because it shows up the inordinately high prices they have been charging the American public and Government agencies and forces them to lower their prices. It also forces them really to compete, an unusual thing indeed. Fortune took note of this in the following language:

"The fact that an Italian firm, Officine Galileo, won some Government contracts, for example, persuaded Bausch & Lomb and American Optical to reduce their Government bids by 10 to 20 percent (they had been basing them on retail prices)." [2]

Most noteworthy is the high and identical prices that were charged the Government by the American firms in the past. Information is drawn from the Annual Report of the Select Committee on Small Business, United States Senate, January 21, 1952, pages 9–10.

"Your committee wishes to call attention to a series of bids submitted by two of the largest optical goods companies in the country to supply the Army and the Veterans' Administration with microscopes. Although Bausch & Lomb or the American Optical Co. were not the successful bidders in every instance, the prices quoted by both companies bear a dollar-and-cents family resemblance which your committee plans to question."

TABLE I.—*Bausch & Lomb and American Optical Co. bids on microscopes for the Army*

Date of bid	Bid No.	Number of microscopes	Price each: Bausch & Lomb	Price each: American Optical Co
Feb. 9, 1950	50-362	162 TCT	$409 50	$409 50
June 19, 1950	50-704	56 TCT	409 50	409 50
Nov 15, 1950	51-583	50 TCT	423 50	420 70
Jan. 11, 1951	51-781	103 TCT	420 70	420 70
Feb. 23, 1951	51-968	368 TCT	420 70	420 70
Apr. 15, 1951	51-1259	88 TCT	420 70	420 70
May 16, 1951	51-1391	63 Sb4	261.10	261 10
June 14, 1951	51-1528	326 Sb4	261 10	261 10
Oct. 19, 1951	52-391	409 TCT	390 65	410 70

TABLE II.—*Bausch & Lomb and American Optical Co. bids on Veterans' Administration purchases of binocular microscope*

Date of bid	Bid No	Price each: Bausch & Lomb	Price each: American Optical Co.
Apr. 26, 1950	L-74	$409.50	$409.50
Nov. 15, 1950	L-28	422.80	422 80
June 5, 1951	L-83	422 80	422.80
Oct. 15, 1951	L-26	422 80	422.80

[2] Tariff Cuts: Who Gets Hurt? Fortune, April 1954, p. 210.

Keeping in mind these high and identical prices of the past, note that American Optical and Bausch & Lomb now charge the Government $314 and $344.45, respectively, for a binocular microscope. Before Galileo competition proved effective, they charged the identical prices of about $420.

Even after Galileo competition forced lower domestic prices in sales to the Army, domestic firms continued to charge higher prices to the Veterans' Administration. Here are several examples involving the Veterans' Administration:

Bid No.	Date	Commodity	Domestic price	Comment
A-504-L	May 5, 1953	Binocular microscopes.	$422.80	The same microscope was offered the Army on Mar. 20, 1953, at $323.36.
L-26	Oct. 15, 1951	do	422.80	The same microscope was offered the Army on Oct. 19, 1951, at $390.65.

The explanation for this is simple. Because of minor deviations from specifications Galileo could not bid on VA bids. Knowing this, the American firms were free to charge one Government agency a higher and identical price than was charged another agency. It is a well-known fact that the American optical industry has been notorious for its lack of competition. Court records are laden with actions to force competition in the optical glass and instrument industry. Here are just a few examples: *United States* v. *Bausch & Lomb* (34 F. Supp. 267 (S. D. N. Y.)); *United States* v. *Bausch & Lomb* (321 U. S. 707); *United States* v. *Bausch & Lomb* (3 FRD. 331 (S. D. N. Y.)); *United States* v. *American Optical Co.* (C. C. H. 1950–51 Trade Cases sec. 62,869); *United States* v. *American Optical Co.* (C. C. H. 1948–49 Trade Cases sec. 62,808).

The domestic companies would have this committee believe that they cannot win Government bids because of foreign competition. The bid cited in table I above proves otherwise. There are many other bids that domestic firms have won despite foreign competition. Here are just a few such cases:

Awards to American manufacturers

Agency	Bid No	Opening date	Quantity	Domestic	Imported	Product
Veterans' Administration.	A-42-L	July 22, 1954	52	$353 00	$307.05	Binocular microscope.
Do	54-97	Apr. 13, 1954	2	496 74	395 00	Do.
Do	A-196-L	Oct. 18, 1954	56	351 90	320.00	Do.
Do	L-83	June 6, 1951	120	422.80	329.00	Do.
Do	A-504-L	May 5, 1953	100	422 80	315.00	Do.
ASMPA [1]	52-391	Oct. 19, 1951	409	390 65	327 00	Do.
Do	52-1331	Apr. 11, 1952	169	322.07	260 00	Stereoscopic microscope
Do	53-933	Jan 20, 1953	8	332 36	303 00	Binocular microscope.
Do	51-1391	May 16, 1951	63	261•60	216.00	Monocular microscope.
Veterans' Administration.	L-28	Nov. 15, 1950	120	422 80	329 00	Binocular microscope.
Do	L-74	Apr. 26, 1950	119	422.80	315.00	Do.
ASMPA	52-1091	Nov. 16, 1951	649	(2)	297 00	Do.
Do	do	do	136	(2)	196 00	Monocular microscope.
Do	32-1479	May 6, 1952	384	332 36	297.00	Binocular microscope.
Do	do	do	100	314 75	260.00	Stereoscopic microscope.
Do	53-455	Oct. 16, 1952	400	214.75	180.00	Monocular microscope.

[1] Armed Services Medical Procurement Agency.
[2] Negotiated.

Our records indicate that on large sales Opplem has been selling Galileo standard microscopes at an average price of $263; Bausch & Lomb reports it charges $293. This 10 percent price differential also holds for sales to non-Governmental users. In commercial markets this price differential is more than offset by the favored position held by domestic industry.

Fortune also referred to the favored position of American industry in these terms:

"Industrial customers usually prefer to buy from United States firms even though their prices are higher, because domestic firms can more readily supply technical advice and service."[3]

This is nonetheless true for governmental purchasers. Moreover, on Government sales we must face the Buy American price differential. In the past 2 years this has represented a virtually effective bar against any sales of standard, simpler types of microscopes to Government agencies.

B. The extent of competition

Unit sales figures have been cited before the committee by domestic industry showing the increasingly large share of the market for standard prism type microscopes valued at $25 and overaccounted for by imports. It should first be noted that in 1953 imports were at their lowest in 3 years and that the share of the market has not grown in 3 years. Moreover, the importance of imports has been overemphasized through the use of unit data. Thus, in the figures presented by the domestic groups a $10,000 microscope and a $100 microscope appear as equals. Valuewise—not in units—it is most probable that imports account for a much smaller share of the market than the committee has been lead to believe.

C. What do consumers buy?

The decisive issue deciding sales of more complex and costly instruments is not "cheap" foreign wages or prices but rather this: What does the consumer look for? The scientific community wants two things in an instrument: familiarity and technical superiority, and price is often a secondary consideration.

Familiarity.—Today, American instruments are the most familiar throughqut the world. This came about during the war years and immediately thereafter. Foreign aid programs also spread American instruments to far lands and foreign students have been trained in United States laboratories. Because United States instruments are so well known they have a decided sales advantage.

Technical superiority.—Often, the technical differences between instruments are sufficiently great that instruments become unique. Not much competition then exists between domestic and foreign products. One or another is bought hardly with regard to price. However, if duties raise prices too much, then the effect may be to price the foreign product out of reach while not bringing about a sale of an American product.

D. New markets through imports

Often overlooked is the fact that imports often create new markets on which American industry is able to capitalize and develop The ophthalmological instruments found in optometrists' and opticians' offices offer an excellent example. First brought to the United States by Zeiss of Germany and English firms, these instruments are key items in the Bausch & Lomb and American Optical lines today.

E. Exports

Comparing exports with imports further attests to the strength of American industry. Precise information on imports and exports for the items of interest is not readily attainable. However, we have grouped census data such as to arrive at good comparative tabulation of exports and imports for optical instruments (roughly the equivalent of pars. 228 (a) and (b) of the tariff schedule):

TABLE II.—*Imports and exports in 1953 of optical instruments*[1]

[Thousands of dollars]

	Imports	Exports	Exports as percent of imports
228 (a)	368.9	1,492.9	404 6
228 (b)	1,439.4	5,451.4	378.8
Together	1,808.3	6,944.3	383.4

[1] 228 (a) Import code No. 9150250, export code No. 919066.
228 (b) Import code Nos. 9150299, 9159293, 9150180, which cover the best part of this paragraph with the exception of a few minor items, export code Nos. 914950, 914960, 914988.

[3] Ibid.

Taken together, exports exceeded imports by nearly 4 times, and based on 10 months of 1954, exports for the year will exceed 1953 by over 30 percent. So here is an American industry claiming to be weak and vulnerable to foreign competition; yet, American exports far exceed imports. And American goods compete readily overseas where they are on equal terms tariffwise with foreign products. The explanation is to be found in the prestige and technical merits of American equipment.

F. Special note on binoculars

Domestic industry cites increases in imports of binoculars to indicate the increase in imports of optical instruments that could result from duty concessions. The reasoning is fallacious. Even before duty concessions there was a substantial demand for foreign-made binoculars. This came from Americans in the low- and medium-income groups. They could afford to pay $30 to $40 for an adequate import but not around $170 for the domestic product. When duties were decreased even more Americans found it possible to purchase a binocular. The point is this: Imports did not displace high-priced American products; they simply created and supplied a new, low-priced market.

One further observation. Qualitatively, there is no comparing cheap foreign and expensive domestic binoculars. Quite rightly, American firms stress in their advertising the durability, quality, serviceability, and precision features of their instruments. No doubt they are better than the low-priced imports. But they are also too expensive for Americans to purchase.

III. The Defense Base and American Industry

A. The growth of American industry

The United States optical industry before 1920 was virtually nonexistent. Developed under forced draft during World War I, the industry grew during the twenties and thirties. Nonetheless, it was outranked in size and technology by European industry between the wars. World War II changed the situation completely. An $8 million industry before the war, the value of production of the American optical instrument and lens industry in 1953 is estimated well over $125 million in 1954. Despite the falloff in military orders the order books of optical producers remain heavy. And as Fortune said so well in speaking of Bausch & Lomb:

"Also favorable to Bausch & Lomb is the fact that optics is a genuine growth industry; new equipment and new applications are turning up all the time (see Optics: Sharper Than Ever, Fortune, August 1953)." [4]

In its annual report for 1953, the Scientific Apparatus Makers Association traces the growth of the industry, describes it as "phenomenal" and predicts this growth will continue at a rate even greater than that for the national income because of the great growth in research.

One example alone points this up. The Wall Street Journal of December 9, 1954, reports that Bausch & Lomb production of stereomicroscopes (2 standard microscopes joined together to give 3-dimension views) will exceed $1 million this year, 5 times prewar. These microscopes are used for inspection of miniature components such as used in the electronics industry, another boom industry.

Today the optical industry is large, strong, growing rapidly enough to counter imports at every turn. Two companies alone, Bausch & Lomb and American Optical, enjoyed sales of $51 million and $71 million, respectively, in 1953. Total imports of optical instruments amounted to $1.8 million in that year.

B. Critical skills

It is often alleged that one or another critical skill is in short supply here and would be lost if imports displaced domestic goods. This has been said about microscopes, binoculars, etc. What are the facts? Many of the instruments under discussion, from standard microscopes on up to the critical research instruments such as spectroscopes, refractometers, aerial cameras, etc., rely on important skills. But these skills are common to the group, not unique to a given instrument. And overall production of these instruments being so generally large today, these skills will continue to be available.

Even if microscopes feel some competition, skills are preserved through high production of other instruments requiring similar skills. A spectrophotometer is one such instrument. Exports of this item alone in 10 months of 1954 amounted

[4] Ibid.

to $2.9 million, and that represents a lot of skill. Imports of microscopes in this period amounted to only $0.5 million.

Fortune had this to say about preserving skills:

"Bausch & Lomb has most successfully met the threat of foreign competition by developing new products and improving old ones. Its binocular division, for example, is now marketing a new nonfogging telescopic rifle sight and a 60 milimeter telescope half the size of earlier models that sells for less than half the former price. Bausch & Lomb also make lenses for the Polaroid Land Camera. The basic skills used in making these products are essentially the same as those required for binocular assembly; *thus war skills are preserved intact*." [5] [Italics ours.]

The time required for training workers has apparently also been exaggerated by domestic interests. In testimony before the House committee it was pointed out that skilled lens workers were trained in 6 months during the last war and that only 3 months would be necessary now, far shorter periods than spoken of by domestic groups.

C. The spur of competition

Imports are needed because they convey to the United States the important technical discoveries and know-how, many vital to national defense, that are developed abroad. Indeed, it would be foolhardy for the United States to cut itself off from foreign technology by raising insuperable barriers to imports.

Fortune again:

"What if Bausch & Lomb had absolute protection from foreign competition? Because of the industry's defense role, Britain has banned practically all imports of optical equipment since the end of World War I. The result: Britain has lagged seriously behind the united States and Germany in optical development." [6]

D. Economy and competition

The defense effort is limited by its cost. Imports permit more defense for the dollar by spurring competition and bringing about cuts in prices charged the Government. We have elaborated on this point previously in this memorandum.

E. Military judgment

If protection of the defense base so requires, defense officials can refuse to buy foreign goods. Yet, defense officials have not, so far as we know, refused to buy foreign instruments for this reason. Where a weakness could exist in the defense base, such as in the manufacture of optical glass, stockpiling has been undertaken. Reports that the defense base is jeopardized by imports show a lack of confidence in the future of this industry that is belied by figures on growth, earnings, sales, and expansion plans.

F. Security

There is a substantial amount of military optical work which is security classified. Foreign firms cannot bid on such work, and so cannot possibly impair the defense base.

IV. TARIFF REDUCTIONS IN THE NATIONAL INTEREST

We need not defend the proposition that an expansion of trade is in the national interest. This is an established matter of United States international policy expressed in statute. Our remarks will therefore be confined to those considerations singularly applicable to the optical goods industry. A reduction of tariffs would:

1. Make possible the further import at reasonable prices of highly specialized foreign made goods that often have no domestic equivalent. United States firms will benefit for they will begin production of such items once the market develops.
2. Further the use of highly specialized foreign made equipment in the growing and vast range of technical research.
3. Make possible the carrying on of more medical and other scientific investigation. Where foreign equipment costs are lower, the research dollar will be stretched, making even more research possible.
4. Spur competition in a field that, traditionally, has been bound by restrictionist practices. Competition is necessary both to limit prices and to spur technological progress.

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[5] Ibid., pp. 139 and 210.
[6] Ibid., p. 210.

5. Further the defense effort by effecting economies for the Government in procurement of instruments. Moreover, the defense base would be strengthened through foreign technical developments adopted by American defense industry and the Military Establishment itself.

Tariff reductions on optical instruments further the public interest and therefore, H. R. 1 is a bill that would strengthen the Nation.

Senator LONG. We will be in recess until 2 o'clock then.

Senator LONG. Mr. James C. Jacobson, president of Voland & Sons, Inc. Mr. Jacobson will you take the stand?

STATEMENT OF JAMES C. JACOBSON, PRESIDENT, VOLAND & SONS, INC.

Mr. JACOBSON. Mr. Chairman, this statement is submitted to your honorable body not in order to challenge the principle of liberalizing world trade in order to ease economic tension. Certainly, the problems of international relationship and the preservation of peace are intensely complex and depend much for their satisfactory solution on the broad and detailed knowledge which is available to President Eisenhower and his entire administration. The urgencies of the changing status of the cold war with Russia, and the position of the United States as a creditor nation makes it obvious that the stimulation of the greatest possible exchange of goods and services with free nations throughout the world as recommended by the administration is highly desirable. If the reciprocal elimination of as many types of trade restrictions as possible will help to achieve this goal, the writer and his associates are definitely sympathetic to that objective. Undeniably, the defense of the United States is closely bound up with the economic welfare of its allies and all free nations of the world.

However, by the same token, the safety of the United States itself is paramount not only to its own people, but to all the other free peoples of the world. This safety depends on a multitude of highly complex factors. Of highest importance among these is the ability to produce the sinews of war and also the products which are needed to preserve the health and safety of our civilian population in the face of every conceivable kind of emergency. Some of the most important of all of such items represents a tiny fraction of the enormous volume of goods and services used in the United States. It is most important that articles such as these not be swallowed up and be allowed to disappear in the wave of powerful argument in favor of the desirability of freeing world trade to whatever extent possible.

In the technological age in which we live today, scientific tools are vital components. The manufacture and development not only of munitions of war, but also of the food we eat, the clothes we wear, the dwellings in which we live, and the vehicles in which we travel, are dependent for their manufacture on the researches and controls produced in our laboratories. In turn, the work which these laboratories accomplish is dependent on the efficiency of the scientific apparatus and instruments of ever-increasing complexity which are developed and manufactured for use.

The United States is the only industrial country that has never recognized specifically the importance of the manufacture of scientific instruments. Over a century ago Bismarck in Prussia realized that it was necessary to insure the proper preservation of manufacturing facilities for scientific tools, crude though they then were.

This fact was recognized by France in the latter part of the 19th century, and that country took definite steps to protect its scientific apparatus industry. In 1928, Great Britain took concrete steps, contrary to its established trade policy, of protecting its scientific apparatus industry. The purpose of the steps taken by each of those nations was to insure that the necessary scientific tools could be manufactured and would be available within the country itself so that it would be completely independent of ouside sources for these materials.

Prior to World War I, the scientific-apparatus industry in the United States was puny, and the great bulk of scientific instruments and apparatus was imported. The fact that World War I effectively cut off the importation of this type of material was a major cause of the delay in equipping our growing Armed Forces in that period, and was one of the main reasons that our troops had to fight in France largely with French and British equipment. You will remember that weapons and munitions manufactured in the United States, and planes and ships, were just coming off the assembly lines in volume when World War I ended.

In spite of better organization of the scientific-apparatus industry in the United States after World War I, much scientific equipment was being imported between the wars. For a second time in a generaation World War II cut off the source of importation. By this time, the situation in the United States had improved, but not enough for us to meet the overwhelming requirement of equipping our Armed Forces, the development of planes and weapons and ships which had become increasingly dependent on science and its tools. This industry in the United States made valiant efforts to meet the demand, but many essential items were virtually unobtainable. The few manufacturers of so vital an instrument as analytical balances had enormous backlogs, and balances were unavailable except on the basis of the highest priorities. While it was possible to expand the manufacture of some of the mass production items, such as automobiles, trucks, clothing and the like, the complicated nature of many scientific instruments and the high components of trained skills that they required, made it impossible to expand the manufacturing facilities in the same manner. It would be difficult to deny that, looking at the state of the world today, the sources of imported scientific instruments and materials might be cut off for a third time in our generation, exists.

There is an old nursery rhyme which says "for want of a nail the horseshoe was lost, for want of the horseshoe the horse was lost, for want of the horse the rider was lost, for want of the rider the battle was lost, for want of the battle the kingdom was lost." Scientific apparatus is just such a "horseshoe nail" item. In the enormous economy developed in the United States, the industry which manufactured scientific apparatus is tiny, amounting in dollar volume annually to not more than several hundred million dollars. Within this industry, the analytical-balance industry is infinitesimal, the total dollar volume being about $2½ million annually. In spite of its microscopic size, the analytical-balance industry is a key to our enormous modern industrial empire.

Analytical balances, and analytical weights, are products manufactured by my company, Voland & Sons, Inc. These are primary instruments for the measurement of mass. They are basic equipment in every research laboratory and every production control laboratory.

The fact that it would be impossible to manufacture atomic energy, oil, steel, chemicals, munitions, foodstuffs, textiles, or to produce medical and scientific research without analytical balances can be easily verified. It can truly be said that there is no article used by our armed services, or by ourselves in our daily lives in the manufacture or development of which analytical balances have not played a part. This is why I have asked to appear before you, gentlemen, representing my company, and those of my few competitors who have been kind enough to entrust me wtih this task, to emphasize the need for protection for so small but vital industry.

In considering the overall picture of the trade policies of the United States, it is customary to feel that, at this time, the only ones who are opposed to the freer trade idea are those whose ox is being gored. I want to emphasize at this time, and this emphasis cannot be made strongly enough, that I am not here pleading for our economic lives. The basis of a balance manufacturing plant is a machine shop, and with our worker's specialized skills and machine tools, we are qualified to manufacture other products of highest precision and quality. In fact, our organization has often discussed the desirability of converting our plant from the manufacture of balances, which is a low-profit operation, to the manufacture of other articles for which the dmand is in greater volume and the profit higher. Heretofore, we have been deterred in this consideration by the fact that should our plant, or that of other balance manufacturers' be converted to the manufacture of other products, and the manufacture of analytical balances be suspended by as little as 6 months, it is agreed by all of us that it would take upward of 2 years to reconvert and achieve full production in the manufacture of analytical balances. Though it may be thought sentimental, it happens to be true that each time it has come up, knowing the essentiality of the instrument that we make, we have decided to continue the manufacture of analytical balances as long as it is economically feasible to do so as a patriotic duty.

In order to understand the problem, it is necessary to know something of the nature of analytical balances, the skills inherent in their manufacture, and the economic factors involved. The analytical balance is a device based on the principle of the fulcrum. It has been used by man longer than any other precision instrument. Relics of weighing devices operating on identical principles as those of today have been found in some of the Egyptian tombs. Technological advance has developed the analytical balance into one of the most precise instruments used in the laboratory today. Its order of accuracy ranges up to a ratio of 1 to 10 million, which represents one one-hundred thousandth of a percent. This accuracy is obtaind by the most minute adjustment. Some of these adjustments are so tiny that they cannot be seen or can instruments be devised to test them, so that they have to be made empirically by highly skilled craftsmen with long training, which involves "touch," "feel," and knowledge of material and physical forces. It has as yet been impossible to avoid the laborious building in of this precision by mechanical means under th precise requirements of physical laws.

In our continuous research to find better manufacturing methods, the entire electronic field was investigated. We have been told by an eminent electronic specialist that the order of accuracy which is required in analytical balances cannot be achieved through electronic means. Only recently a physicist of international renown told us that this type of precision weighing could not be accomplished electronically because there were too many variables, and because there is no substitute that has yet been found for the dependability and constancy of the force of gravity.

Analytical balances can hold their own with the miracles being continuously performed by the marvelously complicated instrument being developed by our current technology. Some types of balances can detect differences in weights between two eyelashes; they can weigh the amount of graphite deposited on a piece of paper by a pencil, making a dot on the paper; analytical balances of large enough capacity have been made so that while a person was being weighed on them, the balance detected the evaporation, in other words, loss of weight, which was occurring continuously from that person's body. These illustrations point up the fact that analytical balances are instruments which cannot be run off a production line in mass production.

The nature of the top skills required to produce instruments of this order of accuracy must now be examined. There are three outstanding skills connected solely with balance manufacture, through which all production must be funneled and which, therefore, act as bottlenecks. These bottlenecks prevent rapid expansion of balance manufacture and constitute skills that can only be maintained by constant practice since feel, finger dexterity, and experience are such large factors in them. These three skills are—

1. Balance makers
2. Balance adjusters
3. Beammakers

and I shall describe them in a nontechnical way in that order.

Balance makers are extremely rare. There are only a handful in the entire United States. Probably a dozen are distributed among the few balance manufacturers in the United States. Perhaps half again as many are found as balance repairmen, scattered widely. Their qualifications include top-grade mechanical skills; knowledge of all phases of analytical balance construction, including theoretical physical principles, a well as practical ability to handle many different types of metals with understanding of stresses and strains; ability to machine and put together small and delicate parts; knowledge of and ability to shape and polish agate, sapphire, and the hardest and most recently developed metal alloys; ability to handle and understand the use of special gages, and to make them if necessary; elementary knowledge of physical forces and the laws that govern them; the knowlledge of balance adjustment; the ability to work to tolerances of 0.0001 inch (1/10,000 of an inch). In other words, such workers must combine the skills of the top-flight toolmaker, design engineer, plus an understanding of the esoteric qualities inherent in analytical balances. They must have the soul and patience of true craftsmen. It takes a minimum of 5 years' time to train a balance mechanic with these skills and qualifications. In most cases it is a lifetime effort and requires continuous practice to maintain top efficiency.

Now, we come to balance adjusters. There are perhaps not more than 100 individuals in the United States that are properly qualified as balance adjusters. They must have a high degree of mechanical skills; a specialized kind of infinite patience; the craftsmen's urge for absolute perfection and patience to achieve it; an intimate working knowledge of every part of the most complex analytical balance; ability to detect and correct flaws in a complicated mechanism; familiarity with the practice and theory (based on physical principles) of the operation of analytical balances; extraordinary finger dexterity and delicacy of movement; knowledge of how to test balances empirically; ability through experience and feel to make adjustments on beams to dimensions on the order of 0.00001 inch (1/100,000 of an inch) by use of special tools. Such adjustments are made by distorting the metal in the beam by invisible and virtually unmeasurable dimensions in such a manner as to change slightly the molecular composition of the metal alloy. The training of such an artisan runs from 2 to 5 years, depending on the individual and it has been demonstrated often enough that a comparatively short interruption in this type of work causes an individual, however well trained, to lose touch and skill to a dangerous extent.

Beammakers are the third of the categories which I am describing. The beam is the lever to which the fulcrum is attached. This part is the basis of the balance and determines the quality, sensitivity, and reproducibility of the instrument. A beammaker must be a first-class mechanic; he must have skill in handling small and delicate parts; he must be skilled in using specialized equipment to polish knife edges of agate or sapphire to precise angles and edges. (The knife edges, which are the fulcrums, must be polished so that two optically flat surfaces intersect at an angle wide enough to support the necessary mass, yet with a razor sharp edge.) The beammaker must have skill in handling special gages to perform measurements up to 0.00003 inch (3/100,000 of an inch), but without chipping or damaging delicate knife edges, he must have understanding of "line," "armlength;" he must be skilled in using special milling, graduating, and marking apparatus. The training time of a skilled beammaker runs from 2 to 3 years, and again as with the other skills described here, the qualities of experience and touch are such that any interruption rapidly breaks down these high degrees of skill.

Having touched briefly upon the product and the skills most esoteric to it, it now follows that the economic peculiarities of this industry ought to be examined. For so vital a cog in the economic scheme of things, the balance manufacturing industry is small indeed—95 percent of analytical balances manufactured in the United States are produced by 4 small companies each employing between 50 and 60 workers. Of this number, a large proportion must necessarily be highly skilled and highly trained, and therefore, highly paid in accordance with the happily high standards of living existing in the United States.

The rates of pay in the industry in the United States range from \$1.35 per hour to close to \$3 per hour, and at Voland & Sons, Inc., average \$1.90 per hour, which includes the wages of the porter, shipping clerk, and virtual apprentices. This means that the labor component instead of ranging between 20 and 33⅓ percent of the product, as it does in most mass-production industries, runs in the balance industry, from 50 to 60 percent. The natural result is that the break-even point in such a manufacturing plant is extremely high, and it is vitally necessary to operate at full employment to keep going.

This is a very different situation from that faced by foreign balance manufacturers. Balances manufactured abroad come mainly from Germany, Italy, and Switzerland. The salaries paid to the opposite numbers in Germany and Italy range from 25 cents to 75 cents per hour, the latter being for top skill. In Switzerland, the range is somewhat higher, but far below the range of wages paid in the United States. It is obvious, from these figures, that in spite of the tariff, which incidentally, was reduced at Torquay in 1950 from 40 percent to its present 30 percent, and in spite of shipping and handling costs, foreign producers can readily and materially undersell manufacturers of balances in the United States.

Advancing technology requires ever increasing speed and accuracy of the scientific instruments on which it depends. Analytical balances, along with other instruments must naturally keep pace with the advancing requirements. This means that research must be continuously pursued and, in fact, the research components in the scientific instrument industry exceeds the requirements of most industries. Research requirements in the average industry in the United States are from 3 to 4 percent of its production. In the scientific instrument industry in general, it is 11 percent. In my own company, Voland & Sons, Inc., from 1947 through 1949, about 10 percent of our production dollars were allocated to research and from 1950 through the first half of 1954, during the development of a new balance required by industry, it has been from 25 to 40 percent. It is now back to a normal 10 to 12 percent, but this is a heavy burden for so small a business as ours to carry.

Through continuous and expensive research, manufacturers of analytical balances in the United States have not only kept abreast, but in many instances lead the way in technological improvement, both in the details of the balances themselves and in the methods of manufacture. But because of the complication of manufacture as enumerated above, and because of the large component of skilled labor, there is no way, in spite of the finest imaginable know-how, that manufacturers in the United States can compete fairly in the selling price of balances with European manufacturers, who can pay wages of from one-eighth to one-third of those wages paid here in the United States.

Up to about 4 years ago, the approximate maximum demand for analytical balances in the United States in dollar value was about $2 million annually. With the development of new and more complicated instruments that sell at higher dollar prices, this volume has now risen to somewhere between $2,500,000 and $3 million. Unfortunately, balances are built too well, and are extremely durable. They are pieces of capital equipment. My company has had the experience of being asked to repair balances that were shipped as long ago as 1898, and it is common to be asked to repair balances shipped between 1905 and 1925. This would indicate that balances are not expendable and the turnover is small. For that reason, it is not possible to stimulate greatly added demand so that the annual volume quoted above is about the saturation point of annual demand.

Into this somewhat static dollar value of demand, imported balances have been encroaching steadily as the following figures show:

1937	$45,064	1949	$124,455
1938	44,008	1952	338,895
1948	44,338	1954	530,000

It will be seen that the dollar value of balances imported from abroad during 1954, approximate 25 percent of the American market. It does not take a profound deduction to determine that an intrusion of foreign balances of this magnitude in the American market constitutes a major threat to the continuance of the manufacture of balances in the United States.

Evidence of actual injury to United States manufacturers may be judged in the fact that one of our competitors has informed me that in 1954 their volume was off of their previous average by 35 percent. In our own case, within the past few weeks, we have been forced to lay off approximately one-sixth of our working force. We have now learned that our two major competitors are now working with reduced staff.

Proponents of a completely free trade policy argue that in such a case it should be possible for balance manufacturers in the United States to turn their efforts to the manufacture of other products, and allow the market for analytical balances to be taken over by imported balances since the latter can be sold here more cheaply. It is argued that United States manufacturers could reconvert to making balances again in case of emergency. This argument would be pertinent if it were possible to mothball the necessary skills required to manufacture balances and reactivate them without delay in case of emergency in the same way that the Navy can reactivate its mothballed ships. The trouble with this argument is that you cannot mothball this type of skill. Because of the requirements of touch and experience and knowledge, its highest efficiency can only be achieved through constant and continuous practice. Indeed, it has been our experience that when one of our adjusters was laid up by a lengthy illness, his efficiency was impaired for a considerable time after his return to work.

It has further been said that if the manufacture of analytical balances was abandoned in the United States, and it was subsequently necessary to produce analytical balances in this country in case of an emergency, this could be done by any of the mass production industries who would have the know-how. This has been disproved in actual practice. It has been tried. It has been demonstrated that even when complete and detailed drawings were given to an instrument or precision parts manufacturing plant, while they were able to make the component parts, it was impossible for them to produce an analytical balance to operate within the specified sensitivity and accuracy required. In addition, even if it were possible to loan such a plant qualified balance experts, it would still take many months, if not years, to design, make and acquire the specialized equipment, tools and machinery that have been developed for over a half century by balance manufacturers for the specific purposes required by analytical balances.

It has even been the experience of balance manufacturers that when employing qualified skilled mechanics, specifically watchmakers and instrument makers, these individuals, in spite of their training and skill, still require approximately 12 months additional training to become reasonably qualified beammakers and/or balance adjusters.

The entire argument hinges on the fact of the essentiality of the product, in this case, analytical balances, and also other scientific instruments, and the skills peculiar to manufacturing them which cannot be mothballed, and cannot be quickly trained. The essentiality of analytical balances and other scientific tools is attested by scientists, by the Department of Defense, by the War Mobilization Board, and by studies made by the Department of Health, Education, and Welfare. It is amazing that our whole enormous complicated economy is an inverted pyramid which stands on the point of so miniscule an industry as analytical balances. These and a few other instruments are vital cogs in our unprecedented system of production, and as mentioned before, the products dependent on them range from atomic power through guided missiles, air power, munitions, to the clothes we wear, the food we eat, and the very containers, boxes, and fastenings in which many of these things are packaged. It must be remembered that if the entire balance industry were wiped out in the United States, it would mean a transference of a maximum of $3 million in exchange to go abroad at the expense of the safety, health, and welfare of the United States. Nor, in that case, and under circumstances of emergency, are we likely to have a wall behind which we can take 2 or more years to reconstitute such a vital industry in spite of its small size.

Granted that it is necessary to expand foreign trade to whatever extent will be of maximum benefit to world conditions. What then must be done to pinpoint certain small but highly essential products so that the facilities for manufacturing them will be preserved? Much thought has been given to this, and I should like to close this statement with a constructive suggestion. A feasible solution would appear to be the designation of a high-level group in Government to determine the few items which are so essential to the entire economy of the United States, that the manufacturing facilities to produce them must be preserved against all emergencies. Having designated these particular facilities to be preserved, the group should then have the power to make sure that such a facility is kept in efficient operation. It must be made possible to keep teams of skilled workers together operating continuously at economic production levels. This could be done through tariff, through quota, or through subsidy, although this latter should be a last recourse because it is not consistent with the American way and would be heartily disliked by the producers who would be forced to take such subsidies. I respectfully urge you, gentlemen, to consider this problem, not in the light of the size of the industry which I am here representing, but in the light of the enormous magnitude and importance of the problem to the whole welfare and safety of our beloved Nation. Let us not risk the loss of our incomparable United States for want of a very few and very small horseshoe nails.

Senator Long. Thank you, Mr. Jacobson.

(Whereupon at 12:15 p. m., the committee adjourned, to reconvene at 2 p. m. of the same day.)

AFTERNOON SESSION

Senator LONG (presiding). Mr. Richard B. Tucker.

STATEMENT OF RICHARD B. TUCKER, PITTSBURGH PLATE GLASS CO., PITTSBURGH, PA.

Mr. TUCKER. Mr. Chairman, I am Richard B. Tucker, vice president of the Pittsburgh Plate Glass Co. with headquarters in Pittsburgh, Pa. Our company manufactures and distributes plate glass and window glass. For over 40 years I have been associated with the flat-glass business, and since 1944 I have been largely responsible for the research, manufacturing, and distributing operations of our company's glass division. This is our largest division; it has over 14,000 employees.

With your permission, Mr. Chairman, I shall present only abbreviated remarks, and request that my full statement be accepted for consideration by the committee. I take it that you have already given me that permission.

Senator LONG. That permission is given. And I might say I have read your full statement already.

(The full statement of Richard B. Tucker follows:)

STATEMENT OF RICHARD B. TUCKER, VICE PRESIDENT, PITTSBURGH PLATE GLASS CO., PITTSBURGH, PA., ON H. R. 1

I am Richard B. Tucker, vice president of the Pittsburgh Plate Glass Co. with headquarters in Pittsburgh, Pa. Our company manufactures and distributes plate and window glass. For over 40 years I have been associated with the flat-glass business and 26 of them have been spent with the Pittsburgh Plate Glass Co. Since 1944 I have been largely responsible for the research, manufacturing, and distributing operations of the company's glass division. This is one of our largest divisions; it has over 14,000 employees. Including other divisions, the company has 30,000 employees. It is owned by 16,500 shareholders.

With your permission, Mr. Chairman, I shall try to confine my oral remarks to 10 minutes, and request that my full statement be accepted for consideration by the committee.

OPPOSITION TO H. R. 1

The Pittsburgh Plate Glass Co. is opposed to H. R. 1 which proposes extension of the Reciprocal Trade Agreements Act with delegation of new and added tariff cutting powers to the President.

DESTRUCTIVE COMPETITION

Tariff duties on plate glass have been reduced by 66⅔ percent from the 1930 Tariff Act levels. Window glass duties have been reduced by 62½ percent. These reductions have been made effective in the face of the demonstrated ability of the flat-glass industries in Belgium, England, Czechoslovakia, France, Italy, Germany, and Japan to take over large sections of the American market from time to time and at prices below the American cost of production. These duties, in no sense, constitute any burden or limitation upon imports. A threat to further reduce them is distinctly unsettling, and actual further reduction would only add to the many competitive advantages already enjoyed by the foreign industry.

For the full year 1953 imports of plate glass equaled approximately 23 percent of the total apparent American commercial market for such product. This import represents the substitution of foreign for American workmen of not less than 1,130,000 man-hours. This competitive impact is directed against the cream of the markets in which we sell our best plate glass, leaving for us the skimmed milk.

Window glass in 1953 was imported to the extent of approximately 10 percent of the United States commercial market.

CONCENTRATED COMPETITION

We suffer also from the effects of imports concentrated against different portions of the domestic market as such become fields for greater profit. This shifting of concentrated competition is highly destructive of the regular marketing of commodities such as plate and window glass. It is particularly harmful in the shifting from one type of flat glass to another. This occurs where heavy sheet glass is substituted for plate glass, as in the case of the influx of foreign glass to fill the southeastern market for jalousies, which has now spread through the country.

The market for jalousies, thin strips of glass used in doors and windows, has grown tremendously in the last several years. Starting originally in the southeastern part of the United States, the demand has swept throughout the entire country. American manufacturers, and particularly the Pittsburgh Plate Glass Co., enjoyed a steadily increasing market. Suddenly, imports appeared and have grown to the point where by far the larger part of the demand for jalousie glass in the United States is now supplied from abroad.

Thin glass was an important product of the American industry. This market has been taken over almost 100 percent by foreign manufacturers. Micro and cover glass has been lost entirely to foreign producers. Substantially all of the glass used for small mirrors, formerly a flourishing domestic business, is now supplied from abroad. On quarter-inch plate glass, foreign inroads have been extremely heavy to the point where domestic production has steadily lost its relative market position.

COMPARATIVE WAGES

Average wages paid to glassworkers in plate glass and window glass plants in the United States in 1953 (also effective in 1954) amounted to approximately $2.43 per hour. The corresponding wage for workers in Belgium in 1953 was 45 cents per hour, in England 41 cents per hour, in Germany 38 cents per hour, and in France 37 cents per hour. Actual figures for other countries are not available but they are known to be considerably lower, particularly in Rumania, Poland, Czechoslovakia, and Japan, where the rate is probably not more than one-tenth of that paid in the United States.

Contrary to popular opinion, this is not like some mechanized industries. The labor content in flat-glass manufacture is at least 50 percent of the total production cost.

It is in the labor cost of glass production that the foreign manufacturer enjoys his greatest and most unfair advantage over the American producer. To encourage further importation of flat glass by still lower tariffs is, in effect, matching well-paid American employees against poorly paid foreign workers. This is one major reason we vigorously oppose any further reduction of tariffs, since the burden of additional imports would fall most heavily on the industry's employees.

Within the past week, I have returned from a tour of several large industrial plants in Spain and elsewhere in Europe. The skilled workers in Spain who are producing glass that competes in the world markets with similar American products are paid the equivalent of $1.71 per day, for a 10-hour day. Contrast this with the $19.44 average paid to United States workers for an 8-hour day in the same type of work.

How much do you suppose the value of international trade would increase by the employment at that basis of pay of 100,000 more Spanish workers producing for the American market? And what would become of the 100,000 displaced American workers and their dependents? Do you imagine that these Spanish workers earning $1.71 per day would become part of a growing world market for American-produced automobiles, washing machines, electric refrigerators, or radios? That is what the foreign-trade theorists would have us believe. Certainly unemployed American workers would not be able to support these industries. Their purchasing power will have been eradicated.

When high-wage jobs in American industries decline because of imports, and low-wage jobs abroad are increased, certainly this is a guaranty that the world's total purchasing power will be reduced.

FOREIGN COMPETITORS SHOULD OBSERVE UNITED STATES MINIMUM WAGES

Here in America we have a Fair Labor Standards Act which requires a minimum wage of 75 cents an hour. Yet, lower tariffs would surely have the effect of bringing to the American market even more flat glass, manufactured by workers who in many cases get less than half our 75 cents an hour minimum. Our own company's glass workers receive much more than the required minimum—$2.43 per hour was the average in 1953 and 1954, and this amount did not include fringe benefits.

If further tariff reductions should be approved by the 84th Congress, despite the unfortunate effects that would follow, such reductions should at the very least be limited by including in H. R. 1 a minimum-wage requirement for foreign producers who want to sell their goods in the American market. I believe this principle has been forcefully brought to the attention of this committee, and I want to indicate our hearty and energetic support of this type of amendment to H. R. 1. I also know it would have a wide measure of support from other industries.

Such a provision would help somewhat in equalizing the tremendous difference in labor costs between domestic and foreign producers. Foreign manufacturers would thus be urged within a given time to meet our United States minimum wages, which certainly they should do before any further reduction of our already low tariff stimulates them to export even more goods to us. Such an amendment to H. R. 1 would help to bring about an increase in the foreign workers' standard of living while at the same time protecting the living standards of American employees, an objective which nearly everyone agrees is desirable.

TECHNOLOGICAL EQUIPMENT SIMILAR

Machinery and equipment used in all foreign countries is technically the equal, and, in many cases, identical to that employed in the United States. The productivity of foreign glass workers is approximately equal to that in the United States. I wish you could hear, as I did recently, the humming of the factories in Western Germany. You can almost feel the surging rate of production and you know that productivity is high and rising.

In addition to the great disparity in labor costs, the fixed expense of investment capital is considerably lower than in the United States. In transportation, foreign producers have a distinct advantage in shipping to the entire coastal territory of the United States. You might well ask: Who under these circumstances would want to invest in American flat-glass production facilities?

Foreign producers have progressively narrowed the quality differential between their product and the American article. Laws requiring marking of country of origin are broadly interpreted and loosely applied administratively so that the ultimate consumer frequently does not know whether he is getting an American or a foreign product.

INCREASE IN FOREIGN PRODUCTION CAPACITY

The flat-glass industry abroad is rapidly increasing productive facilities, and twin grinding equipment (the very latest development in plate-glass production and a European invention), is being installed. Western European countries and Japan are already largely depending on export markets, and to the extent that their production facilities are increased, the volume available and earmarked for export purposes will be greater. Why not export to the world at large? The market in the United States cannot absorb additional quantities of foreign made glass without serious disruption of our operations and consequent unemployment among our workers.

Under existing conditions we can only conclude that cutting our already low tariffs would mean the exporting of jobs and the importation of unemployment.

LOSS TO WORKERS AND COMMUNITY

These developments are viewed with growing alarm by the 14,000 glass workers in the Pittsburgh Plate Glass Co. as well as by the many thousands of additional workers in other units of the American industry and supplier companies depending upon sales of their products to us. Involved also, and very directly, is the welfare of the many small communities in which glass plants represent the principal source of employment and income.

The working men and women in this industry resent the ideas of being treated as robots who may be transferred from one job to another to satisfy the theories of foreign trade economists. They want no part in any program to trade off their jobs to foreign workers and then compensate them by a dole. Many of them have worked in the glass industry all their lives, and are temperamentally and physically unfit except for the work they are now doing. As individuals they have a right to a proper amount of protection against their displacement by foreign workers using the same machinery on the same materials which they use in their own operations, but who, for one reason or another, receive from one-tenth to one-fourth of the wages, exclusive of fringe benefits, which they receive in order to retain their position in the standard of living set up for American workmen.

IMPORTANCE TO NATIONAL SECURITY

The flat glass industry of the United States is important to our national security. Facilities for increasing the output of flat glass have recently been completed by one company and are still underway by our own company, all the permits for the necessary construction involved being granted on an accelerated amortization basis in recognition of the national defense importance. Plate glass and window glass, as such, are important and critical products in and of themselves. Their continued high level commercial sales are vital also to maintain a constant reservoir of highly trained workers with skills not readily available elsewhere, as well as the extensive research and development out of which have grown products such as—(*a*) camera windows for military aircraft; (*b*) gunsight reflectors; (*c*) bullet-resistant aircraft windows; (*d*) front surface mirrors in optical projection devices; (*e*) radar scopes and mirrors; (*f*) wind tunnel windows; (*g*) Air Force observation windows for control of guided missiles; (*h*) fire and other control tower windows on aircraft carriers; (*i*) special mapping tables requiring flat surfaces.

These and others are supplied to prime and subcontractors of the United States Government.

The Army, Navy, and Air Force have definitely expressed the strategic character of our products.

It may be fairly stated that planes that can reach an altitude of 40,000 feet are impossible without the tremendous strength and technical de-icing qualities now built into our plain and curved plate glass. This is of keen interest not only to our own Armed Forces, but also—with approval of the Department of Defense—to our friendly allies in England and France.

DEFENSE ESSENTIALITY OF OPTICAL GLASS

Optical glass is a highly critical product of the Pittsburgh Plate Glass Co. Here, as in the case of plate and window glass, the sale for commercial use creates and maintains skills and facilities as well as supporting research and development for highly essential defense materiel. Some forms of optical glass and numerous types and kinds of products which utilize optical glass have been included in the list of products to be considered for possible reduction in duty in the pending negotiations for a reciprocal trade agreement with Japan. No reason seems to exist for singling out this class of product especially in view of its undoubted place as one of the extremely essential items in any defense program.

The further proposal which would be given express approval in H. R. 1 to trade away reduction in duties on this class of product to some unnamed and unidentified third country or countries to build up the foreign trade of Japan, seems incredible.

SCANT HOPE IN ESCAPE CLAUSE

H. R. 1 makes no reference to, and seemingly leaves in effect, the peril point and escape clause provisions of existing law. Those provisions, however, offer scant hope for relief to most affected domestic industries. Escape clause proceedings particularly, are not only time-consuming and expensive, but as administered by the Tariff Commission, results are highly uncertain. Even in those cases where the Commission has found injury to exist and recommended increase in duty or other import limitation to prevent such injury, the President has usually refused to grant such relief. Since 1948, of 59 applications filed, relief has been granted in only 5 cases. Women's fur felt hats (a) and hatters fur (b), imported principally from Czechoslovakia, a Communist controlled country; dried figs (c), Alsike clover seed (d), and watch movements (e).

Utilizing his power the President apparently disregarded the definitely proved injury and threat of injury to the American watch industry, and based his final action largely on the defense essentiality of the industry. This seems to mean that the President will exercise his power under the escape clause, not to save an American industry from great injury or obliteration, but will take affirmative action only if such industry makes something which is required in war. The public clamor, both here and abroad, which has assailed this last remedial action seems to bode ill for the chances of any other industry obtaining similar relief under that law. For that reason we believe no further power should be given to the President unless his limitations are clearly defined.

One such limitation which we strongly urge has been referred to earlier—namely, requiring that foreign producers meet our United States minimum-wage standard before they gain the benefits of any tariff reductions that may be ordered.

The need for implementation and strengthening the escape clause provision of the act is imperative. That need exists so long as present reductions in duty, mostly untried or not fully tested, remain in effect. That need becomes greater if consideration is to be given to further tariff reduction action.

For all the foregoing reasons, Pittsburgh Plate Glass Co. is opposed to enactment of the bill, H. R. 1. Thank you for the courtesy of this hearing.

Mr. Tucker. The Pittsburgh Plate Glass Co. is opposed to H. R. 1 which proposes extension of the Reciprocal Trade Agreements Act with delegation of new and added tariff-cutting powers to the President.

Tariff duties on plate glass have been reduced by 66⅔ percent from the 1930 Tariff Act levels. Window-glass duties have been reduced by 62½ percent. These reductions have been made effective in the face of the demonstrated ability of the flat-glass industries abroad to take over large sections of the American market from time to time and at prices below the American cost of production. Current duties, in no sense, constitute any burden or limitation upon imports. A threat to further reduce them is distinctly unsettling, and actual further reduction would only add to the many competitive advantages already enjoyed by the foreign industry.

This glass was an important product of the American industry. This market has been taken over almost 100 percent by foreign manufacturers. Micro and cover glass has been lost entirely to foreign producers. Substantially all of the glass used for small mirrors, formerly a flourishing domestic business, is now supplied from abroad. On quarter-inch plate glass, foreign inroads have been extremely heavy to the point where domestic production has steadily lost its relative market position. These are but a few examples.

Average wages paid to glassworkers in plate-glass and window-glass plants in the United States in 1953—also effective in 1954—amounted to approximately $2.43 per hour. The corresponding wage for workers in Belgium in 1953 was 45 cents per hour, in England 41 cents, in Germany 38 cents, and in France 37 cents per hour. Actual figures for other countries are not available but they are known to be considerably lower, particularly in Rumania, Poland, Czechoslovakia, and Japan, where the rate is probably not more than one-tenth of that paid in the United States.

Contrary to popular opinion, this is not like some mechanized industries. The labor content in flat-glass manufacture is over 50 percent of the total production cost.

It is in the labor cost of glass production that the foreign manufacturer enjoys his greatest and most unfair advantage over the American producer. To encourage further importation of flat glass by still lower tariffs is, in effect, matching well-paid American employees against poorly paid foreign workers.

This is one major reason we vigorously oppose any further reduction of tariffs, since the burden of additional imports would fall most heavily on the industry's employees.

Within the past week, I have returned from a tour of several large industrial plants in Spain and elsewhere in Europe. The skilled workers in Spain who are producing glass that competes in the world markets with similar American products are paid the equivalent of $1.71 per day, for a 10-hour day. Contrast this with the $19.44 average paid to United States workers for an 8-hour day in the same type of work.

How much do you suppose the value of international trade would increase by the employment at that basis of pay of 100,000 more Spanish workers producing for the American market? And what would become of the 100,000 displaced American workers and their dependents?

When high-wage jobs in American industries decline because of imports, and low-wage jobs abroad are increased, certainly this is a guaranty that the world's total purchasing power will be reduced. In other words, it is the exporting of jobs and the importing of unemployment. Also a subsidy to displaced workers is abhorrent to our workers and is an un-American concept.

Here in America we have a Fair Labor Standards Act which requires a minimum wage of 75 cents an hour. Yet, lower tariffs would surely have the effect of bringing to the American market even more flat glass, manufactured by workers who in many cases get less than half our 75 cents an hour minimum. This would be paralleled in other industries.

If further tariff reductions should be approved by the 84th Congress, despite the unfortunate effects that would follow, such reductions at least should be limited by including in H. R. 1 a minimum-wage requirement for foreign producers who sell their goods in the American market. I believe this principle has been forcefully brought to the attention of this committee, and I want to indicate our hearty and energetic support of this type of amendment to H. R. 1. I also know it would have a wide measure of support from other industries and from many labor unions.

Such a provision would help somewhat in equalizing the tremendous difference in labor costs between domestic and foreign producers. Foreign manufacturers would thus be urged within a specified time to meet our United States minimum wages. Such an amendment to H. R. 1 would help to bring about an increase in the foreign workers' standard of living while at the same time protecting the living standards of American employees.

Machinery and equipment used in all foreign countries is technically the equal and, in many cases, identical to that employed in the United States. The productivity of foreign glassworkers is approximately equal to that in the United States.

I wish you could hear, as I did recently, the humming of the factories in Western Germany. You can almost feel the surging rate of production, and you know that productivity is high and rising.

In addition to the great disparity in labor costs, the fixed expense of investment capital is considerably lower than in the United States.

In transportation, foreign producers have a distinct advantage in shipping to the entire coastal territory of our country. You might well ask: Who under these circumstances would want to invest in American flat-glass production facilities?

The flat-glass industry of the United States is important to our national security. Facilities for increasing the output of flat glass have recently been completed by one domestic company and are still underway by our own company, all the permits for the necessary construction involved being granted on an accelerated amortization basis in recognition of the national defense importance.

Plate and window glass, as such, are important and critical products in and of themselves. Their continued high-level commercial sales are vital also to maintain a constant reservoir of highly trained workers with skills not readily available elsewhere, as well as the extensive research and development out of which have grown such products as camera windows for military aircraft, gunsight reflectors, bullet-resistant aircraft windows, front-surface mirrors in optical projection devices, radar scopes and mirrors, wind-tunnel windows, Air Force observation windows for control of guided missiles, fire and other control-tower windows on aircraft carriers, special mapping tables requiring flat surfaces.

These and others are supplied to prime and subcontractors of the United States Government.

The Army, Navy, and Air Force have definitely expressed the strategic character of our products.

It may be fairly stated that planes that can reach the altitude of 40,000 feet are impossible without the tremendous strength and technical de-icing qualities now built into our plain and curved plate glass.

H. R. 1 makes no reference to, and seemingly leaves in effect, the peril-point and escape-clause provisions of existing law. These provisions, however, offer scant hope for relief to most affected domestic industries. Escape-clause proceedings are not only time-consuming and expensive, but as administered by the Tariff Commission, results are highly uncertain.

Even in those cases where the Commission has found injury to exist and recommended increase in duty or other import limitation to prevent such injury, the President has usually refused to grant such relief. Since 1948, of 59 applications filed, relief has been granted in only 5 cases, the latest being watch movements.

Utilizing his power, the President apparently disregarded the definitely proved injury and threat of injury to the American watch industry, and based his final action largely on the defense essentiality of the industry. This seems to mean that the President will exercise his power under the escape clause, not to save an American industry from great injury or obliteration, but will take affirmative action only if such industry makes something which is required in war.

The public clamor, both here and abroad, which has assailed this last remedial action seems to bode ill for the chances of any other industry obtaining similar relief under that law.

For that reason we believe no further power should be given to the President unless his limitations are clearly defined.

The need for implementation and strengthening the escape-clause provision of the act is imperative. That need exists so long as present reductions in duty, mostly untried or not fully tested, remain in effect. That need becomes greater if consideration is to be given to further tariff-reduction action.

For all the foregoing reasons, Pittsburgh Plate Glass Co. is opposed to enactment of the bill, H. R. 1.

Thank you for the courtesy of this hearing.

Senator LONG. I might say that I believe that we have some production in Louisiana of your product.

Mr. TUCKER. Not by our company, but our competitors, the Libbey-Owens-Ford Glass in Shreveport.

Senator LONG. You mentioned something here on page 5 that does particularly concern me. I have given considerable thought to it. It would seem to me that it would be very desirable if we had some provision in our tariff law that our tariff would at least in some degree depend upon the wages that workers made in other countries, and if we had something in our law to encourage other countries to give labor a better pay.

Unfortunately in many countries often the price that the industries charge for their products has no relationship whatever to what their laborers receive in wages.

If the workers received more pay, they would have more purchasing power, and then they would buy more of the things we produce here in America.

Mr. TUCKER. You are quite right, Senator. The great difficulty with this situation is that the margin between cost and sales in Europe is very wide, but that doesn't go into the pockets of the masses.

You have observed in your experience in Europe, the difference between the top level and the bottom level is very great, and it becomes greater as you have greater activity in an industry.

Senator LONG. If we had some device to indicate to these European countries, and even to Japan, that we would be willing to consider a reduced tariff for them if they would raise their wages to their workers, this would help raise the living standard and encourage them to provide a better life for the masses of the people in their countries, wouldn't it?

Mr. TUCKER. That is right. You know, you and I saw us get rid of the sweatshop in the United States. And here we are going back to competing with sweatshop labor in Europe and doing nothing about it to protect the workers in the United States.

Senator MALONE. I might say to the distinguished Senator from Louisiana——

Senator LONG. Those are all the questions I have in mind, Senator Malone.

Senator MALONE. Then I am glad to have the opportunity.

Under the policy that we have adopted of lowering our tariffs or duties without regard to that differential of cost here and in the chief competitive nation abroad, we have encouraged the nations abroad to hold their labor down, and then they sell just under our price, just whatever the traffic will bear, and take our markets, at a clear margin of profit.

Now, under our 1930 Tariff Act—and I hate to keep going back to that but it is still the law, if this is not extended—in each case, just as Congress ordered the Tariff Commission to do and set the principle under which the Commission would operate, they determine that differential of cost between this Nation and the chief competitive nation on each product and recommend that to be the tariff.

So, then, the competitive nation cannot possibly profit by that low-cost labor, because it comes in on our level of cost, which gives our investors and our workers equal access to our markets. There is no advantage, it gives them equal access also, under that principle, but they are unable to profit from the low-cost labor.

I have said many times on the Senate floor—and I know that the distinguished Senator from Louisiana and myself have had exchanges on the floor—he has been very friendly to this whole idea—that if they know the only way we are going to lower those tariffs is if their costs rise, then they have no incentive to hold the labor down.

I would just as well give it to their labor, give the difference to their labor, as to put it in the United States Treasury. And when we do that, we increase their buying power.

Mr. TUCKER. That is right.

You might be interested in knowing this, Senator. Both the rates on window and plate glass were established by an investigation of the Tariff Commission, and they were reconfirmed in the Smoot-Hawley bill.

So that the reductions that were made were made under the reciprocal trade treaty, which were carried through just exactly the period you were discussing, you encourage the foreign manufacturers by that reduction in duty to put the pressure on labor, the incentive for profit is very great, and there is no incentive to increase the wages of their labor under those circumstances.

Senator MALONE. Now, if we left the Tariff Commission just exactly as it was under the 1930 act where we collect the difference, then there is no incentive to hold the labor down, because it goes into the United States Treasury instead of into their pockets.

Mr. TUCKER. It seems to me that is the only way that you are going to maintain the American standard of living.

Senator MALONE. Then, as I understand you, you are against the extension of the act.

Mr. TUCKER. Yes, sir. I wasn't in favor of its enactment. I will go back as far as that.

Senator MALONE. And if the act is not extended, that is the first move, to move back to the policy that would take the profit out of low-cost foreign labor?

Mr. TUCKER. Precisely.

Senator MALONE. You understand, of course, that any agreements already made will remain in full force and effect until the President serves notice on the countries with which the agreements were made for cancellation?

Mr. TUCKER. Yes; they have to be canceled, I understand. But if they are not renewed, then paragraph 336 becomes effective again.

Senator MALONE. It becomes effective on rates of all products not under a trade agreement. And if they are under a trade agreement and the President serves a notice of cancellation, then they go back to the Tariff Commission, and they go back on the same principle laid down by Congress.

I know you have no doubt studied this, and if you haven't I think it well for industrialists to study it. There is an organization called the General Agreements on Tariffs and Trade at Geneva, commonly known as GATT, and they are operating, although they have never been approved by Congress—GATT has never even been submitted to the Congress. The rates that have been established by GATT have become effective.

The nations participating in GATT are waiting there now, it is well known, for this extension of the Trade Agreements Act. Then they will just go right ahead and reestablish and rearrange the rates, as they wish, and we are bound, at least, we have been bound, by whatever GATT comes up with.

Now, recently the Assembly of the United Nations passed a resolution to set up another great worldwide organization, presumably to do about the same thing. They have not to my knowledge set down any rules and regulations yet, but they are trying to get all the nations in the world in it, with our markets in the pot, to do the same thing. The purpose is to arrange another division—I think the phrase has often been used, "Entitlements for consumption," on the basis of population—averaging the markets all over the world.

We have about the only market that would amount to anything, so we are the only ones putting any money in the pot, just like a sucker poker game.

Also, the International Trade Organization was submitted to our Congress, and the Congress refused to accept it. Almost immediately the State Department organized what they called the International Materials Conference that took its place and went right ahead and functioned.

Now, those organizations are lying there dormant, ready to go to work the minute this thing is extended. If it is not extended, they die on the vine, and you can't make any more trade agreements.

The President could, of course, use his judgment as to cancellation. And then we are back to the basis of fair and reasonable competition.

I understand that is all you are asking for.

Mr. Tucker. That is exactly it.

Senator Malone. And we take the profit out of the sweatshop labor of Europe and Africa.

Mr. Tucker. That is precisely my point.

Senator Malone. And if you take the profit out of it, the chances are they would realize suddenly that the party is over, and let their labor secure some of these benefits, and make a market in their own country, which they do not have now to any extent.

Mr. Tucker. What they need is what you say, buying power so that the masses can participate in the standards of American living, those things that we look on as the necessities of life, which were luxuries not too long ago.

But in Europe they haven't those things now.

Senator Malone. In other words, they have no middle class such as we do—and I am middle class—most of us are middle class, we have never made enough money to be called wealthy, still we aren't quite broke, and we live like everybody else. That is the way nearly everybody lives.

Mr. Tucker. As I say, the differential between the top and bottom there is very much greater than it is here. There is no gradation there.

Senator Malone. Two or three times, once on the Senate floor and in addresses elsewhere, I have said that if Mr. Ford with his 26 plants abroad and shipping his stuff back here, would suddenly wake up one morning and do what his daddy did in Detroit and say, "You can't buy these Fords at $3 a day but you can at $6 or $7," and say "That is the wages," he might do those countries over there a great deal of good. But there is no sign of it yet.

Mr. TUCKER. Not yet.

Senator MALONE. Now, as I understand your industry, it is not a large industry, about 300,000 workers; is it still that large?

Mr. TUCKER. It isn't that large. The industry as a whole in the United States is in the neighborhood of 75,000 workers.

Senator MALONE. I am sorry, I misunderstood you.

Mr. TUCKER. I simply used the hypothetical figure of 300,000 dependents, I think that is where the figure came from.

Senator MALONE. It is just one of a thousand industries that are part of our economic structure. As long as Congress doesn't do anything to disturb you, and nobody hears much from you, you just go ahead, everybody makes good wages, you sell your product, pay for the groceries and go to church just like everybody in the United States, and you are just a part of that great economic structure that made the country great.

But when Congress does something that disturbs that industry, then the whole area, the whole structure is disturbed; is that about it?

Mr. TUCKER. That is exactly it. And Congress also has the task of raising the revenue to support the country with. When that money is expended in the United States for the payment of wages and for the normal earnings of corporate profits, the Federal Government gets back a substantial amount of that turnover.

But it doesn't do that on the wages, these very small wages, that are paid in Europe, nor does it do it on the corporate profits of the companies in Europe.

Senator MALONE. That is absolutely true. We might find it a little hard to raise the money to pay their taxes with if we continue to disturb the industry here; is that not right?

Mr. TUCKER. That is right. They might find the wells drying up.

Senator MALONE. It is happening now. You are a very fine witness; you are another breath of fresh air in this committee; you are just an example of one of thousands of such industries. I hope some people read this record that we are making. It hasn't become a very widespread habit in the United States; we generally just look at the TV and listen to the radio and read the special columns written and say, "Well, it is too bad it is that way, but that is the way it is." But if we would think this thing through and see where we are headed, it seems to me that we would want to get back to a principle so that industries like yours could go out and get additional capital if they needed it, and tell the investors that they have every right to expect that they will make interest on their money.

Now, we have had testimony here that the intent of the administration of this act for 21 years has been that we are going to increase foreign trade by some mysterious juggling of the duties, allowing more imports in one sector of industry, and that that would automatically increase our exports in another sector of the industry. In some way the whole world would benefit by whetting some economic or political disturbance in Europe, or rearranging our own industrial map.

Now, do you think that Congress ought to give the power to the Executive that he now has under the act to remake the industrial map, or to disturb one industry and build up another, or to in his judgment rearrange the economic structure of this Nation?

Mr. TUCKER. I very definitely do not. I think the peril point and the escape clause should be amended so that industry does not have to go into bankruptcy before it can appeal for relief.

Senator MALONE. Well, what you are trying to say is that if the act is to be extended, you would want the peril point, which is set by the Tariff Commission—and I think they have done a very good job each time setting the tariff where it ought to be at the moment so that industry won't be injured. It would be mandatory that they have that duty when a trade agreement is made, and mandatory that something be put in the trade agreement that would automatically adjust itself for any difference in the price of their money that they may change in terms of the dollar, or for any of their exchange permits, or import permits that nullify the purposes of the act, and that trade agreements be subject to automatic cancellation.

Mr. TUCKER. I am awfully glad to hear you say that, sir, because there have been times in the last few years where a manipulation of currencies has been just as difficult to face up to as the wide difference in labor rates.

Senator MALONE. Of course, the tariffs are lowered by the manipulation of currencies in terms of our money.

Mr. TUCKER. That is right.

Senator MALONE. And if it is a fixed tariff, not ad valorem, that has cut the tariff in half?

Mr. TUCKER. And on ours it happens to be fixed rates. Our fixed rates have dwindled to the point that they are an insignificant protection; we have a protection around 12 to 13 percent on products that are paying a wage rate that is 4 times the wage rate paid in the highest labor market of Europe.

Senator MALONE. Labor is about 50 percent; is that right?

Mr. TUCKER. Labor is about 50 percent of the cost, and it is just siple arithmetic to see——

Senator MALONE. Now, the escape clause so far, the way it has been operated, you have about the same chance of escape as you do to escape from San Quentin?

Mr. TUCKER. You don't need to escape, you are finished.

Senator MALONE. You have already escaped.

Mr. TUCKER. Yes.

Senator MALONE. Then you would want in the escape clause something along this same line. It is mandatory for the President to take whatever the Commission recommended, or have a decision subject to the approval of Congress?

Mr. TUCKER. Yes. I have just a little different wording from that. I realize that you can have an emergency that might arise where it would be necessary for the President to act at that time. This isn't very well said, but I think it stresses the thought that we are talking about: If as a result of investigations in hearing at least one-half of the Commissioners joining in any report under this section find that the product on which concession has been granted is, as a result in whole or in part of the duty or the customs treatment reflecting such concession, being imported in such increased quantities, either actual or relative, as to cause a threatened serious injury to the domestic industry producing like directly competitive products, such findings shall be final and conclusive, and the President shall take action to prevent or remedy such injury unless he determines that national security requires that no such action be taken—with that one provision—it is a little bit different from what we said—if the President does not, within 60 days, give effect to the finding of the Tariff Commission as above, he shall immediately submit a report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate, stating the reason for his failure to act.

Senator MALONE. Well, that would be getting at it. That would only be one way out of it, and that would be so that it is mandatory to act on the Tariff Commission's findings. They are fully equipped to determine these points at which and below which industry would be injured, that would have to be mandatory.

Now, if we get into that, we have changed the whole concept of this bill in the first place.

In other words, the concept of it, and all the publicity and everything else, is allowing the Executive to rearrange the structure.

Now, if you are not going to allow him to rearrange it, there is no reason for extension of the act, then it should be allowed to expire on June 12. That would be the first move to get back on a sound basis of fair and reasonable competition, wouldn't it?

Mr. TUCKER. That is my first recommendation; yes, sir.

Senator MALONE. I think that if industries in this country, all of them, knew exactly what Congress was doing in this regard they probably would do it, if they knew the full import of this, they would come in and speak their minds and they would get further.

But for 21 years—and that is a long time—they have just about had their backs broken and their spirits broken in the fight. But the fight still goes on.

I just want you to know that. I think you have made a fine witness.

Mr. Chairman, that is all.

Senator MILLIKIN. Are you assuming that the Reciprocal Trade Agreement will be continued, or abandoned?

Mr. TUCKER. I would like to see it discontinued, Senator.

Senator MILLIKIN. Assuming now for the moment that it will be continued, how would you like to see it improved?

Mr. TUCKER. I would like to see it improved in two particulars. One, by the clarification of the peril point and escape clause which we have just discussed; the other, by the introduction of a fair labor trade act—and I understand an amendment has been offered to this effect—that at least the countries that enjoy the benefit of the rate established under reciprocal trade treaties, pay a rate equivalent to the minimum rate that is paid in the United States, in other words, 75 cents an hour. It doesn't correct the situation, but it moves in the direction of correcting this situation.

I think, as we said a little while ago, sir, that what we are doing now is going back to compelling American industry to compete with sweatshop wages, which is what we labored so hard to rid this country of not too many years ago.

Senator MILLIKIN. If we follow the provisions of the present law or the proposed bill and have good faith enforcement of the non-injury clause, that would correct it, wouldn't it?

Mr. TUCKER. I think that helps a lot, it goes a long way to correct the condition. I think if you have the right to go to the Tariff Commission and have the facts established, and have those facts acted upon within a reasonable time, then I think it goes a long way to correct that condition.

Senator MILLIKIN. The Congress, if it doesn't agree with the President, may act on its own initiative, do you understand that?

Mr. TUCKER. I do not understand that.

Senator MILLIKIN. That is the situation all the time. If the Congress, for whatever reason, does not agree with the decision of the President not to abide by the Tariff Commission finding, Congress at any time has the power to say, "Mr. President, we do not agree with you on that," and make legislation on it.

Mr. TUCKER. I thought that was delegated.

Senator MILLIKIN. You can't delegate constitutional power, you can delegate the administration.

So I suggest that the real question before us, and that is on my assumption that the trade agreement system will be continued—and therefore the practical problem before us is, how do you want it continued, with what amendments?

Mr. TUCKER. The practical way I would like to see it continued, sir, is just what we have discussed.

I would like to see it continued on the basis of the clarification of the peril point and the escape clause. And if it is possible, I would like to see some requirement on the minimum wages in the treaties to countries that are going to enjoy the benefit of the lower rates.

Senator MILLIKIN. I would like to suggest to you that I think this has a lot of difficulties in it, because it is a more or less direct interference with the economies of other nations. If we confine ourselves to what comes here and see that what comes here does not injure our own industries have we not accomplished what we want?

Mr. TUCKER. Yes, I agree, if we can get action on that, I think relief is possible. As I say, for 21 years it has been practically, utterly impossible to get relief under the peril point and escape clause as it has been administered.

Senator MILLIKIN. Well, if that is protected and is improved, it will do the business, won't it?

Mr. TUCKER. Yes, sir, I think it will.

Senator MILLIKIN. And if we can't have this in force, passing something new won't enforce it either, will it?

Mr. TUCKER. I am afraid that is correct.

Senator MILLIKIN. Thank you very much.

Senator BENNETT. I just want to express a word of greeting to my old friend, Mr. Tucker.

I am sorry I wasn't able to get here to hear your testimony.

Mr. TUCKER. I am sure, Senator Bennett, that you have heard me many times on this very same subject.

Senator MILLIKIN. Thank you very much.

The chairman has asked me to submit for the record a statement of the Pittsburgh Optical Workers Union, AFL, Local No. 18820.

(The statement referred to follows:)

STATEMENT FROM THE PITTSBURGH OPTICAL WORKERS UNION, LOCAL NO. 18820, AMERICAN FEDERATION OF LABOR, PITTSBURGH, PA., ON THE TRADE AGREEMENTS EXTENSION ACT OF 1955 (H. R. 1)

The officers and members of this union, representing over 200 employees in the optical industry in Pittsburgh, Pa., appeal to your committee to recommend amendments to H. R. 1, which will prevent the destruction of our jobs and livelihood by the present method of administering the reciprocity provisions of the Tariff Act of 1930.

The employment conditions in the optical industry today have become so destructive in recent years, due to this favoritism granted the cheap imported optical goods, that the manufacturers stated to the Committee on Reciprocity Information, before the Committee on Ways and Means before the House of Representatives, "The points made herein, and the facts shown in our more comprehensive brief, we feel conclusively that if we are allowed to survive and to supply employment to American workers who are totally dependent on the optical industry, no further reductions can be made in our existing rate of duty."

Regardless of the obstacles placed before the employers by the favoritism shown to cheap imported optical goods by our officials in control of the trade agreements program, the wage rates and working conditions under which the optical industry is operated constitute some of the best in the optical industry. These wages, rates, and working conditions established through collective bargaining between the employers and the various unions of employees, cannot be maintained if the importation of cheap foreign products is continued. This favoritism to imported optical goods is actually exporting our jobs to the foreign countries. Our members and their families represent a group who are trying to be real Americans. They are a credit to our community. We have always given full support and cooperation to our Government. Several of our members gave their lives in action in World War I and World War II. Many of our members have worked for years in the optical industry and there is no future for them if the industry is destroyed by foreign imports.

Our local belongs to the Optical Workers Conference, affiliated with the American Federation of Labor, of which we have continued contact with each local of every State in the optical field. During the past 2 years many of the locals have been cut in half due to layoffs in the optical field, due mainly to foreign imports. In Rochester, N. Y., alone, out of 900 membership only 400 are on the active payroll to date, due chiefly to foreign imports; their firm has shut down their microscope production altogether, due to foreign imports; the company states they cannot compete with such competition, and cannot even begin to make microscopes for what they are being sold for by foreign competition.

We respectfully submit, therefore, that the proposed bill, insofar as it inadequately safeguards strategic-defense industries in this country, constitutes a gap in our national security, an Achilles heel in our defense-mobilization planning. There exist within these strategic industries, and particularly within the scientific optical instruments industry, uniquely critical skills, highly essential to defense production, and the product of unusually long training time. These skills cannot be stockpiled in a manner similar to critical materials, but must be maintained in constant use in order to be available as a base from which expanded wartime production can be rapidly and efficiently launched. If these unusual skills are dispersed or allowed to atrophy through disuse, they will be lost and can be recreated only with a costly loss of time.

Provisions must be made to identify these uniquely critical skills and to establish the minimum levels at which they should be maintained for wartime expansion. If the strategic industries employing these unusually critical skills are allowed to suffer serious injury, such as suggested under the escape-clause provisions, before action is taken to preserve them, the damage has already been done, and our national security already put in jeopardy.

Recently the domestic manufacturers have furnished the Scientific Apparatus Makers Association with their production figures solely for the use of the Government. They are set forth below, showing that from 1947 to 1953 imported microscopes rose from 1 to 43 percent of the United States market. So you can clearly see why many of our people in the optical industry today are unemployed.

Imports versus United States consumption

Year	Imports (units)	Total United States sales (units)	Share of imports of United States market
			Percent
1947	291	28,271	1.0
1948	827	23,562	3.5
1949	2,651	14,259	18.6
1950	5,992	18,285	32.7
1951	8,416	19,225	43.7
1952	7,136	16,121	44.2
1953	7,070	16,166	43.7

Recognition of these basic facts is essential in appraising the degree of injury which can result from loss of the domestic market to foreign imports, just as they must be faced in projecting expansion of production in the event of emergency. Complete or even substantial exclusion of domestic instrument makers from the domestic market for basic optical instruments simply means a corresponding destruction of optical skills. To this extent the problem of maintaining a scientific optical industry is truly unique. It is the critical loss of human skills which must be faced in weighing national security loss against the expansion of international trade. Standby production facilities, essential tools, and raw materials may be stockpiled for use in a future emergency, and in most instances essential workers can be quickly shifted to wartime employment. That cannot be done in the scientific optical industry. Unless skills are used, they are lost. And the only occupation in which they can be used is active employment in the optical industry. If an effective scientific optical industry will be needed in the event of a future crisis, it must be provided for now. It is a problem of national security. Policies must be adopted now to assure existence of a dependable scientific optical industry in this long-range program of national defense. We ask that no changes be made at this time in existing rates of duty affecting the scientific optical industry.

The solution, we believe, is to create within the executive branch a Board of Cabinet officers to be appointed by the President, responsible by law to investigate and to determine whether a particular industry or segment thereof is so indispensable to national defense as to require safeguards for the preservation of its essential human skills. Also to authorize the President, upon recommendation of the Board, to take such action including appropriate placement of Government contracts, development or research projects, regulating imports of scientific instruments, encouragement of employee training programs extensively as may be necessary to preserve such industries for national defense and public health.

We respectfully bring these facts to the attention of the members of your committee, trusting you will understand we are desperately fighting to retain the jobs upon which depend the welfare, health, and the very lives of the employees of the optical industry, and of the members of their families.

Respectfully submitted.

Robert Paul Bittel, *President.*
David Spindler, *Secretary.*

STATEMENT OF JOSEPH M. WELLS, UNITED STATES POTTERS ASSOCIATION, EAST LIVERPOOL, OHIO

Mr. Wells. My brief is presented, Mr. Chairman, on behalf of The United States Potters Association of East Liverpool, Ohio. And I am Joseph M. Wells, secretary-treasurer of The Homer Laughlin China Co., Newell, W. Va.

In my appearance before the Ways and Means Committee, I presented figures, collected from the members of our association, showing a decrease of 30 percent in production and 35 percent in hours of work in the pottery industry from 1947 to 1953; also a decrease in earnings of more than 90 percent, with more than half of the 23 companies producing 85 percent of all earthenware tableware showing an actual loss in their 1953 operations. Total earnings for the 23 companies in 1953 being $255,815 after taxes, on sales of $53,500,000, or just about one-half of 1 percent. Now we have the 1954 figures for these same companies showing an overall loss of $1,108,000 after taxes, on sales of $48,300,000. Total wages paid were down 15 percent from 1953. I understand in that connection when Mr. Hoffman was before you the other day and was asked by the other members of your committee how the pottery industry was doing, that he made the statement that it was prospering, doing fine, making money, and doing all right, which is quite typical of Mr. Hoffman's general statement showing complete lack of knowledge, if not a lack of consideration for the truth. There we have the story that these companies showed a total loss for all companies $1,108,000 in 1954.

Senator MILLIKIN. Were any of them profitable?

Mr. WELLS. Yes, of course, there were some that were profitable.

Senator MILLIKIN. In terms of the number of outfits in business, did most of them make money?

Mr. WELLS. Of the 23 there were 4 that showed a profit.

Senator MILLIKIN. The rest either broke even or lost?

Mr. WELLS. Nineteen of them showed a loss.

The seriousness of our plight becomes doubly impressive when it is realized these losses in production, earnings, and work opportunities occurred during one of the most generally prosperous periods in the history of our country; and, when more new homes were built than ever before in the same length of time.

Also I presented Department of Commerce figures showing imports of earthenware tableware during those same years, 1947 to 1953, increased over 300 percent and imports of china tableware jumped more than 700 percent. Here too the trend has continued through 1954—upward. In the face of those figures, can any sane person deny we are being seriously injured by imports?

What is particularly bad about this depressing situation, is that by far the largest volume of these increasing imports are still subject to the original tariff rates of the Smoot-Hawley Act. Since Japan has for many years been the chief exporter, the tariffs on only certain types of both china and earthenware were reduced in the English and French trade treaties. Yet, in spite of the fact that Japan benefits practically not at all from the reductions in those treaties, more than 80 percent of the increase in both classes of tableware importations in the last 6 years has come from Japan.

If you will review my statement and the attached tables presented to the Ways and Means Committee, it will be quite obvious that, unless our industry obtains more protection than afforded by present tariff rates, we will be washed entirely out of the picture just as soon as Japan is able to build up her production to take care of the entire American market.

In spite of its pious protestations to the contrary, we feel reasonably certain the present administration, with its strong democratic allies, will prove conclusively that its objective is just that—to destroy the American pottery industry and its 30,000 employees—by granting further reductions in tariff rates on china and earthenware in the forthcoming Japanese treaty.

If, through some miracle, our omniscient State Department should consider the American potter of equal importance to his Japanese counterpart, and refuse to lower tariffs in the Japanese treaty, then the ax will fall on us just as fatally through the provisions of H. R. 1.

We maintain the whole reciprocal trade treaty program has been a complete failure from the start. We were told, when the first act was before Congress and each time it has come up for renewal, that it would accomplish five things—an increase in exports, stop the spread of communism, improve our relations with the other nations of the free world, improve living standards abroad, and decrease the cost of living in the United States.

I have yet to hear a flat statement from any of our exporting industries that their foreign sales have improved, due to concessions granted us in any trade treaty. There have been many statements that foreign business is much more difficult than ever before, due to the many kinds of import restrictions set up by foreign countries since our reciprocal trade program started.

There certainly can be no question that communism is stronger today than ever before throughout the world, and notably in Western Europe.

Just as certainly the United States is less popular among the population of the other free countries of the world than at any time in the past.

The fantastic notion that lowering our tariffs would improve foreign living standards was thoroughly exploded by the evidence presented by Mr. Gwilym Price of Westinghouse Electric before the Ways and Means Committee. The study made by his company, showing present wage rates in all the countries of Western Europe, were a substantial percentage less of American rates than in 1938.

That is right in line with your discussion, Senator, with Mr. Tucker. Actually what has happened in this program of ours, of giving other countries access to our markets with no restriction, is that instead of lifting standards over there, they have reduced them, and the difference in wage rates has become greater. They covered all countries, and the difference is greater than it was in 1938.

Senator MALONE. You agree that under the system we now have of lowering our duties, we give them the opportunity of holding their wage rates down and taking the difference in as profit, between the low wages and the price that the traffic will bear.

Mr. WELLS. That is exactly what has happened.

Senator MALONE. Whereas if we set the duty on the basis of fair and reasonable competition, we will be putting the difference between our high labor and other costs here and theirs in the United States Treasury, and after they see that that is our definite policy—which it was under the 1930 Tariff Act—then there would be no incentive to hold them down, and they might just as well let them go up and take that part of what they had originally taken as profit and pay it in wages. And then it would go into wages instead of into the United States Treasury, where we don't want it to go anyway, all we want to do is protect our own workers. And if the foreign workers get it, it would create a market of their own.

Mr. WELLS. Yes, sir. It would not only create a market of their own, but increase the market for American exports.

Senator MALONE. I have made that point on the Senate floor probably 20 times in the last 8 years.

Mr. WELLS. It is certainly an obvious one.

As for lower prices for the American consumer, we find in chinaware, that in spite of substantial decreases in tariff rates in the English and French treaties, there was no reduction in the retail prices of imported dinner sets—obviously, the difference going, as you indicated, to the owner of the plants in foreign countries. Why should there be, when they could thoroughly undersell the American product under the original rates? Many other industries have reported this identical experience.

Against this record of failure of any of the benefits promised the United States as a result of the reduction in tariffs program, we have the huge increase in imports of competitive merchandise and the reduction in production and employment in dozens of our industries who simply cannot meet this competition from the low-wage foreign countries.

Senator MALONE. We seem to think we are dealing with neophytes in trade. But probably some of the sharpest traders in the world are in those foreign countries. They know how to take exactly the difference that our market will bear and undersell you people, and just how to hold the wages down and make a profit, and our own American know-how to do that is over there, and they are on their way now.

Mr. WELLS. There may have been some, but I know of no instance where the price of an article in the United States decreased as a result of the decreased duties that we granted the importers of that product.

Senator MALONE. There have been instances of this, that they will lower the price until our people go out of business or get so weakened that they cannot compete. And then it is like a gasoline war in the old days, when the weak one goes out of business, then the other one gets the raised price.

Mr. WELLS. That is a typical example.

As an indication of what has happened and is happening to one branch of our industry, we would refer you to the testimony before the Ways and Means Committee of J. J. Stein, representing the California pottery industries. Unfortunately, he could not be present here at this hearing.

Senator MALONE. What did he say about those industries?

Mr. WELLS. Out of six-hundred-odd potters operating in that State in 1946, only 200 were still in business at the end of 1954.

Senator MALONE. I want to interject, since you brought Mr. Hoffman's name in, and say that under questioning by me he said that the pottery industry was in good shape. He said it was not in Ohio, he knew that, he changed it to California. He said California potters were prosperous. You will find that in the record.

Mr. WELLS. There are a number of potteries making dinnerware, they have been reasonably busy, they have developed particular types of decorations that have been popular. But they are now having those particular types of decorations upon which they built their business, started their pottery, copied line by line by the Japanese at prices that are so far below their costs there is no comparison. And as a result of that, they are showing substantial unemployment.

Senator BENNETT. Mr. Wells, did you bring any samples? Do you have anything that you could show us?

Mr. WELLS. No; but Mr. Torbert, who is following me on the stand, has samples which prove this point, and he will be glad to show them to you.

Senator MALONE. The Senator from Utah questioned Mr. Hoffman about that, and asked him how long it would take the Japanese people to copy these designs that they had developed themselves and then compete in that same field. Do you know how long it takes?

Mr. WELLS. It takes a very short period. We have had instances where a particular design has been copied in a period of 3 months after it had appeared on the counters of our department stores. Normally it takes about 6 months, but now there are lots of copies appearing within 3 months.

But referring to Mr. Stein's testimony regarding the art patterns in California, out of 600 art potteries operating in that State in 1946, only 200 were still in business at the end of 1954. Employment had declined from 6,000 to 2,500. During the same period, imports—that is, art imports of all kind in ceramics—of this class of ware, increased from practically nothing to $25 million landed value in 1954. Please note that 95 percent of this artware came from Japan and paid the full 1930 duty.

Probably the most preposterous statement made by the proponents of this bill is that the increase in exports that will result from the increased imports will mean greater overall employment in the United States. Nothing could be further from the truth.

Let us take a concrete example, which, incidentally, is one thing the proponents never do. A thousand dollars worth, foreign value, of chinaware is imported, and we balance this with the export of a thousand dollars worth, American value, of cigarettes. The thousand dollars worth of china costs the merchant just about $2,000 delivered in his store. Suppose this displaces only $2,000 worth, landed value, of American-made china. If made in a United States pottery, more than $1,200 would have been paid labor in the production of this replacement. In the production of the exported cigarettes, balancing this china import, labor would have received just about $100. So on this export-import trade that appears on the Treasury's books as an even $1,000 deal, American labor loses $1,100.

This same thing is true to greater or lesser degree whenever we compare the labor content in any balance of exports and imports. The first reason for this is the Treasury's use of the foreign value of imports against the American value of exports, which develops the so-called dollar gap. These figures give a completely distorted picture of the value, in hours of work and payrolls, of the American commodities displaced by the imports. And those are surely the real yardsticks, hours of work and payrolls, to measure the comparative value of exports and imports.

The second reason is, of course, the wide difference in the proportion of labor cost between our exports and the commodities displaced by imports. The labor cost in the production of chinaware is more than 65 percent of total cost. In cigarettes it is about 10 percent. In automobile and farm machinery it is about 23 percent. In heavy electrical equipment for the home, washing machines, refrigerators, and so forth, it is not over 25 percent.

Obviously, the high labor content of their products is the reason the pottery industry, and many others, are steadily losing out to their foreign competitors, whose labor rates are from one-third to one-tenth of ours.

Our State Department, which seems to have completely usurped the constitutional powers of Congress to establish tariff rates, has already lowered duties by more than 70 percent in the various trade treaties. And let me emphasize, as was mentioned in your discussion with Mr. Tucker, that actual duties have been further and very substantially reduced by currency devaluation in many of the important trading countries, since the trade treaty rates were established. So that, as far as I know, there is not a single commodity on the dutiable list today that is not being imported and sold at less than the price for the comparable product manufactured in the United States. I am sure that if there was such an article, it would have been spotlighted by the proponents.

As a matter of fact, in spite of the continual use of the term "prohibitive" to describe the tariff rates of the 1930 act, we have yet to find a single American industry, with foreign competition, that was not being undersold by imports before any rates were lowered by the trade treaties. Nor have we ever heard a single commodity mentioned by the free traders that carried a duty under the 1930 act so high that the American producer had a monopoly in our market.

It becomes less and less comprehensible to us, just why it is so vitally necessary to our foreign policy that industries in other countries producing pottery, glass, textiles, gloves, lace and many other commodities should expand and prosper at the direct expense of the corresponding industries and their employees in our own country. That such a condition exists at present, and is getting steadily worse, was proved by reams and reams of testimony before the Ways and Means Committee by representatives of both labor and management from industry after industry. Yet, in spite of the President's statement:

> This objective of increased foreign trade must not ignore the legitimate safeguarding of domestic industries, agriculture, and labor standards—

and the one from the Randall Commission—

> American labor should not be subjected to unfair competition as a part of any program to expand our foreign trade—

the State Department goes blithely ahead demanding the right to further reduce American employment and American wages, without the remotest chance of getting a single thing of comparable value in return.

It is going to become painfully evident, gentlemen, in much less than the 3-year term of this act, that the real critical need of the economy of our country is an increase in tariff protection—to save our small but important industries from extinction and to maintain production and employment in our large industries.

Thank you.

Senator MILLIKIN. Have you proposed any improvement of the present system of so-called reciprocal trade?

Mr. WELLS. We have joined with other industries, Senator Millikin, in urging a change in the escape clause and the peril point that would make it finally the responsibility of Congress, where we believe it belongs, to justify any recommendation that was made by the Tariff

Commission, and that the executive department should not come into the picture, and it was quite evident that the writers of the Constitution had no intention that it ever should. We believe, too, like Mr. Tucker, that it would be fine, although highly improbable—and we can see all the difficulties—if reductions in tariff should be dependent upon an improvement in wages and living standards abroad. We believe, too, that each industry, where a reduction in tariff is contemplated, should have an individual hearing, that there should be no across-the-board reductions of tariff as contemplated in H. R. 1. We believe that section 336 of the 1930 act should be emphasized in any extension of the act. We hope, of course, that there will be no extension, because we think it has been proven entirely futile insofar as achieving the original objectives of the act. If, however, the act is extended there should be included, or emphasized, as an amendment to the 1930 act a provision whereby the establishment of a tariff should depend upon the difference in the cost of production, and that the Tariff Commission should, upon petition, be required to determine the difference in cost between the American production and the foreign production.

We believe there should be some criterion established before any reduction in duty is put into effect or agreed to in any negotiation, that the imported article is not selling in the American market at less than the cost of production of the comparable American article—now, not the price of the comparable American article, but the cost of production, the retail price in this country of an imported similar article should not be less than the factory cost.

Senator MILLIKIN. The end point is that you shall not be injured by unfair competition.

Mr. WELLS. That is the net effect of it, which is happening to us, and which is very serious.

Senator MILLIKIN. If that part of the act were remedied, then you would be satisfied?

Mr. WELLS. Yes, if there was an actual remedy of that kind, certainly. We have no fear, Mr. Chairman, of any competition on a similar price basis of the products that come in from any country. We believe that we can design and produce better-looking dishes than can be produced in foreign countries, if the cost is similar. We believe that we will get the market.

Senator MILLIKIN. Thank you very much.

Senator MALONE. I have been very much interested in your testimony, because I have been familiar with the plight of your industry for some years. And I have used it in addresses and debates on the Senate floor. So it came somewhat as a shock to me to find out that you were all making money.

Mr. WELLS. It did to us, too.

Senator MALONE. But now I am back on the beam, and find that I am right in the first place. I only used you as an example because, in my humble opinion, there are several thousand products right now that are either actually on the way out or threatened.

Now, under the 1930 act there was a definite remedy; if the tariffs were set too high, there was a remedy. Congress made the Tariff Commission an agent of theirs and gave them a definite principle upon which to operate, which was the difference in the cost of production of an article, a like article here and abroad in the chief competing nation.

There was no such a thing as taking in some vague unknown factors such as trying to pacify certain sectors of the industry in this country, or political factions in foreign nations, nothing like that could be taken into consideration—Congress, of course, if it saw fit to do it, could take it up, but its agent could not. Now, we have given the President that latitude. Do you see any likelihood of any change being made, considering the 21-year history of that act, the way it has worked, unless there should be an amendment to this act that would make the action of the Tariff Commission mandatory under its provisions or subject to approval by Congress?

Mr. WELLS. I certainly see no indications that the administration intends to act any differently than they have in the past.

Senator MALONE. Any differently than the other administrations.

Mr. WELLS. That is right.

Senator MALONE. And now, I sincerely believe that when the President wrote his letter to Mr. Joe Martin, the minority leader of the House, that he believed what he said in the letter, and that he would not knowingly do that, injure an industry, but they are injured now and he doesn't know it. That is a prima facie case. So that no President, no individual, is going to be able to follow these things through, especially as long as you have in your State Department and several other departments the second and third echelons of people who are exactly the same people who brought this about in the first place. And that is true beyond any peradventure of a doubt.

Mr. WELLS. That is right.

Senator MALONE. Now, you understand that if we extended this act, all of these trick organizations, like the General Agreement on Trade and Tariffs, unless it comes before the Congress and is turned down—and even then some organization would go on, because we have had that history—the International Trade Organization came here, it was turned down, and the International Materials Conference was organized almost immediately by the State Department, and proceeded to do the same thing. In other words, these trick organizations can spring up all over the landscape. The General Assembly of the United Nations recently has passed a resolution to create the World Trade Organization, that can take the place of GATT, if GATT should go by the wayside if and when it comes before the Congress.

But if we extend this act the ground is fertile for these organizations. There is nothing to keep them from springing up and going ahead, is there, on the basis of the act?

Mr. WELLS. Particularly in view of the attitude of the State Department.

Senator MALONE. Now, if it is not extended, all of these trick organizations fall on their faces, do they not, because our markets are no longer popular, if it goes back to the 1930 act?

Mr. WELLS. Yes. But, of course, unfortunately all of the trade agreements that have been negotiated and approved and entered into, the rates in those treaties will continue to be in effect whether this act is renewed or whether it isn't.

Senator MALONE. You are exactly right. I was coming to that. But I have confidence in our President, and if this act is not renewed, it will be an indication on the part of Congress that it is not working out, and he would issue an order at the proper time, or a request, to the countries, with which these trade agreements have been made, to cancel these agreements. At any rate, the first move is to let this act lapse, isn't it?

Mr. WELLS. That is our strong belief.

Senator MALONE. Then as the President serves notice on the countries with which trade agreements have been made and they are canceled, they return to the Tariff Commission on the basis of fair and reasonable competition on a flexible basis, and they adjust the tariff to meet that cost, isn't that true?

Mr. WELLS. That seems to be the most fair and reasonable approach I know to adjusting tariffs.

Senator MALONE. No, there may be another amendment to that act necessary, because they were limited to 50 percent, which was plenty in 1934, but now inflation has amounted to 50 or 60 percent, and that lowered the tariffs that were set on a firm basis, not ad valorem, to that extent. And then the State Department, or the Executive, if we are technical about it, has lowered many of the other tariffs 50 percent, and some 75, because they got the second 50 percent shot at it. Naturally, then, we might find that 50-percent raise in the tariff rates of 1930 would not be sufficient in any case, there would be an amendment necessary to the 1930 act giving them latitude enough to adjust the rate on the basis of fair and reasonable competition, and I do not believe it would be a difficult thing to get through Congress if we make the first move by letting this act lapse now.

Mr. WELLS. The first move is the important one, we believe. And after that we are hopeful that Congress will go back to its original position of authority on this particular subject and be reasonable.

Senator MALONE. You have no national defense value, have you, so far as that is concerned, except that you are a part of the economy of the Nation, an important part, a sector of the economy, that has been built up through these thousands of small industries like your own, over a period of a hundred years—or do you have any national defense value?

Mr. WELLS. During the latter part of the last World War, there were a number of plants, including ours, but particularly Mr. Pass' and Mr. Torbert's plants, that were manufacturing land mines of porcelain to avoid the ability to locate those mines, and turning them out in quite large quantities, and a very large part of our total production in certain plants was going on that job.

One of the other important plants was working and making a lot of steatite, which is a new development, and is used in many ways by the Government in defense products.

Senator MALONE. I stand corrected. I should have known that. In any case you are an important part of the economic structure of this Nation in your particular areas, and to my mind, that is a-plenty.

Mr. WELLS. We think that is very important. Certainly our employees do. We are represented by the president of the union here today. And we do not see why we should be sacrificed for no good reason.

Senator MALONE. It has always been a complete mystery to me how a workingman can be for free trade when he is the first to go out of business. Some of their leaders are, but I cannot understand it.

Mr. WELLS. It is hard to understand, and I am glad to say that so far as the pottery workers are concerned, that they have appeared with us every since, I think, 1916, have appeared with us down here, in an effort to obtain an adequate tariff for our protection, and they appreciate the position that we are in.

Senator MALONE. I venture to say today that if the workingmen of this Nation followed the industry, the industrial heads, in demanding a fair and reasonable protection for their jobs in this country, they wouldn't be long in getting it.

Mr. WELLS. Well, there are more and more of them coming in, Senator, all the time.

Senator MALONE. They have been divided. Mr. Reuther of the automobile workers says he wants free trade. And then he wants more unemployment insurance. And he wants a guaranteed annual wage, and he wants a lot of other things. It will probably be entirely impossible if he just keeps this business up long enough.

Mr. WELLS. I don't understand why they don't see, as apparently they don't, the managers of the exporting industries where exporting is such a small portion of their business, why they don't see why a potter working at $14, $18 a day in this country is a better prospect for their product than a Japanese pottery worker working for less than $1 a day.

Senator MALONE. Well, some of these automobiles are coming in from foreign nations today. Mr. Ford has a $1,400 automobile in New York. But in Milwaukee I said the other day that, "you have a peculiar neighbor down in Detroit. He is for free trade. And if he is successful in carrying this act, taking all the duties off, as he says he is, he will see the day in the not-far-distant future, when he will be riding an English Ford down the streets of Detroit and bowing to his unemployed workers on the sidewalk." I think that is coming.

Mr. WELLS. It will have to come if this program is continued to its logical end.

Senator MALONE. Now, there is another thing that has bothered this committee, at least this one member of it. Every once in a while we are confronted by what is called a simplification of the customs laws. Mostly you find a fishhook or two in it. And one of them was foreign evaluation instead of domestic evaluation. Will you explain to us just how that works in the lowering of the tariff, really, that protection?

Mr. WELLS. Well, obviously in many cases where a foreign evaluation is used—and it is used practically exclusively, there are a few items that come in presently, a very limited number, but in most of them the tariff is based on the foreign evaluation—and that foreign evaluation theoretically is the price that that product is freely offered in the markets of the country of export.

In our particular industry, for instance, we know that practically all of the dinnerware that is imported into this country is manufactured and decorated, styled, for the American market, and is not offered for sale in the foreign market at all.

So that actually they can apply almost any foreign evaluation that they please over there, in spite of that limitation in the Tariff Act as it is written at present. And they have, in actual experience, that is what has happened.

Senator MALONE. When did that change from the domestic valuation here on imports to the foreign valuation?

Mr. WELLS. I think that was originally—the great mass came in under the McKinley Act of 1896.

Senator MALONE. The foreign valuation?

Mr. WELLS. Yes.

Senator MALONE. They don't represent the customers' valuation here where they are offered for sale?

Mr. WELLS. No.

Senator MALONE. What do you think should be taken?

Mr. WELLS. We have two ways out of the dilemma we are in. The matter of whether there is another 15- or 50- or 100-percent cut in the tariff at present is not going to make any difference in cases where the potteries go out of business, we are out anyway under the present tariff. We hope we might get a tariff evaluation on the American evaluation, or a quota. Obviously the quota is a fair thing. It is not right that the same tariff should apply to Japan and England where England is paying four times as much wages as Japan.

That is a distinct hurdle. The English are suffering at present from the Japanese imports, that is, the English imports to this country.

Senator MALONE. The English know how to handle it.

Mr. WELLS. In their country.

Senator MALONE. They don't allow imports to come into the Empire.

Mr. WELLS. That is right.

Senator MALONE. And that is what is the matter with Japan where England controls it, they don't allow their products to go in there. So we have to take care of them.

Mr. WELLS. That is right. And the imports from Great Britain have not risen at all, in fact, they have held a very even line since the war, because Japan has gotten all the increase that would take care of our increased population.

Senator MALONE. And, of course, the 1930 act says specifically the chief competing nation. So it at least takes care of the domestic producer.

Mr. WELLS. Theoretically.

Senator MALONE. Well, it would if readjusted under the 1930 act, section 336.

Mr. WELLS. Yes; to the cost of production being equal.

Senator MALONE. Here is a point that you have made.

Unless the President is directed to take the Tariff Commission's findings, or his decision is disapproved by Congress, there is very little likelihood that any change in the administration of the act will take place regardless of what we pass?

Mr. WELLS. We have no hope of that.

Senator MALONE. Now, didn't the Randall Commission recommend a 3-year extension of this act with a further 15-percent reduction last year?

Mr. WELLS. Yes.

Senator MALONE. There was no difference really between what he recommended and what we are trying to do this year?

Mr. WELLS. No; this H. R. 1 is taken apparently as far as we can tell from the Randall Commission recommendation.

Senator MALONE. Thank you.

Senator MILLIKIN. Senator Bennett?

Senator BENNETT. I have no questions to ask Mr. Wells, Mr. Chairman.

But if you remember my discussion with the Senator the other day about the comparative prices and patterns of pottery, I would hope that we might hear from Mr. Torbert, who I understand has brought some samples with him.

I have to leave for a meeting at 4 o'clock, so, Mr. Chairman, I would appreciate it if Mr. Torbert and Mr. Pass could both come together, or if Mr. Torbert could come before Mr. Pass.

Senator MILLIKIN. Can Mr. Torbert and Mr. Pass consolidate their testimony?

Can you come forward and be questioned together and make sort of a joint statement?

STATEMENT OF EDWARD L. TORBERT, CHAIRMAN, FOREIGN TRADE COMMITTEE, VITRIFIED CHINA ASSOCIATION, INC.

Mr. TORBERT. I think, Mr. Chairman, my testimony will be entirely different from that of Mr. Pass. I have confined myself very largely to injury to the industry, and I think Mr. Pass has some other suggestions.

Senator MILLIKIN. Go ahead.

Mr. TORBERT. In view of your interest, Senator Bennett, in the samples, I will introduce them later.

I am E. L. Torbert, vice president of Onondaga Pottery Co., Syracuse, N. Y., and chairman of the foreign trade committee of the Vitrified China Association, Inc. In addition to the members of the Vitrified China Association, Inc., I am authorized to represent other manufacturers of vitrified china tableware—in all, fully 80 percent of the vitrified china production of the United States.

It is well known now that the china-tableware industry is by nature dependent largely on handcraft artisans. Notwithstanding the fact that mechanization in our American potteries is the most advanced in the world, labor accounts for nearly two-thirds of total production costs.

The American standard of wages in this industry is from 4 times higher than in England to 9 times higher than in Japan. Just as American agricultural prices need to be protected (mostly by quotas on imports) against destruction by competition from low foreign prices, so American wages in industries whose product has a high labor content need protection from destruction by competition based on low foreign wages.

The foreign china-tableware wages and selling prices being so low, the American tariff of 1930 carried on decorated china an ad valorem rate of 70 percent and 10 cents per dozen pieces.

A current finding of the United States Tariff Commission, released on June 24, 1954, reveals:

> The rate of duty necessary to equalize the United States and Japanese costs of production of medium-grade chinaware is 284 percent ad valorem based on foreign value and 15 cents per dozen separate pieces.

In view of that statement, I would like at this time to put into the record—and I do this because of the statements that were made here yesterday to your committee by someone who was apparently ignorant of the pottery situation.

There was a correction in that statement, perhaps referring to the situation in California, but I think it should be pointed out that the largest plant in California is one that makes a long line of ceramic products—sewer pipe, tile, earthenware, and china—and it may be that their composite picture is entirely different from the ordinary pottery which devotes their entire production to tableware.

Senator BENNETT. Isn't it true that in this particular case the industrial or building ceramics were the original products of the company and that it came late into tableware?

Mr. TORBERT. Came late into tableware.

I am presenting, first, a sample of Syracuse china—it happens to be our make—in a pattern that is marked on the back "Apple Blossom." That is our trade name for that pattern.

Senator MILLIKIN. How long have you been making this pattern?

Mr. TORBERT. We have been making this pattern for probably 12 years, and it has the name here "Apple Blossom." That sells at retail $11.75 for a 5-piece place setting.

Here you will observe that the Japanese have taken the integral part of that pattern—the part that I have marked with a heavy pencil—they have taken this portion and have marked it "Apple Blossom," and they sell it at retail for $3.99. Ours is $11.75.

Senator BENNETT. Yours has a fluted edge——

Mr. TORBERT. The difference in edge would make no difference in cost.

Senator BENNETT. And also, to my sense of balance, yours is the finer china and a little lighter in weight.

Mr. TORBERT. It is a little lighter in that particular case.

Here is a pattern that we call Coral-Bel.

In a 92-piece set it retails for $206.

Senator MALONE. Well, an inexperienced person seeing them separately couldn't tell them apart at all, could he, just coming in as a purchaser?

Mr. TORBERT. I think the casual observer might not detect the difference.

Senator MALONE. Just an ordinary purchaser?

Mr. TORBERT. Just an ordinary purchaser.

Here is a Japanese imitation. That sells for $59.95, as against $206.

Senator MILLIKIN. Are the basic materials the same?

Mr. TORBERT. The basic materials are substantially the same.

Senator BENNETT. The pattern is substantially the same?

Mr. TORBERT. The pattern is substantially the same.

Here is a pattern that is made by one of the California potteries. It sells at $12 a place setting. Here is a Japanese, same pattern, for $6.

Senator BENNETT. It has a little thinner gold line around the inner circle.

Mr. TORBERT. There is a slight difference.

Here is a piece of Lenox china.

Senator BENNETT. Which is it?

Mr. TORBERT. That is the Japanese.

Senator BENNETT. No; it is the other way around. As you handed them to me, the one in your right hand was Japanese and the one in your left hand was American.

Senator MALONE. A little wider line.

Senator BENNETT. A little wider line.

Mr. TORBERT. I missed it; I didn't detect the difference.

Here is a plate of another pine pattern made in Japan. That Lenox plate retails at $19.25 for a 5-piece place setting. Here is a Japanese pattern. Just compare the two side by side——

Senator MALONE. There is little doubt but that one is patterned after the other, just as you suggest.

Mr. TORBERT. The Japanese pattern is $3.99 for a 5-piece place setting and the Lenox pattern is $19.25.

Senator MALONE. There is little doubt that one is copied from the other.

Mr. TORBERT. Well, the pine pattern of Lenox has been made for a long time. And I know at least three pine patterns are made by the Japanese. Lenox calls theirs "Pine," I think it is labeled; one of the Japanese patterns, of which I could not procure a sample this morning, is marked "Mucho Pine."

Senator MALONE. Do you have reason to suppose that they did copy it after your pattern?

Senator BENNETT. It is after a pattern of his industry; it was made by another company.

Are these plates of approximately equal quality as far as fineness of the china is concerned and the decoration?

Mr. TORBERT. A great deal depends on what you mean by fineness.

Senator MALONE. Durable.

Mr. TORBERT. This is an American plate, this is a Japanese plate, it has the same materials, and the people who buy this and use it in their homes think that is the finest, those who buy this think it is the finest.

Senator BENNETT. Of course, there is a difference in the quality between this and the $18.75 for a 5-piece place setting and these others at a cheaper price, so there must be different qualities in china.

Mr. TORBERT. This has no blemishes on its face, and this might have a blemish.

Senator MALONE. What is the difference in the labor?

Mr. TORBERT. Nine to one.

Senator MALONE. That is the difference in price.

Mr. TORBERT. Our labor is nine times the Japanese pottery.

Senator MALONE. Someone testified that 50 percent of the cost of the plate is labor, so that adds up pretty well.

Mr. TORBERT. Our labor cost is 65 percent of the selling price at the factory, which, of course, leaves us in a very vulnerable position.

Senator BENNETT. May I ask you one other question?

We have been concentrating on Japan. Do you have the same competition from Europe, or do they——

Mr. TORBERT. No, we have no particular problem with German china or English china.

Senator BENNETT. They tend to send you their own patterns?

Mr. TORBERT. They now have in Germany some of our outstanding American designers, Raymond Loewy designs German china.

Senator BENNETT. And as a matter of practical application of competition, they make their own products and sell them against us in the American market rather than trying to duplicate or counterfeit our products as far as the pattern is concerned?

Mr. TORBERT. Generally that is true, sir. I think we all realize that the Japanese have always been imitative.

If I may recall one very early experience, when I first went into the china business in a retail store out in Iowa, something over 55 years ago, I was doing some buying, and I bought some beautiful shapes from a Dwenger factory in France, French china, and it was beautiful. But before we could import that and put it on sale in the store, the Japanese copies were offered to us for sale at a very, very much reduced price.

From that day I have always noticed their ability to imitate and copy.

Senator MALONE. They do that in field glasses and telescopes and all kinds of fine work.

Mr. TORBERT. Notwithstanding the difference in cost of production in the United States and Japan and the extreme difference in actual rate and the rate necessary to equalize costs (70 percent and 10 cents per dozen versus 284 percent and 15 cents per dozen), there have been 9 separate reductions in the tariff rates on china tableware——

Senator MALONE. Since when?

Mr. TORBERT. Beginning in 1939 with the trade agreement with the United Kingdom and continuing through the Geneva negotiations of 1948 and the negotiations at Torquay in 1951.

In some classifications reductions in rates have been to the full limit allowed by law.

Further inroads on this reduced protection were accomplished by duty exemptions granted returning tourists, in 1948 and again in 1949.

The devastating results of increased imports of china tableware following these concessions are indicated by the statistics which reveal these startling facts:

1. That 85.7 percent of the china tableware purchased in the United States in the years 1951 and 1952 was imported.

2. That in 3 years—1951, 1952, and 1953—77 percent of the china tableware purchased in the United States came from Japan.

3. That the china tableware imports from all countries have increased from 2,070,000 dozens in 1948 to 4,940,000 dozens in 1953, an increase of 138 percent.

I would like to put in the record, if I may, this additional information which I have received only this morning, the figures for 1954 have now been completed, that is, the figures for the total importations from abroad.

That I just got this morning, but I am having it put in the record. In 1954 the total imports of china were 600,314,000 dozen, which is 28 percent more than it was in 1953. And instead of an increase of 138 percent over 1948, it is some 300 percent at the end of 1954.

Senator BENNETT. What proportion is that total importation of the total American market?

Mr. TORBERT. I have a paragraph to cover that.

4. That combined profits of potteries producing 60 percent or more or domestic-china household tableware show a drastic decline and trend from a profit before taxes in 1948 of 13.79 percent to a loss of 1.47 percent in 1954.

5. Since June of 1950 four of our American manufacturers of china tableware have been forced out of business. Three of these had been in business—three of these had been in business a total of 184 years.

6. In these 4 companies the livelihood of over 1,000 persons and their dependents was wiped out.

It is a matter of the greatest concern to us that 3 additional units of our industry, employment, which stood at over 3,800 in 1948 has dropped to less than 2,100 today. There has been no compensating growth in the remaining units of our industry. To the contrary, the balance of our 14 potteries has also, in total, experienced this attrition, if to a lesser degree.

Recently you have been told and the public has been told that this bill, H. R. 1, provides for moderate reductions in tariffs. It has not been proclaimed that the Trade Agreements Act, as extended by H. R. 1, as well provides for continuing drastic reductions in tariffs, and I am confident that many who have spoken in favor of it were not aware of this feature.

These radical tariff-reducting provisions are vital to the china business, for under these provisions, existing tariffs on critical categories of china tableware, and items other than china, could be reduced by 50 percent by June 30 of this year, and by a total of 58½ percent within 25 months after passage of the bill.

Some items of chinaware have carried a tariff rate of 50 percent or more since 1930. These rates have been sustained during the onslaught of tariff reductions and have not been a deterrent to imports.

Study of reports by the Tariff Commission, showing United States imports of household china tableware by major countries of origin, proves these two conclusions:

1. That under trade-agreement reductions, chinaware imports from the United Kingdom and Germany combined have advanced to a level over four times the 1939 level in dozens.

2. The continuing rise in chinaware imports from Japan, most of which carry a duty of over 50 percent, are now nearly 50 percent greater in dozens than they were in 1939. Since imports from Japan accounted for 77 percent of the china tableware which was purchased in the United States in 1951–53, it is clear that the full tariff rate in effect on most of these imports from Japan has not prevented the importation and sale of enormous quantities of Japanese ware in the American market.

In contrast to the growth in Japanese tableware sales in the United States market, a study of Tariff Commission reports shows that our domestic manufacturers of household china tableware in 1948 supplied 29.7 percent of the United States market; in 1949, 24.6 percent; in 1950, 16.1 percent; and in 1951, 13.1 percent.

Senator MALONE. Did you ever furnish more than approximately 30 percent of the United States market?

Mr. TORBET. No, sir.

Senator MALONE. The imports always accounted for 70 percent?

Mr. TORBERT. I have a chart of the imports back to 1884. And I recall personally, that at first everything was from England, then from Germany, and then came Japan. There was always a drift toward the lowest cost country.

The tableware divisions of our industry have never had more than 30 percent of the market.

The economic effects of accepting without duty foreign products which come into this country merely and solely because of the low wager paid the laborers who produce them are in many respects virtually the same as would be the effects of importing those foreign laborers and having them work for the low wages received there in the foreign country.

Senator MALONE. The only thing between them now and this country is low-cost ocean transportation, isn't it?

Mr. TORBERT. That is right.

We have restricted immigration to protect our labor and wage standards. Why then permit the unbridled importations of goods produced by the same workmen we have excluded?

I think we must agree that the Trade Agreements Act, and particularly as it would be extended by the bill, H. R. 1, has grave deficiencies.

I regret that the House of Representatives had to be assured on February 18 that "No American industry will be placed in jeopardy by the administration of this measure." The fact is, our industry has already been placed in jeopardy—as I have shown.

I believe it is incumbent on the Congress of the United States to spell out a positive implementation of subsection (a) of section 6 (the escape clause) of the Trade Agreements Act.

As Mr. Humphrey, Secretary of the Treasury, stated to this committee last Thursday, the trade-agreements program has not been tested under conditions of normal international competition.

So, we feel this is all the more reason for approaching the drafting of this bill with caution.

We have presented this evidence to show that the china tableware industry is in precarious straits. Under these conditions the further reduction of already inadequate tariff protection could have but one outcome.

We understand the necessity of conducting our foreign affairs in such a manner as to prevent further accessions to the communistic hordes—yet I have read President Eisenhower's message of January 11 to Congress regarding the formation of foreign economic policy and fail to find a single word of encouragement or help for the depressed workmen of some of these foreign countries.

We question if we are improving the standards of living for Japanese workmen when trade with the United States requires the exchange of 9 to 10 hours of their labor for 1 hour of American labor.

Is it not true that unless we are willing to raise the real wages in some of the foreign countries, we contribute to the conditions that breed communism rather than prevent it?

Senator MILLIKIN. Thank you very much.

Senator MALONE. As I understood you to testify, you were against the extension of the act primarily?

Mr. TORBERT. We think it is a function of our group as manufacturers to point out the injury that has occurred, and I think we have done that.

As to the remedy, we think it is a matter for legislators.

Senator MALONE. That is very nice of you. But it is my opinion that the industrialists and the workingmen of this country had better start reading the Constitution of the United States and making themselves felt.

Now, we are working for you, if you are still a taxpayer. You are not working for us—that is, at least you shouldn't be.

You understand that if this act is not extended, that anything upon which there is no trade agreement does revert to the Tariff Commission under the 1930 act. And the 1930 act provides just exactly what you have been asking for, and that is, fair and reasonable competition.

Mr. TORBERT. It leaves 336 still available for injury.

Senator MALONE. Now, it doesn't give the Tariff Commission, an agent of Congress, any right to try to rearrange the relationship between agriculture and industry and mining and other industries in this country, nor to adjust any political situation in Europe, they simply determine what that difference is and recommend it to be the tariff, is that right?

Mr. TORBERT. Yes.

Senator MALONE. Now, on that basis of fair and reasonable competition you would be satisfied, wouldn't you, sir.

Mr. TORBERT. Yes.

Senator MALONE. And a continual adjustment is available under that act.

Now, these trick organizations like the General Agreements on Tariffs and Trade of Geneva, and the organization that is being created by resolution of the General Assembly of the United Nations, the International Trade Organization, and the International Materials Conference that was set up by the State Department—they can spring up any place—all operate under the Trade Agreements Act, at least that is the excuse the State Department gives for our participation in them. If we go back to the 1930 Tariff Act these trick organizations are out the window and our tariffs then will be adjusted on the basis of fair and reasonable competition. Our markets then will no longer be in the international world trade pot.

And, if our markets are not in the pot, there is no gain, from these trick organizations for these foreign countries is there? We have never heard of them sitting down among themselves and trying to work out a way of trading with each other. They are interested only in dividing the markets of the United States. Isn't that about right?

Mr. TORBERT. We have felt that if this matter could be made final with the Tariff Commission, it might suit our purposes better, and it might be that there are reasons why that isn't feasible at the moment.

Senator MALONE. I think it is not—I know I am only 1 out of 96 Senators, and I am attempting to speak only for myself.

When we do revert, and there is a treaty that has been made on any particular product, then, of course, the President is the only one that can cancel the agreements. When the agreements or trade treaties are canceled, they revert to the Tariff Commission.

Mr. TORBERT. I might add this: that the only objection that I have heard to referring it back to Congress is that logrolling may develop. I would much prefer that the logrolling be done right here where we can see it than have it done by GATT, with 34 foreign countries.

Senator MALONE. But I say to you, Mr. Torbert, that under the 1930 Tariff Act, no logrolling could take place, except if I, as representing my State, want to go down and appear before the Tariff Commission, and the other 95 Senators can do it—but unless we take up a particular product on the Senate floor—which we can do at any time—with reference to this committee, there cannot possibly be any logrolling, and that is the greatest poppycock I hear passed around in this committee and all over the country.

It just means that people have not kept up with the legislation. And I have been amazed to see that witness after witness does not know what the Tariff Act of 1930 provided, and does not know what the 1934 Tariff Trade Agreements Act provides—that the 1934 act transfers the responsibility of Congress over such duties or tariffs, and the responsibility to regulate foreign commerce to the Executive, which was never contemplated under the Constitution of the United States.

It would be very helpful if the industries could get back on their feet and look Congress in the eye and understand the Constitution of the United States and what it has done in the tariff field.

Mr. TORBERT. Of course, some of us think we are doing that when we come here.

Senator MALONE. We hope you just keep it up; that is all.

Senator MILLIKIN. If the assurance against injury under the proposed bill were actually carried out as it has been suggested it would be, would that be satisfactory?

Mr. TORBERT. It would be very, very helpful.

Senator MILLIKIN. You don't want to be injured?

Mr. TORBERT. You are right.

Senator MILLIKIN. And if the intent of the law is abided by, you won't be injured, and if the assurances of the President are kept, you won't be injured, and that is what you are looking for, isn't it?

Mr. TORBERT. Mr. Pass will have some thoughts on that.

Senator MILLIKIN. Mr. Pass.

STATEMENT OF RICHARD HENRY PASS, PRESIDENT, ONONDAGA POTTERY CO., SYRACUSE, N. Y.

Mr. PASS. I am Richard Pass, president of the Onondaga Pottery Co., of Syracuse, N. Y., makers of vitrified china household and commercial tableware under the trade name of Syracuse China.

I come before you representing my fellow pottery employees, those still working and those now retired on pension from the company, and my fellow stockholders—a total representation of 2,473 people, not including their dependents—as representative of other potters and pottery owners with like interest, and as a United States citizen.

In these interests I appear in opposition to proposed amendments to the Trade Agreements Act permitting reduction in import tariff rates on chinaware articles. Specifically, I protest the provisions of H. R. 1, as passed by the House, as being unfair to American workers in the pottery industry, as well as in other industries similarly characterized by a high proportion of skilled labor, commonly known as the craft industries. I believe the time has come to call a halt to our Government's giveaway program when it comes to giving away to low-cost foreign labor the livelihood of the craftsmen citizens of the United States.

I protest that under the present Trade Agreements Act—and H. R. 1 as passed by the House—citizens are being deprived of their job rights and property rights, without the due recourse under law inherent in the concept and tradition of government in the United States.

And that touches on the constitutional problem on which I will speak later.

We are in favor of international trade, but it must be trade with justice—not in disregard of human values, the human rights of United States citizens clearly stated in the Declaration of Independence and in the law.

Proof of injury: Since January 1951, employment in our two pottery plants has decreased by 28 percent; in terms of man-hours by 30 percent. Those figures are approximately representative. They probably show somewhat less of a deterioration than the rest of our industry as a whole.

Senator MILLIKIN. Is it principally because of the importations?

Mr. PASS. The principal cause of it is importation and that has occurred on account of the Trade Agreements Act. We have been very heavily hurt in our household tableware field, the type of thing which Mr. Torbert has shown you here. We also make commercial ware which has not yet been hurt by imports. But it is on the list and if in this trade agreement it is negotiated and the 50-percent reduction is applied, as the President may apply it, and it goes into the trade agreement nations, GATT, it will be applicable to all countries in the world, and then we will be hit there as hard as we have been hit on the household ware.

Senator MILLIKIN. Is any of this chinaware made exclusively by machinery?

Mr. PASS. No; no chinaware can be made by machinery exclusively.

Senator MILLIKIN. The cheapest grade; is that made by machinery?

Mr. PASS. No; that is not made exclusively by machinery. Machinery in the pottery industry has not displaced craftsmanship. In this respect it differs from the great highly mechanized mass-production industries where machinery has taken the place of workmen to a serious deterioration of human values.

Senator MILLIKIN. The more expensive the product, the more labor is in it; is that correct?

Mr. PASS. Yes, sir; that is why it is more expensive, but that doesn't begin to make up the difference in wage rate which you have heard about here.

The chinaware industry in this country is the most "streamlined," the most highly mechanized, in the world, as everyone acquainted with the industry knows. But mechanization is, for the most part, only an aid to skill; it does not displace craftsmanship. That is why the making of fine chinaware is known as a craft industry. Many of the requisite crafts require years of experience to gain proficiency. I can speak of this with authority for I am now in my 40th year with our company and started at the beginning of the process, as did my father and my grandfather from whom he learned.

Those who have patience to become expert in one of the many skills involved usually devote their lives to it. Many of our people started working at the pottery in their teens; some of the are now executives. There are more than 60 who have been on our payroll over 40 years, more than 400 over 20 years, and very nearly half of our potters have been with us more than 10 years. It would be false to say that these potters could find as good employment elsewhere, if put out of work by governmental action or indifference. Their only skill is their pottery craft.

Furthermore, many of them would be considered too old for any employment in the mechanized mass-production industries of this country. And how would many of the younger ones find employment in the country in which they live, where industrial employment has dropped nearly 9,000, a drop of over 13 percent, due in part to our Government's preoccupation with the theory of international free trade, which we believe to be an illusion in the present-day work—a subject I shall discuss presently.

Notwithstanding the world-recognized supremacy of American efficiency in chinaware production, and indeed, of our esthetic achievements in design—as witnessed by the innumerable copies being shipped into this country by foreign potteries—it is not possible for our potters to compete with foreign producers without measures to compensate, at least in part, for the great disparity between foreign and domestic wage rates. The reason is that fine chinaware manufacture, as in all craft industries, by far the major part of the cost of the company manufacturing the finished product is for wages, and the wage rates in this country necessary to maintain an American standard of living are so far above foreign wages, as proven by others at this hearing.

Therefore, American chinaware manufacture, like other craft industries, is especially vulnerable to the very low wages paid abroad.

Of course, we in the craft industry feel it first because we have the highest proportion of labor cost to our factory selling price; also because the craft industries generally are characterized by a smaller investment per worker than the mass-production industries. We are helping the foreign countries to get the money and giving them the know-how, and soon many of the companies which are now crying for free trade, or their bosses or union leaders, will be crying quite another tune unless the management of those companies have plants abroad where it can make cars utilizing the cheap foreign labor.

But I ask what American workers employed thereby will buy the imports? I predict flatly that the day will come when the CIO, instead of sounding off for free trade, will be coming down here with quite another story to protect its own workers.

Senator MALONE. Can you understand how any workingman can be for adoption of the principle that if you can produce an article in another nation cheaper, that we shall buy the product; how can they do that?

Mr. PASS. It is partly ignorance, more than anything else, that you are not hearing from the workers. In too many cases you are hearing from those who profess to speak for labor.

Senator MALONE. How can we hear from the workers? How can we wake them up?

Mr. PASS. Our people have been so incensed about this that they have sent over 4,000 personal messages. You must have received some. I don't know to whom they sent them. They sent them on their own down here. This is the second or third time they have done it. They say to me: "How come our Government no longer is interested in us?"

Senator MALONE. I think it is a conspiracy to destroy the workingman and the small investor. I have said it a hundred times and I shall not stop saying it. But I am only one man.

Someone thought it out ahead of time, and I don't think it was us.

Mr. PASS. Part of this theory of fair trade—and I studied this under a man who popularized it, Frank Taussig—is based on the premise that as you increase international trade you narrow the spread between the living standards of foreign countries and those in our own. That has not worked out that way. Our records show that it has always been the other way, and our records go back to 1890.

Under the Trade Agreements Act the spread between our wages and foreign wages has increased, and that is shown on page 6.

Senator MALONE. If you think it is true, the wage standard of living of our workers under the opposite policy of having the differential between the cost in this country and that in the foreign competitive country be made up by tariff—now it is being reversed. There are plenty of instances where the workers are taking lower wages to maintain their jobs. Mr. Hoffman did that in South Bend to meet the Detroit prices. He testified to that.

I asked him if we should do that in order to meet the foreign wages, and that rather incensed him. The only result is to average the standard of living of all the nations on earth, if you continue this free trade.

Mr. PASS. Yes, sir; that is true. That is why it won't work. I am touching on that very briefly here.

We believe unfair the sacrifice of selected groups of American citizens in furtherance of an economic theory which has never been proven in practice and which we believe fallacious in the present-day world. I refer to the theory that each country should produce only those things in which it has an "economic advantage." Under this theory, the advantage is measured by price.

It is a plausible sounding theory provided one does not look too closely into the practical components of so-called economic advantage. A major practical component is the wage and living standard of the workers. If other factors are anywhere near equal, a country which maintains, by one means or another, relatively low wage scales has, in respect to foreign trade, a very real economic advantage.

This advantage of the foreigner is not necessarily confined to a few industries. Analysis discloses that from beginning to end of the production process (mining, refining, transportation, components manufacture, to manufacture of the ultimate product), the greater part of the cost of manufacturing most finished products is for personal services (wages and salaries).

It follows, therefore, that most industries in this country are vulnerable to unbridled importation of products from low-cost labor countries, once those countries have the financial resources to duplicate American facilities. It is unrealistic to believe that we have a secret know-how, for the foreigners, if they have the money, can buy the know-how (American if need be) as well as can American manufacturers. Indeed this country is helping them to do so, as we are helping them also to acquire the financial resources with which to duplicate our facilities.

The craft industries are naturally the first to feel the impact of the free trade delusion, because, in general, they have the highest labor cost in relation to factory selling price and are characterized by a lower total investment per worker than in the highly mechanized, mass-production industries. The latter—some of whom are at present crying for free trade—will feel the impact later, and then they will cry another tune; unless, indeed, they have plants abroad where they can transfer production to take advantage of cheaper foreign labor. But what American workers, unemployed thereby, will be able to buy such foreign-produced merchandise?

I am familiar with the theory that increasing international trade reduces the gap in wage rates and standards of living between different countries. Granting that under ideal conditions the theory might be true, the fact remains that the probable result of the process of equalization would be a bringing up of the bottom at the expense of lowering the top. I do not believe the American people will stand for that. Furthermore, the question remains in respect to foreign countries as to what extent increased national income gained from exports is reflected in the real wage rates of the workers.

We know in the experience of our industry that from the prewar years 1935–39 to the years 1952–53 the dozens of pottery imported into this country from England increased nearly double (1.89 times); likewise the dozens imported from Germany nearly doubled (1.86 times), in spite of the fact that some of the German potteries are now behind the Iron Curtain. Yet notwithstanding this increase in trade—an increase even more marked in dollar value of all goods imported from those countries—the gap between our pottery wages and theirs, far from shrinking, increased between 1938 and 1952 from 3⅓ times (3.37) to about 4 times (4.05) in the case of England, and from about 4 times (approximated by U. S. Tariff Commission), to 4½ times (4.52) in the case of Germany.

The period referred to above is embraced by the Trade Agreements Act under which our Government—as shown by others at this hearing—has repeatedly reduced import tariffs on chinaware for the benefit of foreign nations at our expense. Certainly the tariff reductions, the increased imports, have done nothing to narrow the wage gap—another example, incidentally, of the gap which often exists between theory and practice.

The only way in which unbridled importation from foreign industrial countries with their present low-wage standards could be made to work, without serious injury to workers in this country, and to our economy, would be to raise the living standards of the foreign workers much nearer to our own, whereas the historical trend has been the other way.

How are we going to raise the living standards of the foreign workers in the stratified societies abroad. The Curtis amendment was intended to try to see to it that the foreign workers get a fair share of the American dollar which is paid for American goods. I have heard it said that that would be an interference with the internal economy of foreign nations, just as it is an interference with our internal economy when the tariff is reduced.

I believe that statement is made with the thought that we cannot control the social economy of foreign nations, and, of course, we can't. Our Government cannot control it, and that is the principal reason why free trade in the world is fallacious, is an illusion, is visionary, and is bound to fail.

Senator MALONE. We could not, if we wanted to, and should not interfere with the economy of other sovereign nations, but we should take care of our own.

Mr. PASS. It is good to hear someone say that.

Senator MILLIKIN. Couldn't you meet that problem by taking care of their products after they are exported? We don't have to go into the country itself to take care of their internal economy. We can take care of the products to see that they come in on a fair competitive level.

Mr. PASS. I don't think if you do that you can have free trade. We will have control, and not let GATT do it.

Senator MILLIKIN. I don't think you will have to. We have enough trouble regulating our own wages. We don't want to regulate theirs. We can regulate their exports so it won't hurt our economy.

Mr. PASS. We have increased trade and the living standards and wages abroad have gone down in relation to ours instead of going up. There is too much spread between what the workers get over there and what we pay, and it is the middleman, the intermediates, it is the businessmen over there, the exporters, the importers, or the moneychangers who are making the profit. When you consider the price you pay for fine German china in relation to the wages the Germans get, there is a terrific spread. I think it would be very interesting to make a study of what proportion of the national income the workers receive in those countries. I think that would give the clue.

Senator MILLIKIN. Well, it would put our minds on the question of whether our people are injured, and keep out stuff that would injure us.

Mr. PASS. Right, sir.

Senator MALONE. I would like to mention at this point, because this witness is getting close to a point I have tried to make, and he is making it better than I, what we tried to do by giving money to foreign countries to buy our trade is force trade and have these countries buy more than they earn each year, and when they try to buy more than they earn each year, they have a dollar shortage. In trying to force this trade, we are forcing them to do something that they cannot do themselves. So then we give them the money to buy it.

In this country when we force trade beyond the weekly, monthly, or annual earning power, buy something that you can't afford at the end of the year, whatever it is, we have what you call installment buying, and it has been very successful until something happens to the man's job.

But really what we should do over there when we force trade here, we give them the installment buying, so he will have a couple of years to pay for a car or a year to pay for a radio. Maybe they could put in installment buying over there and prevent the necessity of having to pay for the goods ourselves. What they are doing is forcing clear beyond their ability to pay, and then a dollar shortage arises—that term was invented by the London bankers quite a while ago.

Mr. PASS. Mr. Wells brought up that point very well. The difficulty is that the workers receive so little in wages, such a small proportion of the national income, they can't afford to buy much by installment or otherwise, and consequently they don't have the home markets, and therefore they say they must have the American markets. Their goods come over here, put our people out of work, and our people can no longer buy.

Senator MALONE. Those same people over there are selling to the Iron Curtain countries, Russia and China, continuing to do it and laughing at us.

Mr. PASS. May I emphasize this: During the life of the Trade Agreements Act, the impact on the United States of this policy—largely unilateral in actual application—has been deferred by abnormal conditions, mostly incident to war. Now this country is beginning to feel the effect in unemployment of our Government's program of giving away American jobs.

The 9,000 figure in our little county would be much worse if the General Electric had not moved in with their electronics division.

Senator MALONE. Right at the top of our prosperity, too.

Mr. PASS. It is prosperity for some, it is not for us in the pottery industry.

I have heard it said by a representative of our national administration that the jobs of American citizens in certain industries may have to be sacrificed in order to carry through the administration's trade program.

Senator MALONE. That was the thought of the act in the first instance, and it was always promoted on that basis.

Mr. PASS. I can find no evidence to justify such sacrifice of American citizens.

I call attention to the published reports of recent increase in dollar reserves of European countries, also to the published reports of travelers to foreign lands on the relative industrial activity now and prior to World War II.

There is no unemployment in England, and Germany has fewer unemployed than we do. Percentagewise their unemployment is about the same, notwithstanding the fact that great numbers have come into Western Germany from East Germany, yet we continue to give away American jobs. It is as fantastic as Alice in Wonderland, without being amusing.

Senator MALONE. I think that is a good expression, "Alice in Wonderland thinking."

Mr. PASS. We do not believe that still further decreases in American import tariffs on chinaware are necessary to the economic solvency of friendly foreign nations as a whole; nor do we believe that the economic problems of Japan are soluble by the sacrifice of the potteries and the potters of this country. If so-called free trade is considered to be the answer to the world's economic problems, why do not the European countries which have pressed for continued reductions in United States tariffs, eliminate their own restrictions on imports from countries having lower wage scales than have they?

So long as great disparity exists between the wage rates of different foreign countries which are competing industrial nations, I gravely doubt that those with relatively high-wage rates will jeopardize the livelihood of substantial numbers of their craftsmen, or other workers, in pursuit of free-trade theories. I do not believe they are that visionary.

Defense record and importance of our industry to national defense: During World War I the vitrified china industry of this country supplied great quantities of tableware for mass feeding of the armed services and of defense workers, in addition to the general public. In order to perform the same service in World War II, the industry was declared essential by our Government.

During World War II, units of the industry produced specialized ceramic products for defense purposes, such as steatite porcelain and weapons utilizing ceramic components, as referred to later.

Modern technology of defense and attack involves types of weapons requiring components resistant to high temperatures and gaseous erosion. These properties are characteristic of high-fired ceramics, in which field manufacturers of vitrified chinaware are masters. Moreover, the requirements of modern warfare in electronic equipment necessitate the use of specialized ceramics, some of which are already being produced in our industry.

Such known needs of the Armed Forces for ceramic components, or components based on ceramic technology and involving high-temperature firing, are logical products for large-scale production by our industry in case of a national-defense emergency.

As an example of the importance of our industry to national defense, I shall cite the record and potentials of the pottery for which I work. In World War II we developed for the Armed Forces, in cooperation with Army Ordnance, a totally nondetectable ceramic antitank mine with chemical fuse, and we produced this weapon in quantity. It is believed to have been the first such totally nondetectable weapon. In order to accomplish this development quickly, we established a proving ground and ourselves performed the necessary research in explosive mixtures, loaded sample lots of mines and fuses, and tested them under simulated service conditions.

After standardization, this weapon was produced by other potteries also. We similarly developed further types of land mines and fuses, based on the principles of the original development, and produced them in quantity.

For these contributions to our country's war effort, we received a citation by United States Army Ordnance for "outstanding services," in addition to receipt of the Army-Navy E award. After World War II our company was designated by Army Ordnance for quantity production of proximity fuses in case of war, and this mobilization assignment continues in effect.

During the Korean conflict we developed, in cooperation with Army Ordnance, and produced in quantity complex miniaturized components utilizing ceramic techniques for new and "classified" types of weapons.

At present we are producing in quantity for commercial use electronic circuitry involving the same principles—ceramic components made by methods related to pottery practice, baked at high temperatures, as is characteristic of fine chinaware, and printed with conductors and resistors by methods long used in the pottery industry. This type of work will be an immediate and essential requirement of the Armed Forces in case of war; in case of all-out war, will require a large proportion, if not all, of the people employed by our company.

In addition, we are performing research under contract with United States Army Ordnance on the composition, processing and characteristics of certain "classified" ceramic electronic components.

If the American chinaware industry is to be traded away, an important resource for national defense will have been destroyed.

I now want to speak briefly, if I may, on the constitutional aspects of this. This section in headed "Preservation of Inherent Rights."

Under the administration of the Trade Agreements Act citizens of this country are being denied rights which we believe to be inherent in the concept and tradition of Government in the United States, with its three coordinate branches—legislative, administrative, and judicial. In the administration of this act, we believe that procedural provisions (specifically subsec. (c) of sec. 7) are being used by the executive branch to negate mandatory provisions (specifically sec. 6) in respect to protection of domestic industry and its employees from serious injury or threat of serious injury.

The fact of serious injury should not be ultimately determinable by the executive branch of our Government; nor, in our opinion, should it be ultimately determinable by a commission or board appointed by the executive branch. It is a matter of law and should be determinable by our traditional type of judicial proceeding.

To clarify the rights of citizens claming serious injury under the administration of the Trade Agreements Act, we suggest an amendment to that act specifying that ultimate determination of serious injury and redress under the law be vested in the judicial branch of our Government. We believe this to be the American way. And we are working on the means to implement that at the present time, and I will refer to that in our proposal here. In short, it seems to us wholly at variance with the concept and tradition of our system of Government in the United States that our property rights, our workers' job rights are being destroyed by Executive fiat, and that to us is much more like totalitarianism than it is like the democratic freedom which we profess to serve in this country.

Destruction of craftsmanship in America: As I have said, I am the third generation of my family to work in our potteries. We have several third-generation potters, many second generation, 1 or 2 even of the fourth generation working in our plants. People who become craftsmen usually stay with their craft; they naturally feel identified with the product to which their own skills have contributed. Our product is in reality an expression of ourselves, and in that sense a part of ourselves. This tends to become family tradition. It has always been so among pottery craftsmen and is, no doubt, characteristic of craft industry.

In the making of fine china there are many crafts which work together, over 40. The product of which they are a part depends on teamwork. No one can work for long in a fine chinaware plant without knowing this, without knowing that they are dependent on one another. Thus comes the comradeship of our craft. It applies to the workers in management as well as to the workers at the bench, for most of us in management have worked up through the plants, else we could not serve as well. We know we are dependent on the craftsmen with whom we once worked side by side. They are our friends and there is no duty we hold higher than our responsibility to provide security of jobs and income, opportunity to progress, to our fellow workers.

This is the antithesis of the great, mass-production industries, in which the individual seldom, if ever, sees the top bosses who control policy, to say nothing of knowing them. What pride of accomplishment can there be to the workers in such industries, servant to the machines. It is small wonder that they feel frustrated, a frustration which manifests itself in many ways, including industrial strife.

Far more of the man problems of our age are due to this frustration than most people know, or are willing to admit. Yet our Government seems bent on making all of us the human byproduct of this mechanized materialism.

Such frustration and the industrial unrest which it breeds are virtually unknown in the experience of our craft industry, are quite unknown in my experience of many years. In 35 years of intimate experience since I returned to the pottery from World War I, there has never been a falling-out between management and any group of workers in our plants; not 1 day lost of production and income to my fellow workers.

This is the comradeship of our craft, a comradeship not only in the beauty of the fine china we mutually produce. It is a comradeship of human values. In this mechanistic and materialistic age, we cannot afford to lose from our American life the human values inherent in craftsmanship and the craft industries; nor can we afford to lose the esthetic and cultural values which come from the crafts. For craftsmanship is the mother of art; whether in sculpture, painting, music, poetry, or other forms of art, one must be a craftsman before one can express one's concept as an artist.

I cannot stress too strongly the cultural value of craftsmanship and artistry, nor their importance in the life and civilization of America. It is strange to me in the materialism of modern times, that many seem to have forgotten what the ancients knew so well and the people of the Renaissance recaptured—that art and beauty are essential to the cultural life of any civilization worth perpetuating. Beauty is not the fruit of the punch press, the rolling mill, the assembly line; it is propagated by the crafts, and craft industry brings the product of the arts to the lives of the people.

I tell you this: If our governmental authorities continue to trade away American craft industries, they will have destroyed not only the livelihood of the craftsman; they will have destroyed in American cultural values, human values, no materialism can replace.

Economic theories versus human values: We have in this country too many theoretical economists who talk at length of economic advantage and of national wealth, and not enough humanists who think in terms of human values. The dollar, whether it is worth 50 cents or a dime, is not the measure by which we can judge our success or failure as a nation.

My grandfather came to this country from England in 1863. He was the descendant of a line of Staffordshire potters in England, as was my grandmother. They came to this country because they thought it the land of opportunity for themselves and their descendants.

This is true of the antecedents of most of us. Certainly they had no thought in coming here that our Government would one day be so misled as to dissipate the opportunities—and indeed the livelihood—of their descendants by giving these away to the people of foreign countries from whose ideals and standards they themselves had fled.

Are we, in our time, to betray their trust and say to their descendants who are craftsmen that this country is no longer interested in them, nor in the products and ideals of their craft? Are we to tell their descendants that they also must become automata of the machine age—the human byproduct of mechanized materialism? Are we to say to them that if they wish to continue in their craft, they must return to the country from which their forebears came?

To me and my fellow craftsmen that is betrayal of our American heritage.

Senator MILLIKIN. Thank you very much.

Any questions?

Senator MALONE. I would like to ask just 1 or 2 questions, Mr. Chairman.

Your testimony has been very interesting to me. I think you put your finger right on the sore spot. I want to say, Mr. Chairman, I appreciate hearing him very much. You put your finger on the fact, and it is a fact, in my opinion, that if this is continued on its announced voyage of continually and gradually, as they say, although not so gradual in some cases, but even if it is gradual, lowering of the duties below that differential of cost of production can result only in a leveling of the standards of living of all the nations of the world.

Mr. PASS. Bringing it down.

Senator MALONE. Ours naturally will go down, because we are 160 million people out of 2 billion. Naturally an average will be so much lower than our standard, and it will approach the standard that they have in European countries now.

I was impressed on my trip through Asia, the Middle East, in 1947. I went through Europe at the same time. In Pakistan these people are fine people. I find they are fine people in every nation of the world. The people have native intelligence and when they are educated they have the same understanding that we have.

This man had a farewell party that night, kept following me around all evening, and in every lull of a conversation with a particular group, he would say in his quiet voice, "You cannot have peace in the world with your standard of living so much higher than ours."

In order to keep away from an argument, I would make some perfunctory answer and move up to another group, and he followed me, and he said that in some half dozen instances in a very earnest voice. I know he believes it. I know the opinions in these countries are exactly as his, and that is exactly what they intend to do. That is not known to our workingmen and our industrialists here, and I do not believe it is known to our leaders in Government. It is known to some of the third and second echelons in some of the departments, that is, some members of them. What they hope to gain by it, I can't tell you. But I want to say that at this point, because you have testified that there is only one place for us to go, and that is down, and unless this act would be amended so that the President's final decision would also be bound by the determination of the Tariff Commission, or reference back to Congress, there is no way this act can be amended to help that situation because it is still left in one man, who unfortunately is guided by his departments that have run this country for 21 years.

Mr. PASS. May I ask you a question in that connection?

Senator MALONE. Yes, you may.

Mr. PASS. Is it not unusual, to say the least, that the executive branch should be able to use a procedural clause of the law to negate the mandatory clauses in the escape clause, section 6 (a)?

Senator MALONE. There is no mandatory clause in the escape clause. It is simply worded so they must ask the Tariff Commission to determine the fact as to whether there should be an escape and any determined adjustment would be below that fair and reasonable competitive limit, and the Tariff Commission is simply like the boys on the Senate floor, who serve the Senators. They do the bidding of the Senate. They are errand boys. The President may on the advice of his advisors disregard all the advice of the Tariff Commission. They have no authority. There is no mandatory provision in the escape clause or peril point.

Mr. PASS. Isn't it a matter of law that when my property rights and my people's rights to their jobs are at issue, if it is a question of law, should it not be adjudicable in the courts? Are we to be destroyed by executive fiat, and does that have any relation to the tradition, history and concept of our Government, sir?

Senator MALONE. I think in reading the Constitution—I am not a lawyer, but I have listened to a lot of them—in trying to interpret what the power of Congress might be in determining and adjusting the duties, imposts, and excises that we call tariffs, and regulating foreign trade, as the Constitution says we must, that we could, through an act of Congress, and be perfectly legal, wipe out all duties, but the people of the United States are our bosses and perhaps we would not return here if we did not conform with their wishes. That is a decision that this Congress is making here today; that is, this year, as we have made it several times since 1934, and I see no reason why if it is Congress' will, that they could lower that duty below that differential of cost of production, so that you would go broke, but they didn't do that. They set a policy down and directed the Tariff Commission in section 336 of the 1930 law, which has been maligned continually ever since it was passed, with a flexible provision, and directed that Tariff Commission to do just what you say you want to see the duty on the basis of fair and reasonable competition that would represent the reasonable cost of production in this Nation as compared with the chief competitive nation, and that is what Congress has told the Tariff Commission to do.

That law was superseded by the 1945 Trade Agreements Act which says just the opposite . The whole debate, when it was going on and the wording of the act, leaving to the President of the United States the additional factors, besides the protection of industry—it says here nothing about protection of industry at all—but it says he can rearrange these duties to conform to some idea that he may have of readjusting the relationship between agriculture, industry and mining, and other industries, or he may take into consideration a political situation in Europe between this country and any other nation, and it gives him that power to do that, and indicates he is to do that.

Mr. PASS. May I answer a question that you raised a moment ago?

Senator MALONE. Yes.

Mr. PASS. You said, Why is it that workers in industry do not understand this and do not see what is happening, and do not come and make an issue of it?

Senator MALONE. It is amazing.

Mr. PASS. That is what we are trying to do. But it is difficult to get the message across. It is very difficult, indeed. Our papers are filled with the opposite. Now I don't know what the explanation of that is, but I do know where the papers' revenue comes from, and I do know what would happen to the papers if they didn't receive that revenue, and I do know that those who are providing them with that revenue like to buy articles at the cheapest prices made possible by cheap foreign labor, and sell them at the high prices made possible by high-priced American labor.

I know it is much more profitable to be an importer than it is to be a potter. As for international banking, that is in the picture, too. It is very, very difficult to get our story across in any fair way. We might go on the television or radio, but it is expensive. We can't afford it.

Senator MALONE. The workers of this industry can change this almost overnight if they want to do it. I said in a talk recently at the University Club in New York where probably a third of the bankers in New York were represented, about 250 very fine people, I said among other things, that under the act we are trading the producing industries of this Nation for a bunch of waterfront brokers who produce nothing but take an override on everything that goes through the ports both ways. I meant every word of it.

I also said that these office buildings are built so high in New York that looking out of the windows of their offices they can see Asia, Africa, and Europe much easier than they can see the little States west of the Hudson River.

It may be a little facetious, but I meant it just the same. That is exactly what is happening, and you put your finger on it.

Mr. PASS. Mr. Chairman, before I leave, I would like to make a request. My people wish to come here. It wasn't practical for them to do so. They have sent down with me some of their work which I would like to have entered as a part of the testimony, if I may, as exhibits.

Senator MILLIKIN. Some of their physical work?

Mr. PASS. Yes, sir.

Senator MILLIKIN. I don't know whether it would be practical.

Mr. PASS. Because to a potter, his product speaks for him. It speaks for them so much more eloquently than any words of mine.

Senator MILLIKIN. You may submit it. I will be glad to see that it is brought to the attention of the committee.

Mr. PASS. Thank you.

(The following memoranda and proposed amendments were subsequently received for the record:)

ONONDAGA POTTERY CO.,
Syracuse 1, N. Y., March 18, 1955.

SENATE COMMITTEE ON FINANCE,
Senate Office Building, Washington 25, D. C.

GENTLEMEN: In appearing before your committee on March 10, 1955, I testified as follows:

"To clarify the rights of citizens claiming serious injury under the administration of the Trade Agreements Act, we suggest an amendment to that act specifying that ultimate determination of serious injury and redress under the law be vested in the judicial branch of our Government. We believe this to be the American way."

I also emphasized, however, that the "drafting of wording to properly implement this objective involves legal and practical considerations which are under study by competent attorneys who have not completed their investigation. It is our intention to submit to your committee an addendum on this subject as soon as the study is complete and a final draft prepared."

This study has been made and I am attaching hereto draft of proposed amendments prepared by our attorneys, together with brief explanation thereof.

After consultation with our counsel, we believe these proposals would have the following advantages:

First, these amendments would be of general application, and not intended for the exclusive benefit of any particular industry or industries.

Second, they would carry out what Congress presumably intended in section 6 of the Trade Agreements Act (title 19 U. S. C., sec. 1363). This provides in substance that no reduction in rates resulting from a trade agreement should be permitted to continue in effect when the product involved is being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to a domestic industry.

Third, it would recognize the right of American citizens to have their day in court, after exhaustion of their administrative remedies through escape-clause proceedings, when concessions granted to foreign countries seriously injure or threaten serious injury to American industry and its employees.

Fourth, it would revive traditional jurisdiction of the United States Customs Courts and the Court of Customs and Patent Appeals and permit the judicial branch, rather than the executive, to pass on application of the principle of law established in section 6 of the act of 1951 (19 U. S. C., sec. 1363).

Fifth, since jurisdiction of these courts would be contingent upon a prior escape-clause proceeding, and since these proceedings would involve entire industries or substantial segments thereof, litigation should not be of any large magnitude. Because designed for industry-group, class-type actions, this provision for judicial review should not place an undue burden on the courts or the Tariff Commission, nor obstruct proper administration of the law in accordance with traditional constitutional procedures.

Sixth, these proposed amendments would relieve the President of the United States of growing administrative burdens of a quasi-judicial nature, and would subject these controversies to decisions based on the law and the merits, rather than domestic or international pressures. The authority of the President would be preserved when direct impairment of national security might be involved.

It is respectfully requested that this letter and the enclosures be incorporated in the record in connection with my oral testimony of March 10.

Sincerely yours,

R. H. Pass, *President.*

MEMORANDUM

Washington, D. C., *March 18, 1955.*

To: Richard H. Pass, president, Onondaga Pottery Co., Syracuse, N. Y.
Subject: Proposed amendments to Trade Agreements Act of 1951 as amended by the Trade Agreements Extension Act of 1953.

Pursuant to your request, we are attaching in draft form proposed amendments to the Trade Agreements Act designed to carry out the recommendations submitted by you to the Senate Committee on Finance on March 10, 1955. Also attached is summary explanation of the suggested amendments.

Our draft is intended, in accordance with your suggestion, to clarify the rights of citizens claiming serious injury under the administration of the Trade Agreements Act, and to provide "that ultimate determination of serious injury and redress under the law be vested in the judicial branch of our Government."

Smethurst & Haslam.

Proposed Amendments To Trade Agreements Act of 1951 as Amended by the Trade Agreements Extensions Act of 1953

(Amendments are directed to title 19, U. S. C., secs. 1363 and 1364 which are secs. 6 and 7 of the act of June 16, 1951)

1. To amend subsection (a) of section 1363 by adding at the end thereof the following sentence:

"The term 'domestic industry producing like or directly competitive products' as used in this act shall mean that portion of the producing organizations processing, growing or otherwise producing products which are like or directly competitive with respect to end use."

2. To amend section 1364 by adding at the end of subsection (a) thereof the following:

"The testimony in any proceeding under this section shall be reduced to writing, and a transcript thereof, with the findings, conclusions and recommendations of the Commission, shall be the official record of the proceedings, and a copy of said findings, conclusions and recommendations shall be promptly mailed or delivered to all parties of record and published in the Federal Register. Where the membership of the Commission is evenly divided and at variance, the Commission's findings shall be construed as a finding of serious injury to domestic industry. Findings of fact, if supported by the evidence, shall be conclusive, except that, within such time after publication of said findings and in such manner as appeals may be taken from decisions of the United States Customs Court, an appeal may be taken from said findings upon a question or questions of law to the United States Court of Customs and Patent Appeals by any members of the industry or segment thereof alleging serious injury or threatened serious injury. The judgment of said court shall be final, unless reviewed by the Supreme Court of the United States by writ of certiorari or otherwise as provided by section 195 of the Judicial Code (28 U. S. C. 308)."

3. To amend subsection (b) of section 1364 as follows:

In line 2, delete the words "without excluding other factors, shall take into consideration" and substitute therefor the following:

"without excluding other evidence of current injury relative to a period immediately preceding the concession at issue, shall consider as evidence of injury * * *."

4. To amend subsection (c) and (d) of section 1364 by substituting therefor the following new subsections (c), (d), (e), and (f):

"(c) Upon receipt by the President of a report of the Tariff Commission, or a final judgment of the reviewing court, finding serious injury or threatened serious injury, the President is authorized to make such adjustments in the rates of duty, impose such quotas, or make such other modifications as he deems necessary to effectuate the purposes of section 1363. If the President does not take such action within 60 days he shall immediately submit and make public a report to the Committee on Ways and Means of the House and to the Committee on Finance of the Senate stating why he has not made such adjustments or modifications, or imposed such quotas."

"(d) If no action is taken by the President within 60 days following receipt by him of the findings of the Tariff Commission or final judgment of the reviewing court, or if the action taken would fail to prevent or remedy the serious injury to the respective domestic industry or segment thereof, any aggrieved member of the domestic industry, notwithstanding the provisions of section 2 of the act of June 12, 1934 (19 U. S. C., sec. 1352 (a)), may seek relief as authorized in subsection (c) of this section, before the Secretary of the Treasury in the same manner and form provided in title 19, United States Code, section 1516 (b). In any proceeding under this subsection, no rate of duty shall be determined to be the lawful rate of duty which is in excess of any rate recommended by the Tariff Commission or in excess of the applicable rate of duty fixed or authorized by the Tariff Act of 1930, whichever, in the judgment of the Secretary or the Court, as the case may be, will effectuate the purposes of section 1363."

"(e) No decision necessitating withdrawal of a concession granted a foreign country or countries under this act shall constitute a cause of action by a party injured by such concessions antecedent to such decision."

"(f) Notwithstanding the provisions of section 1363 and section 1364 of this act, as amended herein, there shall be no change in any rate of modification of any concession in conflict with a published report by the President to the Congress within 30 days after receipt by him of the report of the Tariff Commission, that such change or modification would directly impair national security."

Explanation of Proposed Amendments

This draft of proposed amendments to the Trade Agreements Act is intended to—

1. Redefine the term "domestic industry producing like or directly competitive products";
2. Reaffirm the intent of sections 4 and 7 of the Administrative Procedure Act, namely, that Tariff Commission decisions in escape-clause cases be based on the record of evidence and testimony submitted;
3. Require prompt notification to the parties involved in escape-clause proceedings of the Tariff Commission's findings, conclusions, and recommendations to terminate the practice whereby foreign governments and foreign competitors have received prior advance notice. Such notification is also a necessary step incident to the right of judicial review;

4. Permit review by the Court of Customs and Patent Appeals of adverse findings by the Tariff Commission of serious injury to domestic industry, and within defined limits, to permit redress in the courts in the event the President fails to act pursuant to Tariff Commission findings and recommendations in cases of serious injury to domestic industry. Provisions for review by the Court of Customs and Patent Appeals have been adapted from title 19, United States Code, section 1337 (Unfair Practices in Import Trade), from section 195 of the Judicial Code (28 U. S. C. 308), and from section 39 of the act of June 25, 1948 (19 U. S. C. sec. 1516 (b));

5. Judicial review would be permitted under the following circumstances:

First, where the Tariff Commission fails to find the existence of threatened or actual serious injury, the domestic industry may obtain review only on the question of law as to whether the failure of the Commission to find threatened or actual serious injury is in accord with statutory requirements; and

Second, in the event the Tariff Commission should find serious injury and the President should fail to take effective steps to remedy that injury, the domestic industry could pursue traditional procedures, initially before the Secretary of the Treasury with ultimate review in the Court of Customs and Patent Appeals, to obtain a determination whether the law was being administered in accordance with provisions of the escape clause.

6. The proposed subsection (e) would make it clear that no private right or cause of action should arise by virtue of any injury sustained prior to any decision imposing higher rates of duty.

7. Subsection (f) would deprive the Secretary of the Treasury or the court of any authority to change a rate or to modify a concession in conflict with a determination by the President, in his review of Tariff Commission findings and recommendations, that such change or modification would directly impair national security.

Two additional points should be noted in explanation of the above proposals:

First, the court review would be permitted only at the instigation of members of the domestic industry. There are several reasons for this limitation:

(1) Escape-clause proceedings are not "adversary" proceedings between domestic industry and either importers or foreign producers.

(2) Importers or foreign producers may intervene in such actions in the same manner as any person having an interest short of a legal right.

(3) Since the purpose of an escape-clause proceeding is to protect domestic industry, domestic producers would have no interest in delaying or obstructing such proceedings, whereas the foreign producer or importer might; and

(4) Denial of the same procedural rights to one as against another interest has a counterpart in section 1337 (unfair method) where only the importer or consignee has the right of appeal to the Court of Customs and Patent Appeals.

Second, the requirement that escape-clause proceedings before the Tariff Commission be on the record is strictly in accord with sections 4 and 7 of the Administrative Procedure Act and would not conflict with prohibitions against disclosure of trade secrets or processes (19 U. S. C. sec. 1335). Data on sales, prices, costs, and profits, material evidence in an escape-clause proceeding, is not normally embraced within the category "Trade secrets or processes" (see Administrative Procedure in Government Agencies, S. Doc. 8, 77th Cong., pp. 183–184).

The same problem arises in other agency actions, such as Federal Trade Commission, Interstate Commerce Commission, etc., without impairing ability to decide cases on a formal record of the testimony and documents placed in evidence.

Senator MILLIKIN. Mr. Rohrer, you have to get out of town, and you want to be heard quickly. Your limit is 5 minutes, because people have been here sitting all day waiting to be heard.

STATEMENT OF CHARLES C. ROHRER, ELKHART, IND.

Mr. ROHRER. I will make it snappy.

The thing I would like to bring before this committee are a few things that I picked up all over the United States.

First. Some few powerful corporations who now own and have the controlling interests in the West German and Japanese economies, are now trying to abolish our protective tariffs in order that they may pour onto the rich American markets their American-owned foreign-produced goods.

Produced with cheap labor and raw materials, indeed, often purchased from the Communist economic orbit at about one-half the price of here in America, this is especially true of coal and minerals.

This Japanese-American textile industry is crowding out our Western allies from world markets and forcing them to trade with the Russian economic orbit for self-survival. Many a textile mill I find here in America is forcing a drastic cut in textile wages or go out of business due to this Jap competition.

Next to textiles is the auto industry. They are now starting to produce autos and parts in West Germany and Japan. Soon a German car is to appear on our market to sell well below $1,000, made by our former enemy who produced aircraft for the German Army. This is only a beginning. Soon our big industries will not stop going down South to cheap labor but will keep right on going all the way across the waters to Asia and Europe to cheaper labor and raw materials. This will throw millions of Americans out of work. Then the big industrialists will break organized labor wide open, just as Mr. Paul Hoffman did at his Studebaker auto works in South Bend, Ind.

No wonder he is for lower tariffs, he, some months past announced in the South Bend (Ind.) Tribune that he "like some other car manufacturers, was soon to start producing cars and parts in Japan." Only this week the Chicago (Ill.) Tribune announced that Germany was soon to enter the American car market with a cheap car well under $1,000, and so it goes.

But if we lower our national economic dollar turnover, who will pay all the taxes on our set expenses?

We now have some 20 billions of dollars in foreign investments and they are growing at a very rapid rate. Our tax rate is most favorable to these foreign investments which yield from 10 to 30 percent annual dividends, but alas they also are the root of our foreign policy troubles. It is going to take many a boy's life to defend the white man's possessions in foreign lands.

I firmly believe that the white man's economic days are numbered in Asia.

Asia has awakened. No wonder the French, Dutch, and British are unloading their real-estate holdings onto greedy Americans. They well know their deeds of title are none too safe.

I have noted as I travel down South, that the press down there are prolower tariff men, largely because they sell some 6 or 7 percent of their raw cotton or semifinished products to the Japanese textile men. But if our own markets fade out, and America is their best customer, they will regret their lower tariff ideals.

I certainly thank you.

Senator MILLIKIN. The Senator from Nevada wishes to ask you a question.

Senator MALONE. Mr. Rohrer, I would like to ask you one question: Why is it if what you say is true—and I firmly believe it is—why is it that the workingmen of America do not know it and realize it and take a hand in this game?

Mr. ROHRER. This afternoon I went over to Labor. There is a little labor paper down the street to see how they felt about this issue, and they said, "Mister, some of us are for it and some of us are against it, but all of us are just simply for more railroad business, either incoming or outgoing."

I just walked out. It seems to me like they are simply pennywise and dollar-poor in this issue. I believe they will live to regret it, and how they will regret it, because this thing is something brandnew in our economic life, in our national life, this idea since World War II, whereby our big industrialists—10 of them, mind you, who went into the Jap's country and took over what the 12 leading families formerly owned, and they put a pistol to their back, hung some and shot some, and said, "You better deliver or if you won't, you won't live."

Now we own 61 percent of the Japanese stock, which is a controlling interest in the Japanese economy. The same thing is true in Western Germany. We went in cahoots with the former Krupps and Farbens, and now we are pouring millions of dollars into that economy, and a lot of it is seeping back into these people's hands.

Senator MALONE. If you answer my question, what has to happen? Do they just have to hit the street before they wake up?

Mr. ROHRER. I believe it. That will have to happen. I don't think it is too far off.

Senator MALONE. Thank you.

Senator MILLIKIN. Thank you very much.

Mr. Frank Hull is the next witness.

STATEMENT OF FRANK HULL, INTERNATIONAL BROTHERHOOD OF OPERATIVE POTTERS

Mr. HULL. I have the honor of representing the pottery workers and their families and I have been directed by them through their organization to register their very serious protest in opposition to enactment of any further reductions.

Our people are very much concerned about this. They feel that their Federal Government has proposed a law designed to take away from them their right to earn a living at their trade.

I subscribe to the statistics and comparisons given to this committee by Mr. Wells.

We know they are the truth and if I lay before this committee further statistics along that line it would merely be repetitious.

But we are concerned about work opportunities. The industry has been struggling for many, many years in an effort to establish itself in the American market, and of course the only time that we really came close to doing that was during periods of war when foreign competition was nil.

We just can't understand why the administration and those in favor of H. R. 1—we just can't understand how they think about these things.

We can't realize that they surely understand what they are doing when they indulge in activities of appeasement and barter away the work opportunities of the American pottery worker by reducing the tariff 15 percent as proposed.

We wonder if that is the end. Is there any end to appeasement? Is it in any sense similar to blackmail? If there are people in Government who feel that this sort of appeasement will relieve the tenseness of the situation existing in Japan especially at this particular time where the Japanese worker, including the Japanese pottery worker, is becoming very restless. He is on the move. He has been learning a great deal about the United States of America, our standard of living, our conditions of life, our liberty, and our freedom.

And he has indicated that he would like to enjoy a little of it.

And I wonder if the Japanese pottery manufacturer and the Japanese exporter together haven't come up with a proposition designed to reduce our tariff and a trade agreement that will accord them an opportunity to relieve the tenseness of that situation and for the moment at least possibly prevent the Japanese worker from going over to the communistic line.

I wonder if that is their thinking. If it is, where is the end?

If we reduce the tariff down to 50 percent, will that be the end of the thing? Or will the pressure continue to be on and will they eventually remove all tariff as a measure of appeasement.

If so, what will become of the American pottery industry?

The American pottery market, we all understand, realize will be handed over to the importer.

What will they do in the market?

Will they enter into agreements that they will not sell below a certain margin as a means of protecting the economy of the worker and the industry of their own country?

Certainly not.

They will come in the American market and cut it, cut the legs out from under each other.

It will be cutthroat competition and finally the measure of appeasement will be destroyed, the effects of it will be destroyed. That is the end. Our people understand that.

The industry has been working considerably less than capacity production for a long, long while. And we have been trying as hard as we can to keep abreast with moving events in labor-management negotiations but we are falling by the wayside.

We see this onslaught broadening in scope. One branch of our industry, the sanitary branch that manufactures sanitary earthenware, bathroom fixtures, they haven't been confronted with foreign competition up until recently.

It is just beginning. The average wage in that industry is in excess of $2 per hour.

In the dinnerware industry the average wage is less than $1.70 an hour.

As a result of being free from this unfair competition, they have established pensions, welfare plans, to take care of the worker and his family and have consistently followed the labor-management patterns that have been established in the United States.

In the dinnerware branch of the industry that hasn't occurred, and it hasn't on that almost exclusively because of foreign competition.

Just recently we discovered that the Japanese are invading the sanitary field.

They are now laying down lavatories in the city of San Francisco at $4 less than the American market price. We know that all of the other items will soon follow. And the effect of this bill that we are discussing this afternoon seriously will encourage that and develop that and very likely destroy another fine industry.

The American pottery worker is an unusual worker, that is compared with most other workers in American industry.

He is not bringing his message to you in the sense that he feels that if he gets certain protection in tariff that he can sufficiently enhance his own welfare. Certainly he wants these things reasonably so but the American pottery worker is different from most other factory workers in that he is a pieceworker. He gets paid for that which he produces.

He is in business so to speak.

He is selling something to the employer. The condition of the industry is not the result of the worker's failing to produce adequately. They do produce. The average age in the industry is in the neighborhood of 50 years. They cannot be placed or absorbed in other industries.

Because of their age, a great many industries in the United States refuse to hire people after they pass 40 years of age.

He is a tradesman. He is a craftsman. He serves from 1 to 5 years apprenticeship at a lesser rate of pay than journeyman to graduate into journeymanship.

He suffers a loss in wages as much as 33⅓ percent when he is serving as an apprentice.

It is his trade, it is his life, it is his business. And they are going to take it away from him. And he doesn't know what to do about it.

And he comes to you people to ask you to help him, because he is a good citizen, most of the people working in the potteries are of English descent. They either own homes or are buying them. They send their children through school and college in many instances.

They are an asset to their communities. They take an active part in civic affairs. We sit down and negotiate with our employer every 2 years and we negotiate a contract. We endeavor to keep abreast of moving events, but in some instances we fail.

And if we do fail, we feel that possibly it was our fault. We have had one strike in the industry since 1893, that was in 1922. We get along well bargaining collectively with the employer. We endeavor to meet our problems on the basis of merit rather than the utilization of force but we are stymied, the tariff should be increased. American valuations should be written into the law.

The administration should be concerned about an investigation of these things that we relate and they should send a corps of experts to these foreign countries and get the facts before they negotiate trade agreements that have within their makeup the destruction of a great basic industry.

The American pottery industry is dissimilar in many respects as has been stated here today as compared with other industries. It is a hazardous industry to say the least. It is an industry that has its limitations concerning the adaptation of modern machinery and methods.

When you take the human touch away from clay you are in trouble. However, the industry has modernized in great measure in the last 30 years. If that had not occurred there wouldn't be any American pottery industry as of today.

They would have just gone out of existence. That is all.

Here they are confronted with competition not only from Japan, which is unfair, but from France, Italy, especially is the French competition becoming terrible. They are flooding this country today with 5-piece starter sets through the markets, 60 and 62 cents per set. The American pottery manufacturer cannot market that type of merchandise at that price.

But in some instances they are attempting to meet it. They are not making any money. They are not because it will not accord them the opportunity to improve the conditions of the people who are working in the industry.

The speedup system no doubt will be established. Corners will be cut. Economies will be effected in every possible way with the result that the quality of the product will be lessened and the purchasing public will not get value received when they buy it.

Those are the things that are in the making and those are the things that are going to be expanded, if this H. R. 1 is enacted into law.

And certainly that would be bad enough, that would be a terrible disaster to say the least, but will that be the end?

Will that be the last? Will they continue to pressurize? Will they continue to appease?

Most of us have little knowledge of how far we can extend ourselves in any activity. We can do things under duress and pressure that we didn't imagine were possible. I am just wondering how this industry is going to remain in existence if this program of continual unfair exposure to unfair competition is continued and the indication that I get from events in government is that it will. That is the program.

We in the pottery industry may just as well reconcile ourselves to the inevitable, that the industry is only going to remain temporarily, that eventually it is going to be eliminated and the job opportunities will go down the drain.

There are many potteries in the last 3 or 4 years that have gone out of business.

We have one over in Trenton, N. J., this Scammell China Co., which has been in business 80 years, are gone.

The Carr China Co., in Grafton, W. Va., are gone

The McNicol China Co., in Clarksburg, W. Va.; they went out of existence. Another group has picked it up and they are having a terrible struggle.

In the semiporcelain dinnerware field there are several on the brink of the precipice. They are just ready to topple down into the abyss and go out of business. The people who depend on the industry are not making ends meet and actually in a great many of the communities where our people are employed the pottery is the only industry. There is nothing else for them to fall back on other than the land or the air.

We have a company in East Palestine, Ohio. They have two potteries. One of them has been closed down for 2 years. No business, and these people are not within traveling distance of other industry. They just become destitute.

That is the condition we are confronted with. I appreciate very sincerely the attitude of you gentlemen, and from the remarks that I have made this afternoon I believe that you realize our position, and I don't think we require much persuasion to convince you of the truthfulness of our story or the necessity for help.

We have told the Congressmen, the Senators; we have told them the story. However, the administration seems to believe that it will be of the greatest value to the United States of America and her economy if the job opportunities and the livelihood opportunities of American pottery workers are transferred to the Japanese.

And with that we disagree. We cannot compete fairly with them. And we believe that a program of appeasement will only extend the misery. If they are thrown on their own, certainly they will find some way to improve the situation. Certainly they will not continue to enjoy the unfair tactics they practice in the American market.

It will be necesasry for them to pay their workers a living wage. And improve their economy and become self-reliant and not depend upon the assistance that they are going to get in their present frustration from the United States of America.

We all believe in helping people when they are destitute; that is a natural practice of Americans.

We believe in that. But certainly we disagree that that thing should continue, and continue at our expense, which prevents people from exercising their ingenity and helping themselves.

They are depending upon us, and we feel that the United States Senate has a great opportunity, we think, when this bill comes before it, to give notice to the world at large that the party is over.

We are not going to appease the peoples of the world out of communism. It just isn't being done.

If they cannot operate potteries successfully in Japan or France or elsewhere on the basis of fair competition in the markets of the world, then they don't just justify existence, and I say we can do that in the American pottery business and we have done it.

We built it, the American pottery industry in the United States of America, from the ground up. We didn't get any help from any other sources other than ourselves. When the industry was first built in the United States of America, the American pottery worker was afraid even to put an American trade name on his merchandise.

He labeled it with a lion and a unicorn to indicate to the public that it was made in Britain. He struggled and he progressed, and he used his ingenity and skill and he built a great industry, without British help or without help from any foreign country. They built it out of nothing and here it is, employing all of these people.

Now someone is going to give it away to a foreign country. Gentlemen, we don't like it.

Who is going to appease the American pottery worker?

The worker who is 50 or 60 years of age after his insurance, his unemployment insurance, is exhausted?

Who is going to appease him and how? I don't know. But it is something for all of us to think about. That is my statement.

Senator MILLIKIN. Any questions?

Senator MALONE. Mr. Hull, I would just like to ask you one question. You are the first man who has appeared here—you are not the first one who has told this type of story, but you are the first one who really put it across.

You are an official of the International Brotherhood of Operative Potters?

Mr. HULL. That is right.

Senator MALONE. What is your position?

Mr. HULL. International president.

Senator MALONE. International president?

Mr. HULL. Yes.

Senator MALONE. That takes in members then in other countries besides our own?

Mr. HULL. In Canada.

Senator MALONE. Only?

Mr. HULL. Only.

Senator MALONE. I want to ask you how is it that labor can possibly be divided on this question of dividing American markets with foreign countries. Obviously that is what it is doing and that, in my opinion, has been the objective from the beginning. The objective is to level the living standards of the people of this Nation with those of the world and that is being done.

Why is labor divided on this question when labor is the first to suffer?

Mr. HULL. That is an easy one, because they are employed by exporting industries.

Senator MALONE. Not all of them.

Mr. HULL. In great measure they are. The leaders come from exporting industries. Our industry is not an exporting industry at all. If all of the potteries in the United States of America were operating to capacity they could not begin to supply the American demand.

Senator MALONE. The mineral industry is not an exporting industry; to a large extent the glass industry is not an exporting industry. We used to export some machine tools; not much any more. More are imported.

No use going into all these industries. Many industries are not exporting industries; labor is for the 1934 Trade Agreements Act. Why?

Mr. HULL. For the same reason that I suppose I have read and heard of many Representatives in Government who were reconciled to a reduction of tariff in some other person's congressional district but not in their own.

Senator MALONE. Of course, I think the weakness of industry, of the industrial people who are producing this material and of labor in confronting this issue is just that.

They are for a tariff on what they produce, and on free trade on what they buy. When they get through with it there is a divided opinion down here and therefore the situation prevails as it started in 1934 when the tariff policies of the United States of America for 75 years were completely reversed.

What can be done to wake this crowd up in time before they are on the street?

They are going on the street in my opinion, the rest of them.

Mr. HULL. I think one of the things that certainly should be done that we are dealing with here say in large measure, I think the facts of the foreign situation should be investigated and they should have the facts.

I recall back in 1913, after Woodrow Wilson was elected, and they began to amend the tariff reduction by the Underwood Act which reduced tariff. Woodrow Wilson directed the Secretary of Commerce to investigate the American industry and the program was to investigate the foreign industry but World War I occurred and it was never done.

Most people read these items in the newspaper and they say politics—oh, it is politics. But if we had the facts, if the United States Senate would insist that there be a thorough investigation of the situation in the unfair competing foreign countries, I think it would bring it more aptly to the attention of the American people and the American voter than any other method.

Senator MALONE. Let me say to you that there has never been any doubt in my mind or anybody's mind that when these trade agreements are made they are not trade agreements, they are agreements to lower tariffs. We lower the tariff rate on something and they lower it on something else. Then the county with which the agreement was made immediately changes the value of its money or creates a value in terms of the dollar that stops importation or requires exchange and import permits—probably they used them already—and thus completely defeat any reciprocity if any reciprocity was ever intended. Of course, there is nothing about reciprocity in the act itself.

That fact is well known, I think to everybody. At least no one ever disputes it. Why is it that men like yourself—you are doing it, and there are hundreds of you—why is it you can't all get together and get that idea across. If men like you come down and testify from every area in this country, or if you made yourself known in your own area, this thing would change overnight.

That is my opinion. And it is on your own shoulders.

Mr. HULL. I can't disagree with you too severely, Senator. That is certain. But I certainly think that it is in order—I certainly would like to see an attempt made to amend the bill to substitute American valuation in place of foreign valuation at this particular time if they are going to reduce the tariff 5 percent per year for 3 years let's do it on an honest basis and not on a deceptive basis.

Senator MALONE. Your tariffs do not now protect them, do they?

Mr. HULL. No.

Senator MALONE. We have had testimony here from many that the idea of this legislation is that we have a gradual continual reduction. For 21 years that has been the idea sold to this country. So you know it is going to be done, regardless of what else is going to be done as long as this power stays in the State Department where it virtually is. So I would like to ask you: Why is it that the American workingmen are for the transfer of their jobs to foreign soil, which is what it amounts to?

Mr. HULL. I can answer partially at least that I did succeed in getting a resolution adopted by the American Federation of Labor.

Senator MALONE. What did it say?

Mr. HULL. I don't have it with me.

Senator MALONE. I have never read a resolution of the A. F. of L. that objected to the extension of this act.

Mr. HULL. I will send it to you.

Senator MALONE. I wish you would because I read everything they send me.

Mr. HULL. I certainly will send it to you.

Senator MALONE. Wire it to us. I want it for this record.

Mr. HULL. I will.

Senator MALONE. The CIO–PAC has a resolution for free trade. The A. F. of L. has never said that it was opposed to the extension of this act unless it is the resolution you mentioned.

If you read it carefully and know you are right about it——

Mr. HULL. I have, definitely.

Senator MALONE. And that the national convention of the A. F. of L. they adopted such a resolution.

Mr. HULL. They are doing some effective work in Japan in the field of organization.

Senator MALONE. I understand that they have an international organization. I am asking you if this resolution to your certain knowledge objects and says that they object as an organization to the extension of this act?

Mr. HULL. That is right. I put them on record in Los Angeles last September.

Senator MALONE. I know I was in communication with them on the telephone almost every day and I was under the impression that I was unsuccessful. I was only one that was working on it apparently.

Mr. HULL. That is a matter of fact.

Senator MALONE. Our State legislature in Nevada passed a resolution opposing the extension of the act. I just put it in the Congressional Record. They are about to adjourn.

Senator MILLIKIN. Mr. Hull, will you supply the record with a copy of that resolution?

Mr. HULL. I will see that you get a copy of it tomorrow, sir.

Senator MALONE. Thank you.

Senator MILLIKIN. Thank you.

(The document referred to is as follows:)

The resolution which was unanimously approved by the convention follows:

Whereas the imports of pottery have deprived many of our members of jobs or placed them on shortened workweek; and

Whereas imports come from countries where wages are far below our own, ranging from a quarter to a tenth of the wages received by our members; and

Whereas these lower wages result in lower rates and thus confer a great competitive advantage upon imports; and

Whereas wage costs represent from 60 to 70 percent of the cost of production because of the large amount of handwork involved in pottery manufacturing; and

Whereas our membership faces economic disaster if the inroads of imported potter upon the domestic market is not halted; and

Whereas competition varies greatly, depending upon the source of the imports; and

Whereas the United States Tariff Commission found such a difference in cost of production between domestic and Japanese pottery that a duty of 249 percent would be required to equalize costs; and

Whereas such a rate of duty would have an appearance of exhorbitance and would in fact be higher than necessary with respect to imports from other countries, thus rendering the tariff an improper instrumentality of regulating pottery imports: Therefore be it

Resolved, That the American Federation of Labor lend its support to the efforts of the International Brotherhood of Operative Potters to obtain through official Federal channels the imposition or reasonable import quotas on the imports of pottery; and be it further

Resolved, That such import quotas be based upon imports of recent years and the quantities reduced to a percentage of total domestic consumption, this percentage to represent the share of the market that may be supplied by imports in future years and thus insuring against the destruction of our market and the progressive deprivation of jobs to our membership; and finally, be it

Resolved, That copies of this resolution be sent to the President of the United States and to members of the House Ways and Means Committee and of the Finance Committee of the Senate.

Senator MALONE. I think you have thoroughly covered the situation, and I have no further questions except that you do understand that if we extend this act under any situation and then it stays in the hands of the State Department or the executive branch that we still cultivate organizations such as GATT, General Agreement on Tariffs and Trade, United Nations organizations like the one that has just been created through a U. N. Assembly resolution, the International Materials Conference, and others that work while you sleep and show up with these agreements which are binding.

You understand that if we extend this act we continue their racket.

Mr. HULL. That is right.

Senator MALONE. If we don't extend the act, we withdraw from the pot and when we withdraw our markets from the pot, there will be no game. It is a sucker game and that is exactly the way it operates.

Mr. HULL. Well, we took a very active part in the building of the organization represented by Mr. Strackbein.

Labor, management, and agriculture and certainly they have trained their guns on GATT in a very effective way.

Senator MALONE. But you have the Farm Bureau and the Grange and the Farmers Union here to testify that they want this act extended. You knew that, didn't you?

Mr. HULL. Yes; I know that.

Senator MALONE. You haven't got the farmers with you very much.

Mr. HULL. Well——

Senator MALONE. I think you have individual farmers with you. I don't think the individual farmers in my State believe in free trade. I do not believe they do, because they know that we have to make up that differential between the support price and the world price, that is the taxpayer has to make it up.

We are United States taxpayers here in the Senate just like you are out where you live. Many of the agricultural products are taken care of and they are protected so the leaders come in and testify that their whole organizations are for free trade.

I can't believe it. It is not so in my State. I can't tell you the majority is not for it because I have not made a poll, but I know many individual farmers and ranchers who are not for free trade because it ruins the cattle business, ruins the sheep business, ruins every business there is. They are on the hook all the time.

Mr. HULL. Certainly it is true the sugar people made themselves felt down here.

Senator MALONE. That is true. If the workingmen of America come in like you have done this thing will change overnight. It is on your own shoulders.

Mr. HULL. Well it is a political situation. It is highly charged politically.

Senator MALONE. Let it be highly charged. Who cares?

Mr. HULL. There are such great numbers employed in heavy industry that are being influenced in behalf of the adoption of this bill.

Like the pottery workers no doubt, they have been told this would be good for them. We understand that it will not be good for us and there we have a parting of the ways.

Senator MALONE. You are trading the producing industries of this country for a bunch of waterfront brokers who have taken an override on both ways, coming in and going out.

An override in my country is when you take a percentage and produce nothing. Everybody will see it in due time but if they have to be on the street first it is going to be a little rough.

Mr. HULL. I will see that you get a copy of the resolution tomorrow.

Senator MALONE. Thank you very much.

Senator MILLIKIN. Thank you.

I submit for the record a statement of J. J. Stein in behalf of the California dinnerware and pottery industry.

(The material referred to is as follows:)

STATEMENT BY J. J. STEIN IN BEHALF OF CALIFORNIA DINNERWARE AND POTTERY INDUSTRIES ON H. R. 1, SENATE FINANCE COMMITTEE, MARCH 1955

(NOTE.—In compliance with your general request for consolidated testimony, the California manufacturers of earthenware and chinaware products earnestly and fully support the views of our industry spokesmen who will orally testify at the hearings scheduled by your committee. The California segments of the industry desire, however, to file this statement for your information and record.)

My name is J. J. Stein. I am secretary of the California Pottery Guild, Los Angeles, and of the California Art Potters Association, Los Angeles. These two associations are composed of the principal California manufacturers of dinnerware and art pottery and represent about 95 and 80 percent, respectively, of the production of such articles within the State.

The term "dinnerware" applies to tableware of earthenware or chinaware. The term "art pottery" applies to a wide variety of household articles, made of earthenware or chinaware, such as lamp bases, bowls, figures, vases, flower containers, candy jars, cigarette boxes, etc.

It is our understanding that your committee has before you, and will give full consideration to, the briefs and testimony submitted at the hearings on H. R. 1 before the House Ways and Means Committee. (A copy of my statement at the latter hearings dated January 26, 1955, is attached to supply certain background and statistical data.)

Our industry has been seriously injured by imports of earthenware and chinaware from foreign countries, notably Japan, where wages are one-tenth of those paid in California. We have substantiated the precarious condition of our industry in briefs recently submitted to the Tariff Commission and to the House Ways and Means Committee. It is indisputable that the extension of the Trade Agreements Act, in its present form, will strangle the domestic industry.

We find no comfort or encouragement in the statements by the administration that "there will be no drastic tariff cuts. If the administration plans no drastic tariff cuts and if the statement attributed to President Eisenhower is correct that "no American industry will be placed in jeopardy by this measure," then there should be no valid objection to incorporating into H. R. 1 such basic intent in clear and unmistakable language.

Domestic industries are surely entitled to know whether the escape clause, so frequently referred to by the administration as a safeguard, actually provides relief when serious injury is suffered. Based on the record of past years, the so-called safeguard has been a delusion. Unless your committee desires to continue the delusion, the escape-clause provision should be amended to require that the facts and findings as determined by a qualified agency of the Government, namely, the Tariff Commission, shall be binding upon the President. To do otherwise is to proclaim that the economic facts pertaining to an industry adversely affected by imports are to be completely disregarded and that political considerations alone are paramount.

What relief can an affected industry receive under the Trade Agreements Act if the findings developed through an impartial investigation by the Tariff Commission are not controlling except, of course, on matters dealing with national security? How else can an industry prove serious injury suffered through imports? The apparent unwillingness of the administration to allow the facts to determine the relief, if any, to be accorded an industry indicates that the act provides no safeguards. Our industry cannot reconcile the administration's statement on the one hand that no drastic tariff cuts will be made, while at the same time the administration insists that an increase in imports is mandatory for the economic health and security of the United States.

We urge the Senate Finance Committee to reject H. R. 1 unless the avowed principles as expressed by President Eisenhower and the administration are clearly written into the bill through necessary amendments.

STATEMENT BY J. J. STEIN IN BEHALF OF CALIFORNIA DINNERWARE AND POTTERY INDUSTRIES HEARINGS ON H. R. 1, HOUSE WAYS AND MEANS COMMITTEE JANUARY 26, 1955

My name is J. J. Stein. I am Secretary of the California Pottery Guild, Los Angeles, and of the California Art Potters Association, Los Angeles. These two associations are composed of the principal California manufacturers of dinnerware and art pottery and represent about 95 and 80 percent respectively of the production of such articles within the State.

The term "dinnerware" applies to tableware of earthenware or chinaware. The term "art pottery" applies to a wide variety of household articles, made of earthenware or chinaware, such as lamp bases, bowls, figures, vases, flower containers, candy jars, cigarette boxes, etc.

This hearing today represents the fourth time within a period of 13 months that the dinnerware and art pottery industries of this country have been forced, in self-defense, to appear before a governmental agency and support their right to operate and function under the American free-enterprise system. It has been but 6 weeks ago that we appeared before the Tariff Commission and submitted substantiated evidence that foreign imports, at existing rates of duties, have caused serious injury to the American producers of dinnerware and art pottery.

At the simultaneous hearings last month before the Tariff Commission and before the Committee for Reciprocity Information, an impressive amount of statistical data compiled by the industry was introduced to demonstrate that the present duties on earthernware and dinnerware articles are not a deterrent to imports. The statistics revealed these startling facts:

(1) That 86 percent of the china dinnerware purchased in the United States is imported.

(2) That 70 percent of the china dinnerware purchased in the United States now comes from Japan.

(3) That imports of art pottery currently represent a dollar volume 130 percent greater than the entire domestic output.

(4) That the domestic art pottery industry shares the American market on a 60–40 basis—60 percent to imports, 40 percent to American producers.

What other American manufacturing industries share so large a portion of their domestic market with imports? We know of none. What possible economic advantage could be offered Japan, or any other exporter of dinnerware and art pottery, if it depends upon squeezing the American production still lower? Surely the point of diminishing returns has been reached.

We oppose H. R. 1 because after 20 years of experience, the operation of the Trade Agreements Act reveals that the United States has made all the concessions while the foreign countries have erected the barriers which nullify, to a great extent, our efforts toward freer world trade. The best illustration of this point is to be found in H. R. 1 itself. This legislation proposes extremely liberal concessions (at the expense of domestic industries) but makes no effort to condition these concessions upon the removal or lessening of the trade restrictions so frequently resorted to by foreign countries through such devices as import licenses, exchange controls, embargoes, preferential rates, etc.

We are opposed to the Trade Agreements Act because through its operation, the constitutional authority of Congress to regulate foreign commerce has been usurped by the State Department. The passage of this bill would place Congress in the position of legislating on a vital policy but without the ability and power to exercise control over it. We therefore recommend that the Trade Agreements Act be allowed to expire in June of this year. We further recommend that legislation similar in principle to that introduced in the 83d Congress (H. R. 9159) be reintroduced to restore to Congress its vested right to regulate foreign commerce.

H. R. 1 also provides for uniform, across-the-board tariff reductions without regard to product or industry or justification. Such a proposal indicates a complete disregard for equity. Until such time as American industries are sharing their domestic markets on some uniform or reasonably proportionate basis, how can a uniform reduction in tariff rates result in anything but gross injustice and compounded inequities? An industry that shares 86 percent of its domestic market with imports is surely entitled to a different tariff reduction policy than another industry that shares, let us say, 1, 5, or 10 percent of its domestic market with imports. Apparently, the framers of H. R. 1 completely neglect the responsibility of dividing the burden of our foreign economic policy among all branches of American industry. Perhaps you can understand our bewilderment when we find ourselves compelled to defend our existence, at this level, even though as an industry, we must stand near the top as far as sharing the American market with imports is concerned.

Particularly in the case of dinnerware and art pottery made in various countries and exported to the United States, certain major considerations must inevitably influence the establishment of fair and reasonable tariff rates. Unquestionably the tariff must be based upon such controlling factors as the country of origin and its prevailing wage scales, foreign value of the articles involved, degree and extent of competitive impact, etc. Since the domestic industries must compete with imports from all countries, a uniform tariff rate gives undue and important advantages to the country with the lowest wage scale and in most cases that means the lowest cost of production (foreign value). Thus the existence of a 70-percent tariff rate may, in reality, be a low rate when it is applied to extremely low foreign values. The brushing aside of the factors which have such an important influence on foreign and domestic trade indicates the fundamental error of uniform, across-the-board decreases in tariff rates as proposed by H. R. 1.

We oppose the extension of the Trade Agreements Act as proposed in H R. 1 because the so-called safeguard to domestic industries contained in the act, referred to as the escape clause, has proven to be a false hope. The escape-clause provision, which is so greatly emphasized whenever the act is before Congress for extension, is to be invoked when "articles, on which a concession has been granted, entered in such increased quantities as to cause or threaten serious injury to the domestic industry producing like or directly competitive articles."

Regardless of the actual serious injury suffered by our industry, as will be pointed out later, the relief intended and promised in the act, has never been supplied. The significant fact is that domestic industries have sought the relief provided by the act in about 50 instances. Only 5 cases have been acted upon favorably, and of these 5, only 2 applied to a manufacturing industry (women's felt hats, watches), the other 3 being cloverseed, dried figs, and hatter's fur.

Other witnesses will report in greater detail on the financial and economic picture of the domestic dinnerware industry. Speaking specifically for the California segments of the dinnerware and art potteries industries, we have experienced, during the past 4-year period, a steady year-by-year decline in total sales, coupled with corresponding decreases in the number of dozens of articles shipped, total man-hours worked by employees, and earnings. These several factors are the most accurate gages of the economic temperature of an industry and reveal the scope and extent of the serious injury suffered by the American producers. Here is the record:

The domestic chinaware industry produced 728,000 dozen pieces of tableware in 1947. Seven years later, the domestic production had been able to increase to only 800,000 dozen. This negligible increase is all the more significant because it occurred during the period of a vast home-building program which created an enormous market for household furnishings, including dishes. These distressing figures best describe how imports have practically strangled this American industry.

Imports exert their severe competitive impact also upon the domestic earthenware industry. The real and present danger to the latter is the constant effort to saturate the American market with Japanese chinaware. Every purchase of imported dishes, from any source, correspondingly reduces the sales potential for some American manufacturer. The steady decline of production and sales of American earthenware dishes, as revealed by industry statistics submitted by other witnesses, is due to the ever-increasing volume of imports from foreign countries, principally from Japan, where wage scales are about one-tenth those paid American workers.

Since the great bulk of the art pottery is produced in California, the depressed conditions prevailing in that State are representative of the entire domestic industry. The total production of domestic art pottery amounted $50 million in 1946. There has been a year-by-year decline to $30 million in 1948, to $25 million in 1950 to $20 million in 1953 and to an estimated $18 million in 1954. During the same years, imports have steadily increased until they total approximately $25 million (wholesale value) for 1954. As has been pointed out earlier, art pottery imports now equal 130 percent of the entire domestic output. This saturation of the American market, it should be emphasized, has been accomplished under prevailing tariff rates which is the most convincing argument we could possibly present to prove that reduction in tariffs is not needed to stimulate imports of these articles.

Is serious injury to the California art pottery industry to be measured by decline in sales? The drop in sales from $25 million in 1946 to $13 million in 1954 amounts to approximately 50 percent.

Is serious injury to this California industry to be measured by decrease in number of plants? The drops from 600 plants in 1946 to 200 in 1954 amounts to 66⅔ percent.

Is serious injury to this California industry to be measured by decrease in job opportunities for skilled and semiskilled workers? The decrease from 6,000 employees in 1946 to about 2,500 in 1954 amounts to nearly 60 percent.

In view of this clear record of decline and strangulation, we oppose H. R. 1 because such legislation gives not the slightest consideration to the economic plight of our industry. Our hope for equity lies in restoring to Congress its constitutional power to regulate foreign commerce and thereby permit the voice of American employers and workers to be heard and impartially considered.

The major proposal contained in H. R. 1 calls for a substantial reduction in tariff rates. Aside from the basic error of across-the-board tariff reductions, the proposal is unsound and unwarranted because the imports of dinnerware or art pottery are produced in foreign countries with wage scales ranging from one-third to one-tenth of those paid American workers. What useful purpose can be served by lower tariffs when the prices of imported ware are already substantially below like or similar and directly competitive domestic articles? Is it possible that our Government demands that more and more of the American need for dishes and accessory household articles must be supplied by foreign countries?

The manufacture of dinnerware or art pottery involves an unusually high percentage of labor, representing about 65 percent of the cost. This condition is true despite the fact that mechanization, wherever practical, has already been achieved. No amount of ingenuity, or mechanization, or workman productivity will ever be able to overcome a 1,000-percent advantage in wage scale in craft industries such as ours.

The continual publicity about high tariffs together with the constant cry for low tariffs has resulted in the general belief by the public that United States tariffs are high. The truth of the matter is that nearly 60 percent of our imports enter free of duty, that during the past two decades tariffs have been lowered 75 percent, and that the average duty on total imports is but 5 percent. Why are these facts always submerged by the proponents of H. R. 1? The emphasis on tariff rates simply serves to distract attention from the trade barriers erected by other countries.

Why isn't it possible to consider tariff rates as but one of several facets of the problem? The theoretical objective of H. R. 1 can never be achieved if various foreign countries continue to remain passive about removing their barriers to world trade. In short, is it not about time for some truly reciprocal action on the part of foreign countries?

For all of the foregoing reasons, the California segments of the domestic industries are opposed to the approach to the problem of foreign trade as outlined in H. R. 1. Our recommendations for the regulation of foreign commerce by Congress have also been set forth which contemplate a product-by-product or industry-by-industry investigation by proper and qualified agencies to determine the extent of any necessary adjustment in tariff rates.

We seek no Government favors or subsidy nor do we seek a monopoly in the domestic market. We ask only the opportunity to operate solely on the basis of our ability to meet fair competition. Competition from foreign producers who operate under conditions which are wholly illegal in this country constitutes unfair competition.

Senator MILLIKIN. The next witness is Mr. C. L. F. Wieber. Mr. Wieber, will you take the stand.

STATEMENT OF C. L. F. WIEBER, SHEARS, SCISSORS & MANICURE IMPLEMENT MANUFACTURERS ASSOCIATION, ACCOMPANIED BY B. C. DEUSCHLE, PRESIDENT, SHEARS, SCISSORS & MANICURE IMPLEMENT MANUFACTURERS ASSOCIATION

Mr. WIEBER. My name is Carl Wieber, I am president of the Clauss Cutlery Co. of Fremont, Ohio. I am representing the Shears, Scissors, and Manicure Implement Manufacturers Association. With me I have Mr. Deuschle, president of the Acme Co., Bridgeport, Conn. He is the president of our association.

In addition to testimony given before the House Ways and Means Committee, copies of which we understand have been made available to you, we appreciate hav ing this opportunity to bring to your attention facts that we are confident you will want to weigh carefully and take into consideration in your deliberations of this most important bill H. R. 1.

Our industry was one of the industries that the Tariff Commission recommended for relief by way of the escape clause, and denied by the President. He declined to accept the recommendations of the Commission for restoration of tariff rates prevailing prior to 1950. I propose to bring out points that may serve to show what we consider to be the dangers inherent in failure to make the findings of the Commission binding upon the President.

You will find attached to our testimony a copy of the President's letter to the Senate Finance and House Ways and Means Committees dated May 11, 1954. Also copies of tables Nos. 4 and 10 taken from the Tariff Commission's report (investigation No. 24 to the President dated March 1954), and in addition a comparative report of import and domestic sales figures for the years 1948 through 1954. This latter report shows the import figures adjusted to reflect the American Manufacturers' dollar sales value, and graphically tells its own story.

First I want to quote from the President's letter, paragraph 3:

> In my opinion, the evidence presented has not sufficiently established that the domestic industry is subject to serious injury from importations, either present or prospective.

Now, gentlemen, from page 19 of the Tariff Commission's report to the President, wherein they stated:

> It is the clear intent of the law that the Commission's recommendations be applicable not only to a situation involving serious injury already caused to a domestic industry, but to the prevention of such injury when a threat is present. In this case the Commission finds a definite threat of serious injury to the domestic industry involved.

In paragraph 5 of the President's letter he criticizes our industry for the lack of financial information supplied to the Tariff Commission; that only 8 firms, mainly the larger manufacturers, reported complete figures.

We want you gentlemen to understand that this is an industry composed of small businesses, many of whom had totally inadequate records to complete the voluminous and detailed requirements of the Tariff Commission's questionnaire. Furthermore, a number of the larger concerns manufacture other items not included in this investigation, and were unable to subdivide their operating records in such a manner as to furnish some of the information required. These facts were known by the Tariff Commission, which put them in a better position to make a decision than the President or his advisors who probably did not know these facts.

We are perfectly willing to concede in paragraph 6 of the President's letter that the exceptionally high level of domestic production in 1948 through 1950 represented an accumulated backlog of war-deferred demand and should not be used as a basis of comparison. However, from table No. 4 attached from the Commission's report, and as stated in the President's letter, domestic production in 1952 and 1953 was running about three times that of the average prewar years 1937 and 1939, which were the years selected by the Commission for comparison. But, mind you, no mention is made in the President's letter that during those same years (reference table No. 10) imports in 1952 were more than 16 times greater than the average of those same two prewar years, and in 1953, gentlemen, were 20 times greater; that also in 1953 they constituted over 20 percent of the United States demand compared with 3 percent to 7 percent prewar (for reference see p. 12 of the Tariff Commission report).

It is reasonable to assume that the President would not have time to personally study Tariff Commission reports, and must rely on others to summarize this material for him. We cannot help but ask, therefore, was the President informed of this tremendous increase in imports? The answer is obviously "No," as is positively evidenced by his remark in the last sentence paragraph 6 of his letter "The volume of imports has leveled off since the high point in 1952, with the rate of importations during 1953 and early 1954 somewhat below that of 1952."

Let us take a good look at table No. 10. It will be noted that, contrary to the above statement, imports of the items in question (scissors and shears valued at more than $1.75 per dozen) in 1952 were $1,106,482 and in 1953, $1,403,439 or an increase of more than 26 percent over the previous year, and in 1954 a further increase to $1,504,523 according to figures just received from the United States Department of Commerce. Gentlemen, this table must be as clear to you as it is to me. Therefore, we can only conclude that the President was erroneously informed, otherwise he would not have made this statement. Some person or persons have taken it upon themselves to set their views above those of the Tariff Commission. Under these circumstances, gentlemen, you can well understand why domestic manufacturers would feel more confident if their interests were better safeguarded in this respect.

Let us now refer to paragraph 7 of the President's letter wherein he stated "that the affected companies indicate that they are not in a depressed condition, nor are the employees in the industry producing shears, scissors, and related products suffering—or about to suffer."

Yet, gentlemen, a recent independent survey of our industry reveals that factory employment this year is off 22½ percent from the year 1952 and that the average hourly work week has dropped from 44.5 hours per week to 34.7 hours. But, the Lord only knows how much lower the number of hours would have fallen if it was not for the fact that 15 companies have ceased manufacturing operations in the last 3 years.

The sharp reduction of employees and working hours occurred despite the moderate reduction in domestic sales from 1952 through 1954 and definitely reflects a delayed reaction that was inevitable in view of the excessive high inventory situation revealed in the report of the Tariff Commission. This fact was very evident to the Commission and undoubtedly contributed to their recommendation for relief. The President ignored it.

Gentlemen, it is our considered opinion that the further deterioration of this industry, since our application for tariff relief was filed in 1953, indicates beyond any question of doubt that the interpretation by the Tariff Commission of the facts assembled by them reveals that the judgment of this experienced group of men is more reliable in tariff matters than that of the indivduals who advise the President on such matters.

We recommend, gentlemen, for your consideration—

(1) That H. R. 1 be amended to provide that the peril-point findings of the Tariff Commission be binding upon our negotiators in the pending Japanese and future agreements, and that the Commission's findings of facts in the escape-clause reports be binding upon the President.

(2) That the authority to cut rates 50 percent covering commodities normally imported in negligible quantities be removed from the bill unless "negligible quantities" be clearly defined and the relationship of imports to the domestic production be considered by specific commodity, otherwise small industries like our own could be completely liquidated.

Gentlemen, the disintegration of our industry since the reduction of tariffs is conclusive evidence of what can happen without adequate safeguards.

In conclusion, I would like to quote from an address given by our highly esteemed Secretary of Commerce, the Hon. Sinclair Weeks, before the National Foreign Trade Convention in New York City, November 16, 1953:

> In our free-enterprise system, competition is the essential priceless ingredient. It is the motive force in improving the standard of living of our people. If applied generally throughout the world as we have applied it, the standard of living of all peoples would grow toward the approximation of our own.

He further states:

> I am willing for American industry to face the competition of any industry anywhere with respect to all save the labor factor. I am not, however, willing to have American industry compete at the expense of the standard of living of American labor.

And quoting from his concluding paragraphs he states:

> What I do suggest is that in the process of determination, when we came to those products where there exist radical differences in domestic and foreign labor costs not offset by greater productivity and where the output of this product is important to a substantial segment of the American economy, then we be guided in our tariff determination to the end that an adequate recognition of the labor standards of our workers in that industry be made. Given this type of fair competition, I am entirely willing to place United States industry on its mettle as against any other industry anywhere in the world. Thereafter, let the man who makes the better mousetrap get the business.

Gentlemen, that is all we ask—a fair competitive opportunity—not an advantage.

I thank you.

Senator MALONE. As a matter of fact, isn't that exactly what we have in section 336 of the 1930 Tariff Act, a direction by Congress to consider just those elements and determine the differential of cost between this nation and the chief competitive nations, isn't that what it says?

Mr. WIEBER. That is correct.

Senator MALONE. Did I understand you to say you were for the extension of this act?

Mr. WIEBER. We are for it, no, sir. We are certainly not for it.

Senator MALONE. Are you against it?

Mr. WIEBER. We are very much against it.

Senator MALONE. The suggestions you make are simply made as some suggestions to strengthen this if it is to be extended in spite of what you can do?

Mr. WIEBER. We are not for it. We do not believe the power should be in the hands of one person. We believe that the power should be in the hands of Congress and that is where it has been and we have gotten along all right until that was changed.

Senator MALONE. Mr. Weeks is a very admirable gentleman and is in business himself and needs the same protection for his product and is getting it or he wouldn't be in business.

Mr. WIEBER. What does he manufacture?

Senator MALONE. I don't know all of the things he manufactures.

I know he is in the manufacturing business.

Mr. WIEBER. One difficulty in our business is out of our total cost 80 percent is in labor and it is very, very high-skilled labor.

Senator MALONE. As a matter of fact, is labor the only problem?

In other words we have a very high tax rate. We have unemployment insurance, industrial insurance, social security. You have made the statement that there are places in the world where their entire wage is not equal to what we pay in those three fields.

Mr. WIEBER. Their wage?

Senator MALONE. Yes.

Mr. WIEBER. No it is not. Our wages are about 4 to 5 times higher than the wages in Germany where I was about 3 years ago, where I went into it very carefully over there.

Senator MALONE. Our industrial insurance in Nevada runs as high as $10 a hundred, and maybe 15 or 14 in other cases.

Mr. WIEBER. We made a survey in our industry and, as I recall it, our fringe payments which include all these benefits was about 34 cents per hour.

Senator MALONE. That is more than the wages in many of these competitive countries.

Mr. WIEBER. It certainly is.

Senator MALONE. Why should I say and why should my good friend whom I highly respect, Mr. Weeks, say that it would only be the wages that would be considered.

I am talking about both the workingman and the small investor. The large investor does not suffer; he can put his plant in some foreign country and ship the products back here. That is being done and it is destroying the workingman and small investor in this country and destroying their standard of living.

Mr. WIEBER. I can't see it any other way.

Senator MALONE. The 1934 Trade Agreements Act has changed polices and principles laid down for 70 years in this country. Granted that these wavered sometimes, but, generally speaking, everybody ran on the basis of giving protection to an industry and the workingmen and the small investors, based on the difference between the reasonable cost here and the reasonable cost of production in the chief competitive nation on the same or a like product.

That is exactly what the Tariff Act of 1930 says.

Mr. Wieber. When we were comparatively quite well protected up until about 1950.

Senator MALONE. You had a principle under which you could go out and say to new investors, if you had to have them in the business: You have a chance to make money because Congress has said this is the principle upon which the principle will rest.

Mr. WIEBER. That is correct.

Senator MALONE. You don't have it now?

Mr. WIEBER. No, sir. We even had some foreign business at that time. Today we can hardly get a dollar's worth of foreign business. We go out and people write in from these foreign countries and we do a little business with them and we say this looks pretty good.

All of a sudden they slap on an import license or close the imports and no more goes in but the other countries get it in there.

Senator MALONE. As far as I know no country has ever kept a trade agreement except this Nation.

Mr. WIEBER. I would not know.

Senator MALONE. I know of none. I have studied the situation very thoroughly I think. I know of none. They either invent a special price for their currency in terms of dollars for that particular trade or they establish an exchange permit which means they only give you the exchange if they want you to send the stuff in, or they require a permit to import, meaning you can get the permit only if they want you to bring it in.

So that has made a one-way street out of these so-called trade agreements. They are not trade agreements; they are agreements to lower our tariffs, as you know.

Mr. WIEBER. Very true.

Senator MALONE. In 1934, after 70 to 75 years, we completely changed the principle of protection, did we not?

Mr. WIEBER. In 1934.

Senator MALONE. Yes, in the 1934 Trade Agreements Act.

Mr. WIEBER. I am not too familiar with it.

Senator MALONE. You should read it as that is what is putting you out of business. The 1934 Trade Agreements Act supersedes the 1930 Tariff Act. Section 336 of the 1930 act stated that tariff adjustments were to be determined on the basis of fair and reasonable competition on the difference between cost of production here and in the chief competitive nation. It placed the responsibility to do this in the hands of the Tariff Commission, an agency of Congress. The 1934 Trade Agreements Act sets up an entirely different principle and says the matter of changing relationships between industries in this country and political troubles, by buying friends among the foreign nations, can be taken into consideration, as they are by the State Department, which, to all effects, now determines the tariff rates.

Mr. WIEBER. Currency, too, I imagine.

Senator MALONE. The act makes no mention of that. These other external factors can be taken into consideration by the State Department and the Executive, and are considered thus completely changing the policy of doing business in this Nation under which our standard of living grew to be anywhere from twice that of any foreign nation, except perhaps Canada, up to 15 or 20 times among some of the nations.

Mr. WIEBER. Yes, sir.

Senator MALONE. There is no question in my mind—and you have hit the nail on the head pretty close—that this is an approach, an economic approach, to destroy this Nation and it followed by less than a year the political approach to destroy us through the recognition of Communist Russia without any safeguards whatever. That was in 1933. We have built Russia ever since. The economic approach to destroy the workingman and the small investor and make this one economic world was launched in 1934 under the Trade Agreements Act. Of course, if you could get enough capital together you could go over to Japan and manufacture scissors there yourself, could you not?

Mr. WIEBER. Yes, sir.

Senator MALONE. And I expect you would do all right there if you have the same advantages they have in low-cost labor and perhaps get your share of the American market, as some are doing?

Mr. WIEBER. What would we do with our workers over here, sir?

Senator MALONE. Nobody seems to be worried about them and they don't seem to be worried about themselves.

Mr. WIEBER. I am worried about them and they are worried about their jobs out there. It is becoming more evident every day.

Senator MALONE. Has there been a representative of labor in your industry down here?

Mr. WIEBER. No, sir, not before the committee.

Senator MALONE. There have been labor representatives here testifying for free trade.

Mr. WIEBER. I was very glad to hear that testimony today. It was very enlightening.

Senator MALONE. Will you tell me if you know why a workingman can be for free trade when he is the first one to suffer when his job goes to foreign countries?

Mr. WIEBER. I would not know of any reason. I can't understand how people think as someone stated here today. We can't understand how they think.

Senator MALONE. Their blood is on their own head. If they would come before this committee or just start right out in their own State, in each State in this Union, and discuss the facts of what is happening to labor under this act workingmen of this country would realize what is being done to them. Then this thing would change overnight. They don't care very much about you. Who is interested in you? You can get a pair of scissors perhaps a little bit cheaper from somebody else anyway. It is imported. They don't realize there might be a national-defense angle. They don't realize that if what they are doing to you is followed through with every industry, then it catches up with all the workers and nobody can buy things cheap, nobody can buy the cheap product.

Senator MALONE. Who thinks it through? Witnesses have been coming down here for 20 years trying to save themselves and let everybody else go by a little trick amendment or contract through the Government or something else.

We have gotten away from the principle of fair and reasonable competition for everybody.

Mr. WIEBER. It is certainly true. The trouble is with us, you see, we are members—we have a union there, the CIO United Auto Workers.

Senator MALONE. The CIO came down and testified for free trade.

Mr. WIEBER. I know that. That is what baffles them when we know why they did it, because Mr. Reuther is a very close friend of the automobile industry.

Senator MALONE. Don't you have a local association?

Mr. WIEBER. Yes, sir.

Senator MALONE. I will personally see that your representative can appear before this committee if he will come down here early next week. Why don't you send him down? You can count on that, and they do count on these workers. There are a lot of them and it might spread.

Mr. WIEBER. I think that is a very good suggestion. I think I can do something about it.

Senator MALONE. Just send me a copy of the wire you send to the chairman asking that you have a representative of your union appear for a few minutes before the committee.

I have been in every nation in this world except the Iron Curtain countries and Russia and a couple of the Low Countries and every one of them are looking forward to averaging the living standard with the United States of America, just like the man in Pakistan who followed me around all evening. I didn't want to argue with him, because he was honest in his convictions that we could not have peace in the world with our standard of living higher than that in Pakistan.

Maybe he is right but I don't need peace that bad yet.

Mr. WIEBER. I don't think so.

Senator MALONE. Your industry is just a part of this intricate economic structure that has been built up for 150 years.

Any principle that will destroy you will eventually destroy the rest of them.

Mr. WIEBER. It certainly will.

Senator MALONE. That was not the policy we built this country on, we built it on the policy of fair and reasonable competition and as our living standard went above the others, we raised that protection.

If the living standards abroad went up we would lower protection under the same system. But we changed that system of fair and reasonable competition and I say to you that you are now operating under a system that is aimed at your heart. I don't think you are doing very much about it?

Mr. WIEBER. Maybe you are right.

Senator MALONE. I think that every industrialist in this country should walk right into his union meeting and lay the cards on the table. If he can't do it maybe there is something wrong with him. Get that leader down here.

Mr. WIEBER. That leader is guided a great deal by the man from the international.

Senator MALONE. If he is guided by the man from the international and he is for what he will get, then he deserves what he will get. If he has to go on the street to learn it, maybe that is what we will have to do.

Mr. WIEBER. That is very true.

Senator MALONE. That was why I ran for Senator. This is the only office I ever ran for. I was in the engineering business for 30 years, industrial engineering.

I don't know anything about scissors, I can tell you when I was in private business if you looked for sites, I could help in that. I do understand it. I can't tell you that anybody understands it in Washington.

This is a different policy and a different town.

This is an internationalist town and so is New York.

Mr. WIEBER. It is much more so today than 5 years ago.

Senator MALONE. New York and Washington are internationalist towns pure and simple.

The people out over the country in little businesses are an intricate part of the economy of this country, however small. They may only do $5,000 worth of business a year, but some family is living on it and not on the country relief.

Mr. WIEBER. They don't want it.

Senator MALONE. And they don't want it. But they are coming to it.

I have asked several witnesses today and I am asking you. What do you have to do to get this story across to them?

They come down here "with a tail between their legs" and say give us an amendment to let us exist for another year and they are hardly able to face the committee, half of them and they are the ones who pay the salary of the people in Congress. We don't pay their salaries.

Mr. WIEBER. There is a lot of power behind the Randall Commission. A lot of money has been spent.

Senator MALONE. I don't care how much money was behind the Randall Commission. Let's think this subject through. Sit down in the cool of the evening, turn off the radio and the television and throw the papers that have these special prepared prejudiced opinions for you in the corner. Get the heads of our unions together, and say, let's think this thing out, where are we going?

You made the point a while ago. You accept this and hang on the ragged edge and get your wages down like Mr. Hoffman did in South Bend, Ind. Wage cuts can be very disastrous when wage earners are paying for a home and sending their kids to school.

Mr. WEBER. We don't want to lower their wages. We want to raise them.

Senator MALONE. I know that. Suppose you get this 5- or 10-percent reduction which you will get when they make the treaty with Japan and you say to them our investment is gone, your job is gone, what will we do. They do lower their wages.

Mr. WIEBER. It wouldn't make any difference.

Senator MALONE. It will come again as you say.

Mr. WIEBER. I agree.

Senator MALONE. What we are doing is working toward a leveling of the living standards of the world to hit the common level. When you have the markets of 160 million people thrown into the pot for the 2 billion other people in the world you know where the level will be, don't you?

I think you have made a very good witness. I know you know this but I want to draw your attention to one thing. If we extend this thing, no matter what amendments are included, you are still in GATT, your International Materials Conference out of the State Department, your trick world organization to regulate trade set up under a United Nations resolution passed just a few months ago. They are all in operation.

If you don't extend it our markets are no longer in the pot. That is what is at stake. And when our markets are not in the pot, there is no game. It is like a sucker poker game in any town. If the man with the money doesn't come in and sit down, there is no game, is there?

Mr. WIEBER. That is right.

Senator MALONE. What I am trying to do is to keep our economy so we can protect ourselves and anybody else in the world whose protection is necessary to protect ourselves.

Mr. WIEBER. I agree with you very definitely.

Senator MALONE. Every nation in the world is protecting itself except the United States of America.

Mr. WIEBER. At our expense.

Senator MALONE. This is the only Nation where you can find anybody who is not for his own country.

Mr. WIEBER. That is right.

Senator MALONE. I want to say as acting chairman of this committee right now that I appreciate very much your appearance here but I think you have only done half your job.

Mr. WIEBER. I think you are right. I appreciate having this opportunity.

Senator MALONE. Thank you. If you send a wire to the chairman of the committee, send me a copy to the Senate Office Building. I will see that they get their chance.

Mr. WIEBER. Thank you very much.

Senator MALONE. Mr. Taylor, general counsel, Southern States Industrial Council.

Mr. Taylor you may identify yourself for the record and proceed in your own way.

STATEMENT OF TYRE TAYLOR, GENERAL COUNSEL, SOUTHERN STATES INDUSTRIAL COUNCIL

Mr. TAYLOR. Mr. Chairman, my name is Tyre Taylor. I represent the Southern States Industrial Council, the headquarters of which are in——

Senator MALONE. You have been a long time in arriving and I am glad to see you.

Mr. TAYLOR. Thank you, sir. The headquarters of the council are in the Stahlman Building in Nashville, Tenn. My own office is 917 15th Street here in Washington. I have been here, Senator, a very brief statement which I can read in 10 minutes.

Senator MALONE. Go right ahead.

Mr. TAYLOR. The council was established in 1933.

It is a regional organization representing industry and business in the 16 Southern States from Maryland to Texas.

According to a recent descriptive publication entitled, "In Brief, the Fundamental Purpose of the Southern States Industrial Council," is to restore and preserve to future generations the traditional American free enterprise system which is the basis of our strength as a Nation—and which is the product of freedom itself.

At the last annual meeting of the council's board of directors held in Point Clear, Ala., on May 13–14, 1954, the following statement of policy was adopted:

INTERNATIONAL TRADE

The South has a special interest in foreign trade and commerce.

Its exports account for a large part of the region's two main money crops—cotton and tobacco—which imports include rubber, manganese, coffee, cane sugar, and a long list of other commodities.

The council recognizes that in general our overall foreign trade policy based upon subsidy is unsound; further, sound international relations make it desirable for exports to be balanced by imports, thus encouraging a two-way trade.

However, it is recognized that there is a limit to which this country can go in the latter direction without inflicting serious injury upon the American economy.

Therefore, the council believes that the Reciprocal Trade Agreements program should be revised to provide adequate safeguards against unreasonable and unethical competition which would seriously injure American producers and American labor.

Senator MALONE. Do you also represent the labor in your area in this statement?

Mr. TAYLOR. No, sir.

Senator MALONE. What attitude are they taking toward the 1934 Trade Agreements Act that supersedes the 1930 Tariff Act?

Do they say it ought to be extended?

Mr. TAYLOR. I have no personal knowledge about that but I imagine there is a difference of opinion, and the CIO unions feel that it should be extended and the others taking a variety of attitudes ranging all the way from extension to nonextension.

Senator MALONE. How can the workingman be for the transfer of his job to some other nation?

Mr. TAYLOR. I remember your asking another witness that question and my explanation would be about the same as his.

That is that a very large number of working people in this country are hired by exporting industries.

Senator MALONE. I am talking about your workers. Are you an exporting industry?

Mr. TAYLOR. The council has many textile mills as members.

Senator MALONE. They are not exporters at the moment; are they?

Mr. TAYLOR. They do export some.

Senator MALONE. Exports are what percentage of their market?

Mr. TAYLOR. About 6 percent.

Senator MALONE. You have 95 percent of your market here in this Nation. By what line of reasoning do you think you should continue to lower the tariff which is the objective and divide your market with other nations?

Mr. TAYLOR. I take a position on that in this paper.

Senator MALONE. What is it?

Mr. TAYLOR. Our position is, in brief, that with the average wage of the textile industry in this country $1.30, we cannot possibly compete with Japan with average wages in the neighborhood of 13 cents.

Senator MALONE. Can you compete with England and Germany?

Mr. TAYLOR. No, sir.

Senator MALONE. Then are you for the extension of this act?

Mr. TAYLOR. Our position on that I would like to read it because I am representing an organization and my own personal feelings—

Senator MALONE. What are your own personal feelings?

Mr. TAYLOR. My own personal feelings are sometimes more nearly parallel with yours.

Senator MALONE. What are you personally in favor of without representing your trade?

Mr. TAYLOR. I think this whole thing is wrong.

To me it just doesn't make sense, under the guise of a reciprocal trade agreement, to have certain industries assume a large part of the burden of foreign relief.

That is exactly what is proposed here. This is no ordinary trade agreement extension act. For the first time—and you heard it here today and yesterday and before that—for the first time we are proposing to severely injure numerous industries some of which are vital to national defense.

Senator MALONE. You have already been injured.

Mr. TAYLOR. We have been injured but this is the first time to my knowledge at least that it is proposed that these industries be regarded as being in the expendable class.

Senator MALONE. Have you ever read the act?

Mr. TAYLOR. Yes, sir.

Senator MALONE. The original act?

Mr. TAYLOR. Yes, sir.

Senator MALONE. What does it say there? Doesn't it say you are expendable in almost so many words?

For 21 years if the President—really the State Department— decides that reductions will help the relationships of industries in this Nation in the overall economic situation or help in the international situation, you can be sacrificed; doesn't it?

This is nothing new.

Mr. TAYLOR. This goes further.

Senator MALONE. It goes 15 percent further in the tariff reduction but outside of that that is all.

Mr. TAYLOR. There is no pretense of reciprocity in the bill that I know of.

Senator MALONE. There is no pretense in the other either. You have been reading it between the lines because you have been reading the special articles.

Mr. TAYLOR. I agree with you that they always got out of reciprocity through one scheme or another, but they have gone through the motions.

Senator MALONE. The law itself does not mention reciprocity.

Mr. TAYLOR. I thought the title contained the words "reciprocal trade."

Senator MALONE. Show it to me.

Mr. TAYLOR. I haven't got it.

Senator MALONE. It was invented by the London bankers almost the same year and we have been mouthing it ever since. It is not in the title and not in the bill.

Mr. TAYLOR. If I may, I would like to read the statement.

Senator MALONE. I don't think you have read the law or the old 1930 Tariff Act and you don't know what is going to happen if you don't extend it.

In other words, I don't think you will make too good a witness.

Go ahead.

Mr. TAYLOR. First, I should like to raise the question, what is the United States reciprocal trade program for? What is its purpose?

Is its purpose that of increasing mutually beneficial, two-way international trade with a minimum of injury and dislocation to domestic producers?

Or is its purpose to favor and bolster up certain foreign economies at the expense of American producers and their employees?

The same question may be stated another way: Is the purpose of the proposed program to continue foreign aid under the guise of reciprocal trade, but without any pretext of reciprocity and at the expense of a selected group of industries rather than the taxpayers generally.

You have heard or will hear witnesses testify that the American cotton textile industry with average wages of $1.30 an hour cannot compete with the modern Japanese industry where the average wage is in the neighborhood of 13 cents an hour. Incidentally, the provision of the bill which purports to give protection against substandard wages means substandard in relation to other wages in the country in which they are paid. Presumably 13 cents is not substandard in Japan.

To the same effect, spokesmen for the chemical, coal, lead, zinc, glassware, plywood, and numerous other domestic industries assert—and present facts and figures to substantiate it—that they cannot meet low-wage foreign competition and continue their normal business operations. The chairman of the board of Monsanto Chemical Co., Mr. Edgar M. Queeny, put it a little differently. After recalling that the American organic chemical industry has largely developed since World War I and with the aid of adequate tariff protection, Mr. Queeny said that Monsanto would not go out of business if Congress passes H. R. 1 and its provisions are implemented. Rather, he said:

> The character of our business will change—and our country will suffer. We would not research and build new plants for new products which we know in advance can be duplicated abroad and imported into this country at prices which would make our production unprofitable. We would concentrate on products which can be produced in volume and which have cheap, indigenous raw materials. We would place greater emphasis on our foreign plants and perhaps establish new ones.

Senator MALONE. I might interrupt at that point. I think that is the objective of the law, to move these jobs to foreign soil and destroy the American workingman, and the small investor who cannot move to foreign soil. I don't think there has ever been any other objective in the law.

Mr. TAYLOR. I must say that many of the developments in recent years would seem to bear out your thought.

Senator MALONE. There has never been a development in any other year since 1934. We had two wars, we had WPA, and we had PWA. And preparation for war. There has never been any sound, solid space of time so you could tell how a tariff would operate. There may be in the next 2 years, and that will help you. I mean, help you understand it, not help your business.

Mr. TAYLOR. A spokesman for the Southern Coal Producers Association, Mr. Jospeh E. Moody, has estimated that 40,000 miners are now out of work in the States of West Virginia, Virginia, Kentucky, and Tennessee, and he attributed this sickness of the coal industry in considerable part to the importation of residual fuel oil from Venezuela.

Mr. Howard I. Young, president of the American Mining Congress, stated to you on Monday that if Congress extends the present law, it should amend it to protect domestic industry.

What these people are asking for, gentlemen, is not a further reduction in tariffs—as would be permitted by H. R. 1. What they are asking for is sufficient protection to assure that irreparable injury will not be done their industries.

That is what the people were asking for here today, as I understand it.

Senator MALONE. You changed the policy in 1934. You changed it from a policy that directed the Tariff Commission to establish a duty at all times on a basis that would represent the difference in production cost between our own country and the chief competing country on a similar or like article, to a policy gradually transferring these industries to foreign nations or changing the industrial map of this nation by encouraging more imports of one product on the theory that we may sell more to a foreign nation. But the way it works out, you cannot because of the blocks that other nations have put up. If we sell any grain or anything, we know how we do it. We pay the difference between the world price and the support price. Gradually the pressure is on. There has been testimony before this committee many times that continually the Executive has the authority to determine whether he should build your industry or trade it for another, or what part of it, or what change in the industrial map of the United States should be made. That is an entirely different policy.

And so we come back to the question, what is the reciprocal trade program for? What is its purpose?

We hear a lot these days about our responsibilities as a nation and about the necessity for improving the living standards of the free world in order to keep communism from gaining a foothold. Since 1948 we have spent some $45 billion in foreign aid. We have not up to now, however, deliberately destroyed any important American industry in pursuit of our foreign-aid policy.

Senator MALONE. Are you sure of that?

Mr. TAYLOR. Yes.

Senator MALONE. You have heard testimony that the crockery industry has been destroyed for 3 or 4 years, and there are mineral industries that have been destroyed.

Mr. TAYLOR. Lead and zinc.

Senator MALONE. They are on the street. But they are not the only ones that are on the street. Many of them are operating now in the red hoping that something may happen to save them from going out of business. I don't think this statement of yours represents actual conditions.

Mr. TAYLOR. It may be worse than I have indicated.

Senator MALONE. It is, without a doubt.

Mr. TAYLOR. We have put them deeply in debt and have taxed them at astronomically high levels. But up to now, we have stopped short of throwing the American market wide open to the sort of low-wage competition which now threatens a long list of our most vital industries.

How do other nations look upon our reciprocal trade program? Do they permit us to sell to them in competition with their domestic producers? You know the answer to this question as well as I do. In Britain, for example, they have finally agreed to admit a total of 650 United States- and Canadian-built automobiles annually on a sort of trial basis and subject to duties and taxes which bring the American Chevrolet in the British market up to about $6,000. It is a fair statement that the reciprocal trade program has been notable mostly for its lack of reciprocity. It has been practically a one-way street.

Senator MALONE. Let me bring it up to you in a very friendly manner, because I think you are conscientious and want to represent these industries and do it the right way. If you will read the act when you go home, you will not find the phrase "reciprocal trade" in the act. It has never been intended to be reciprocal, never has been and never will be reciprocal. It is a deliberate attempt—I have called it that today and on other occasions on the floor of the Senate and in addresses at other places—a conspiracy to destroy this Nation, an economic approach to destroy the workingman and the small investor of the Nation, and to destroy our ability to defend ourselves. As a result of it we have become dependent on nations across the ocean for things we cannot do without.

Mr. TAYLOR. I follow your speeches in the Senate very closely.

Senator MALONE. Then you know what I have said. I don't think I have lost a debate on it. The facts are there. How, I ask you, can a man like you be told that reciprocal trade was the title of a bill and you call it reciprocal trade every time you mention it, when it was invented by London bankers to sell free trade to the United States of America, and I guess they did, even to the workingman, where they want to take their jobs to other countries. I don't understand how intelligent men can be fooled by a slogan to that extent.

We have the slogan about dollar shortage. We can't have dollar shortage except where a nation buys more than it produces each year, or fixes a price above what anybody will pay for it.

"Trade not aid"—I was in the Senate, and I pinned that on Chancellor of the Exchequer Butler within 2 weeks after he uttered it. We see this on television and radio and we hear these slogans and we say, "Too bad, we didn't know it," and then we start talking about it, and we sell the very thing in these slogans.

I have spent 8 years now on this subject, among others, and I don't understand it. This is the most important subject. Men like you really do amaze me. I know you are honest and you have integrity, but you are not, in my opinion, as effective as you would be if you got your labor with you, and you thoroughly understood these things, as to what the purpose of them really was.

Mr. TAYLOR. You understand, Senator, that I am appearing here under a declaration of policy that was adopted by our board of directors?

Senator MALONE. I see that. Officially you haven't said anything yet that will help us defeat this thing.

Mr. TAYLOR. Possibly I won't.

Senator MALONE. I don't think you will. I have looked it over already.

Mr. TAYLOR. I can't say that this organization wants to defeat the Trade Agreements Act entirely.

Senator MALONE. I predict you will come up here and want to defeat it if we extend it 1 year.

Mr. TAYLOR. That is entirely possible.

Senator MALONE. Maybe, if you thoroughly understood it, you would be here this year advocating its defeat, not only personally, which you have done, but officially.

Mr. TAYLOR. Nor have the peril point and so-called escape clause afforded any important protection except in one instance—the watch industry.

Senator MALONE. It was never intended to, because it was left to the final decision of the executive and, in my opinion, that means the State Department, and nobody intended to make it effective. It was just a method to wet the folks down for a year or two each time.

Mr. TAYLOR. Since the institution of the escape clause in 1948, there have been 59 applications for relief to the Tariff Commission. In 15 of these cases, the Commission found injury or threat of injury and so reported to the President. In only five of these cases has the President taken action. I mentioned the watch industry. What do you suppose the other four were? Women's fur felt hats and hat bodies (October 30, 1950); hatters' fur (January 5, 1952); dried figs (August 16, 1952); and alsike clover seed (June 30, 1954).

In conclusion, we repeat: This is not an ordinary trade agreements extension bill. For the first time, key industries—industries vital to national defense—are to be regarded as expendable, at least in substantial part. For the first time, you are asked to adopt a policy which will place the burden of foreign aid, not on the Nation's taxpayers, but on a selected group of industries—some of them predominantly southern—which apparently have been marked for the sacrifice. For the first time, Congress is asked to approve a policy which has profoundly socialistic overtones and will result in the deliberate importation of unemployment and a reduction in the American standard of living.

Senator MALONE. I just have one comment to offer on your setup, that you just haven't understood it up to date. It was international socialism from start to finish, and it is just as Mr. Butler said, he didn't want to trade. He wanted to sell the products produced by the plants, paid for by the taxpayers of the United States, in England, and in other nations. That was Mrs. Luce's statement, too. She wasn't responsible for all this business. She was in Congress, but I think she was opposed to it. But she is an Ambassador to a great country, Italy, and she said, apropos of the extension of this act, she was for it because she said the Italians would not understand after the taxpayers of America had built their plants if we wouldn't buy their byproducts from them.

I said that in 1948 on the Senate floor when the Marshall plan first was proposed, that there is no difficulty in building industrial plants any place in the world where you can show you have a market, but they didn't have the market there. That was obvious to any industrial engineer. Therefore, we overbuilt their production to furnish their own markets, and they would have to sell it someplace. I said that would become our problem, and it is the problem.

It is our problem, because we built it. They say that we have to take the products or they are going to go someplace else, and they are already going someplace else, and won't stop. So you haven't read the act, and didn't understand it until now, in my honest opinion.

You have had the policy all the time. It is not the first time. It is merely putting the pressure on.

Mr. TAYLOR. In connection with what you have observed about Italy, I have been interested in something I found out in the past couple of days.

The domestic plywood industry is under terrific pressure from foreign competition.

Senator MALONE. It is not new.

Mr. TAYLOR. A lot of plywood is coming in from Japan. Apparently we modernized the Japanese plywood industry. They are using our machines. They are using our know-how which we sent people over there to teach them, and now they have come in here and are underselling us.

Senator MALONE. I used to stand on the Senate floor for 2 and 3 days talking about what was going to happen if we continue to build these plants, as to why we should not send this money there without a quid pro quo, something to buy that we didn't have. All these things that you are saying now I said a hundred times on the Senate floor. That would be conservative, I think. And I said them in addresses all over the United States.

Mr. TAYLOR. I think you have rendered a great service in doing that.

Senator MALONE. I don't know whether I have or not. I have some powerful people who don't like me too well.

Mr. TAYLOR. It has been a chore to stand on the Senate floor by the hour and bring these things out. I want to congratulate you on the record that you have made.

Senator MALONE. Well, that sounds wonderful. I really appreciate that. This is the ninth year. It is a long time to be stubborn. Sometimes somebody will read those addresses, but it will be too late to help them. They will need a few pair of shoes out on the sidewalk.

Mr. TAYLOR. I think the vote in the House indicates that the southern delegation is changing its views.

Senator MALONE. You have a southern delegation here in the Senate.

Mr. TAYLOR. Yes, sir.

Senator MALONE. You extended it over there for 3 years; didn't you?

Mr. TAYLOR. Yes, but it was by a very narrow vote, much narrower than before.

Senator MALONE. No matter how narrow, it would have been narrower and wouldn't have gone over if your labor had gotten busy about 6 or 8 months ago.

Mr. TAYLOR. We are unable to speak for labor.

Senator MALONE. I think you are only half efficient for that reason. You are not even half efficient, because nobody really cares what happens to you, except maybe some dumb Irish engineer like me. I think you are part of the economy. I think it is important that the economy doesn't fail. If it does; we will wake up with the same kind of a government that we think we are fighting. That is our danger. I think the large investors are shortsighted about a condition where their investments in foreign countries are profitable and they bring the stuff back here.

As these men go out of work, their market will go down in this country and they will bring upon their own heads the destruction that they first bring upon yours.

Mr. TAYLOR. May I ask a question of you, sir?

Senator MALONE. Yes; I would like very much if you would.

Mr. TAYLOR. How long do you think this boom we have in this country is going to last?

Senator MALONE. I think we are treading water. Just anything could destroy us economically. Just a slack-up of the material we are sending to Europe and putting in the warehouses, which will never come out—90 percent is obsolete when it hits the ground for national defense. We don't have the guts to stop it, for fear of unemployment. We are letting contracts all over the United States. We are buying the products of people here. If someone howls loud enough, we give them a contract for something. It is a very unsteady situation.

Mr. TAYLOR. It certainly is. Take the coal industry. I mentioned that they have had a serious depression on their hands for 2 years.

Senator MALONE. You might as well ask me how long a man can live who is a prosperous rancher by stopping work and borrowing money on the ranch.

When he owes more than the ranch is worth, the banker will see that he goes to work or that he gives the ranch to the bank. We have been living on our fat now for 21 years at least. We get into a war little or big, every so often. We may get into a partial war that will hold us up a little longer.

It will be a great fall when we finally stub our toe. It doesn't make it any more right that my administration is doing it on the basis of self-defense than the Democratic administration when it did that.

Mr. TAYLOR. Don't you think if we do have a depression, it will be far and away the worst that we have ever had?

Senator MALONE. The one we had in 1929 will be just a pup.

Mr. TAYLOR. I agree.

Senator MALONE. So we are facing a situation, if we have the guts to sit down and go to work, be for the American people and be for the defense of every area in the world that is needed for the defense of the American people, get ready to do it under the sea, in the air, and by guided missiles in places where the next war is going to be fought, we can do it for less money, and quit sending those silly billions to Europe, and pay a little on the national debt and lower the taxes, and have a chance to pull out.

But you know, we are like a fellow who has been on a drunk for 6 months. He dreads the day of sobering up. If he does it every morning, it is not so bad. If you skip a few mornings, it gets rougher all the time.

I am delighted that you came here. I am sorry, however, that you haven't gone a little deeper into the situation and haven't discussed it with your labor because they have much more influence than you do.

I am sorry to have to tell you that.

Mr. TAYLOR. You don't have to tell me that.

Senator MALONE. The CIO came up with their representative, and said they wanted free trade. The Farm Bureau comes up and says it wants freer trade. The Grange wants freer trade. The Farmers Union wants freer trade. You are liable to get freer trade.

Mr. TAYLOR. The South has been traditionally for free trade because of their exports of tobacco and cotton and rice and commodities of that kind.

Senator MALONE. I guess they thought they could sell a little bit more tobacco, and so on, but how are we selling all this stuff?

Mr. TAYLOR. The situation is changing. We are becoming more industrialized and getting a better balance between industry and agriculture.

I certainly thank you.

Senator MALONE. We thank you.

A recess is declared until tomorrow morning at 10 o'clock.

(Whereupon, at 6:40 p. m., the committee recessed, to reconvene at 10 a. m., Friday, March 11, 1955.)

TRADE AGREEMENTS EXTENSION

FRIDAY, MARCH 11, 1955

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

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

Present: Senators Byrd (chairman), George, Smathers, Barkley, Millikin, Malone, Kerr, and Carlson.

Also present: Senators Pastore and Green.

The CHAIRMAN. The committee will come to order.

The first witness is Hon. Dennis J. Roberts, Governor of Rhode Island.

Senator Pastore, do you care to make any comment?

Senator PASTORE. I would like to introduce to the Finance Committee our very distinguished Governor, Mr. Roberts.

STATEMENT OF HON. DENNIS J. ROBERTS, GOVERNOR OF THE STATE OF RHODE ISLAND, ACCOMPANIED BY SEYMOUR E. HARRIS, PROFESSOR OF ECONOMICS, HARVARD UNIVERSITY

Governor ROBERTS. Mr. Chairman and members of the committee, I would like to have your permission to have Seymour E. Harris, professor of economics of Harvard University, sit with me during the reading of my brief paper.

I make this request because Dr. Harris represents the New England Conference of Governors which has carried out an extensive study of textiles in the New England region during a period of 6 years.

The CHAIRMAN. You may be seated, Dr. Harris.

Proceed, Governor.

Governor ROBERTS. As Governor of Rhode Island, a State producing many manufactured goods which are, or can be sold in world markets, and a State consuming a number of raw materials which come from overseas, I am necessarily interested in promoting a greater flow of world trade, and in a rising level of prosperity throughout the free world. To the extent that more trade and a strengthened free-world economy contribute to world peace, it is a matter of vital concern to all of us.

However, even the most enthusiastic supporters of free trade recognize that the feasibility of further concessions in United States tariff policy must be balanced against their possible adverse effect on our domestic economy.

Moreover, some students of the reciprocal trade program doubt that it can meet the problems of world trade today where other nations continue to use such restrictive devices as quotas, currency devaluation, monetary control, and cartel agreements.

I should be guilty of neglecting my responsibilities as Governor, if I failed to consider the impact on Rhode Island of particular proposals dangerous to the economy of our State, however desirable the avowed general objectives of those proposals may be. Moreover, I am confident that the members of this committee are equally unwilling to see the economy of any State or community in the Nation seriously weakened.

Three of Rhode Island's major industries—textiles, jewelry, and rubber goods—believe that the presently proposed provisions of H. R. 1 represent a serious threat to their continued existence. Based on the information available to me, these industries have good reason to be worried. If these industries merely employed a relatively few workers, I should be less concerned. In fact, however, the textile, jewelry, and rubber industries together represent 53 percent of Rhode Island manufacturing employment. Since the Rhode Island economy is based primarily on manufacturing, this means that almost half of Rhode Island's 365,000 workers are directly or indirectly dependent on these 3 industries for their livelihood at the present time. Any action which would seriously injure either the textile, or the jewelry, or rubber industry separately would weaken the fabric of the Rhode Island economy. A measure which threatens all three of these industries could spell serious disaster for the entire State.

Rhode Island's number one economic problem at the present time is unemployment in the textile industry. The depressed condition of the textile industry is not, of course, peculiar to Rhode Island. From January 1951 to November 1954, textile employment declined by 265,000 in the United States, and by 111,000 in New England, as compared with 25,000 in Rhode Island. The problem is especially acute in Rhode Island, however, because of the fact that 30 percent of our manufacturing employment is in the textile industry—a higher proportion of textiles than any other State in the Northeast, and exceeded only by the three leading textile States of the South. In spite of new jobs provided by other industries and withdrawals from the labor market of some older people, Rhode Island still has close to 20,000 unemployed textile workers seeking work today.

Rhode Island is the center of the Nation's jewelry and lace industries. Over 50 percent of the Nation's production of Leavers, or fancy lace, is concentrated in Rhode Island. Unlike the textile industry as a whole, this branch of the industry has shown some tendency to increase employment since World War II. It has, however, also been somewhat affected by the textile decline and decreased employment throughout the Nation in the past year. It is, moreover, particularly susceptible to the threat of foreign competition, since it is a high-wage, small-business type of specialty operation in which American mass production methods offer little advantage to offset low-wage labor abroad. Foreign competition in the past 2 years has been cutting heavily into the domestic lace market, and industry spokesmen state that 45 percent of the American market has been captured by French and British producers.

The record of Rhode Island jewelry industry is quite different from that of the textile industry, though in some respects its problems are similar to those of lace manufacture. The jewelry-silverware industry, dominated in Rhode Island by the low- and medium-priced items, has more than doubled its average employment since 1939, and has added 5,500 workers, on the average, since 1947—an increase from 1947 to 1954 of almost 30 percent.

Today this industry accounts for over 18 percent of manufacturing employment in the State and represents the State's second largest provider of manufacturing jobs. The vitality and growth of this industry has not in itself offset the decline in textile employment, but it is one of the industries which has helped materially, particularly in offering employment opportunities to new and younger members of the labor force. Like the lace industry, the jewelry industry must be prepared to adapt itself to rapid changes in style and fashion, it is characteristically small business, and direct labor costs are an important part of the cost of manufacture. Like lace, therefore, it is highly vulnerable to competition of low-wage foreign producers in Germany and Japan, and in spite of continued overall growth, certain segments have already been largely destroyed by cheap imports from abroad.

The rubber industry in Rhode Island normally employs about 7,500 workers, and represents about 5 percent of manufacturing employment. In spite of periodic employment fluctuations, the industry has shown a trend of long-term growth. It contributes elements of diversification and long-range stability to the Rhode Island economy. In Rhode Island the industry tends to concentrate on specialized types of consumer goods. Rubber footwear is a major branch, and other items include such varied lines as rubber pharmaceutical supplies, bathing caps, and golf balls. Again, the high labor factor in production costs make such items vulnerable to competition from low-wage areas overseas.

The picture I am trying to lay before your committee is this: Rhode Island has a serious problem of unemployment at the present time.

I might state at this time that the percentage of unemployment to the total labor force is approximately 10 percent, while the national average is somewhat over 5.

This unemployment has largely resulted from the intense domestic competition and the slump in textiles for the last 2 or 3 years.

Even without the threat of reduced tariffs, the financial situation in regard to the State's employment security fund has been precarious for several years.

Last year's expenditures of $22.9 million for unemployment benefits exceeded the gross income of the fund by $6.6 million and reduced the benefit-fund level to $21.7 million, the lowest year-end balance since 1940.

Any further reduction of textile tariffs is certain to make the situation more acute in respect to unemployment, and would further endanger the solvency of the Rhode Island employment security fund.

At the same time, cuts in tariffs on jewelry and rubber items threaten to deprive the Rhode Island economy of those elements of growth and stability upon which our State must rely to help offset textile unemployment. Rhode Island not only needs all its present jewelry and rubber industries—it desperately needs their continued growth.

In stressing the importance of the continued growth of the jewelry and rubber industries in Rhode Island, I do not mean that we are relying on these industries alone to solve our unemployment problems. On the contrary, for the past 3 years, Rhode Island has been engaged in an intensive drive to encourage development of other industries, and to attract new ones. These efforts have met with a considerable measure of success and promise even more for the future. Such new developments take time, however, and experience has shown that the transfer of workers from one industry to another cannot be accomplished as easily or as quickly as older economic theories might lead some to expect. Hardships inflicted on American workers by unemployment resulting from low-wage foreign competition in many cases may persist to some degree throughout the balance of their working lives. The prospect of reemployment in such cases is obviously reduced still further if a large proportion of industries in the particular area are similarly hurt. And I should like to point out that while the textile, jewelry, and rubber industries are most immediately concerned with possible further tariff reductions, most of the other industries in Rhode Island, New England, and in many parts of the Northeast are those in which labor represents a large proportion of manufacturing costs, and in consequence, these other industries, too, are likely soon to be threatened with similar foreign low-wage competition.

In view of the fact that recent Federal efforts to relieve unemployment in existing areas of chronic unemployment have had little effect, and have not touched the core of the problem, it would seem most unwise to adopt a tariff policy which is certain to make solution more difficult in most such areas in the United States, and which would not necessarily solve the trade problems of our friends abroad.

As far as Rhode Island is concerned, the Federal Government has not only been of little help in solving our problem of unemployment, but it has proven unwilling even to mitigate its effects by providing adequate reinsurance for our depleted employment-security fund. Under these circumstances it would seem the part of prudence and justice for the Congress to avoid action which would make our problems more difficult of solution.

Representatives of the textile, jewelry, and rubber industries have stated their case before the House Ways and Means Committee, and are submitting statements and recommendations to this committee of the Senate. To save time, I have not attempted to repeat the facts presented in those statements except in very brief, summary form. Their arguments are cogent, however, and I earnestly and respectfully recommend that you give them careful attention.

Their principal recommendations, which I should like to endorse in principle with all the force at my command, cover the following three points:

(1) In defining the peril point, the impact of imports on particular communities, areas, and States should be given at least equal importance with the impact on industries. As I have tried to show, unemployment which might be insignificant if it were dispersed evenly throughout the Nation can be seriously crippling to the economy of

particular areas such as Rhode Island when it is largely concentrated in those areas. The total area impact of tariff adjustments in all industries should be considered.

(2) Unemployment—both existing and prospective—should be made a criterion of injury to American workers, farmers, or producers. Further, the critical degree of unemployment should be precisely defined—possibly as that meeting the definition of "substantial unemployment" used by the United States Department of Labor. No measure of the impact of a particular economic policy can be considered adequate which does not take into account its actual effect on the opportunities of American workers to earn a living and which does not recognize that workers are not mass-produced, interchangeable machine parts which can be shuffled about at will.

(3) There should be a distinction drawn between those industries in which labor represents a relatively high proportion of manufacturing costs, and those in which labor is relatively unimportant. Those industries with a high proportionate labor cost are those which employ a relatively large number of workers, and which are also in greatest danger from unfair competition with the lower wage areas of the world. In such cases, no further tariff concessions should be made unless wages in the particular foreign industry and country concerned bear a reasonable relationship to the national minimum wage in the United States. An amendment embodying these principles was proposed in the House of Representatives by Representative Curtis of Ohio. While I do not necessarily endorse every detail of this proposed amendment, I heartily endorse its basic principle as sound, and I respectfully urge you to give such a proposal careful consideration.

In closing, I should like to call your attention that I am not suggesting in any way that we should impose high or prohibitive tariffs which would cut off foreign trade. All I seek to do is to prevent further lowering of tariffs where such tariff cuts offer a real threat to the livelihood of American workers, and in particular where they threaten a major portion of the jobs of Rhode Island workers and the economy of the State. Secretary Dulles himself has been quoted as saying that United States tariffs are the lowest of any comparable industrial nation in the world.

Present tariff levels have not been well tested against the type of world competition which we face in the near future. Under these circumstances we should be very cautious in making further concessions, and be doubly careful that in seeking improved world conditions we do not merely succeed in weakening the American economy, upon whose continued strength the future of the free world depends.

The CHAIRMAN. Thank you very much, Governor.

The Chair understands that Dr. Seymour E. Harris, of Harvard University, is associated with Governor Roberts in this presentation. And the Chair suggests that Dr. Harris be heard briefly, and then the two witnesses may be examined.

Dr. Harris.

Mr. HARRIS. Mr. Chairman, may I say that I represent the conference of New England governors as a public service, that I have taught economics for 35 years and concentrated considerably on the field of international economics, that I have generally been considered a free-trader, and thus you may be a little surprised at some of the things I will say today.

I want to make clear that under H. R. 1 there may be very large reductions in tariffs on textiles, which is still the most important employer of labor in New England. I want to point out that in the last 3½ years New England has lost 38 percent of its textile jobs, and the whole country has lost 20 percent, and even the South has lost 7 percent, and that under these circumstances it would be irresponsible behavior on the part of the Government to cut the tariffs substantially on textiles.

I also want to point out a point that the Governor has made, that it isn't so easy to find new industries that take the place of these old industries, as has been suggested in the case of Rhode Island. It is very important to preserve the jewelery industry and the rubber industry as an outlet for the unemployment in the textile industry.

I would also like to point out, Mr. Chairman, that about 43 percent of the workers who have been employed in 6 mills that closed down, within a year or two later were still unemployed in New England, and 12 percent had left the labor market. And most of those who had found additional jobs were dissatisfied with their jobs, both because of the nature of the work, the loss of skills, and their inability to get a wage that was anything like the wage that they had had in textiles.

Now, the Honorable Charles Taft, in summarizing the testimony before the House Ways and Means Committee at the very end, made some comment about the loss of jobs in textiles. He did not make clear the period he covered, but he said there were 70,000 jobs lost.

Let me tell Charles Taft that there were 250,000 jobs lost in textiles, and that was, indeed, a serious loss for the New England economy, and the New England industries have not been able to solve the problem, for example, of the 20 percent of unemployment in Lawrence, which they have had for 2 years.

May I say parenthetically, Mr. Chairman, that President Eisenhower during the campaign said something about doing everything possible for Lawrence. I am sure he has tried very hard. But the point is that unemployment has remained 20 percent in Lawrence over the last 2 years, and very little has been done for Lawrence in these last 2 years.

Now, as regards some of the arguments for tariffs, let me point out, Mr. Chairman, that the old argument, the laissez faire, the argument in favor of free trade, is that you must not have the Government interfere with the economic life of the Nation.

Now, this is an argument that was relevant when Adam Smith wrote in 1776, but it isn't much of an argument today, because as we all know, there is all kind of interference with the economy of the Nation. And therefore, if you are talking about free trade or the tariff, what you have to do is to put this in terms of all other interferences and then see where you want to cut tariffs and think what all the other free-trade policies are doing to the Nation.

Let me point out on that that we have in the United States, certain policies that have done a great deal of damage to the economy of New England. For example, $1 billion a year in recent years has been taken out of New England and poured into other regions of the country. This has been about 7 percent of our income, and has of course, done considerable harm.

It is also true that the favor of tax exemption has been used as a means of enticing industry away from New England.

It is also true that our farming and agricultural policy, no matter how justified, has had the effect of increasing the prices of food and raw materials upon which the New England economy depends.

And I would like, therefore, to suggest that all policies that increase the prices of goods that we import—for example, oil, or any other items that we import from other regions, like cotton and coal and wool, and agricultural products generally—all these policies tend to increase the prices of the goods we buy, and to that extent injure our economy.

It is also true, Mr. Chairman, that recent decisions on freight rates have been a disadvantage to the Northern States. And what is more, this whole social security program has tended to put a much greater burden on the Northern States than the States in the West and South.

Now, all of these policies in many ways may be justified, but all I am trying to say here, Mr. Chairman, is that the net effect of all of them has been adverse to New England, and anything that will give us another kick in the pants as a result of tariff cuts in a substantial degree, should be considered in the light of all these other problems.

Now, the second problem that I would like to discuss is the dollar problem. One of the major reasons that the administration urges us to cut the tariff is because they want to help solve the dollar problem, that is, the shortage of dollars in foreign countries.

How do you solve this problem of dollars shortage in the world? In the first place, let me point out that in the last 2 years the nondollar world has accumulated $4 billion in gold. And these $4 billion make the dollar problem a much less serious one than it used to be, and now it isn't quite so necessary to cut tariffs in order to provide the rest of the world with dollars.

Now, Mr. Chairman, what is true is that we have to take into account not only the increase of imports as a means of solving the dollar problem, but also foreigners can capture dollars by capturing their markets, that is markets abroad.

May I point out to you, Mr. Chairman, that in the last 40 years the exporters of this nation have had $120 billion of subsidies, no small part given by the Government. Now, the $120 billion of subsidy exports have put the export trade at a very high and inflated level. It is the exporters who, especially these days, are asking for lower tariffs so that they can export more goods. But why should our economic policy be determined primarily by the interests of exporters, and why should the industries that are vulnerable to foreign competition be sacrificed on behalf of the exporters? Is that fair, is that just policy?

Now, may I also suggest, Mr. Chairman, that if we do cut tariffs—and I am not saying that no tariff should be cut—I realize that we all have to solve the dollar problem, we have to help the Japanese and other countries if we are going to maintain a strong military and political front—nevertheless, I do want to point out that there is some question whether the correct policy is to reduce tariffs as far as weak industries are concerned, as is so often suggested, or strong, growing industries.

For example, why do we need a tariff on automobiles, which is a strong, growing industry that can easily adjust to a lower tariff or elimination of the tariff?

Another aspect of this problem which I am sure the members of the committee are well aware of is that protectionism is not merely a problem in the United States, as the Governor suggested. The Governor suggested that the United States is a virtually free-trade country compared to the rest of the world. And this idea that the United States is protectionist and the rest of the world is free trade is a lot of nonsense that has been perpetrated on the American people by all kinds of people, and it has no justification in fact.

The United States depends almost wholly on tariffs to screen goods out, the rest of the world depends more on devices like exchange control, exchange depreciation, exchange discrimination, and policies of that kind.

Let me point out that I made a calculation which showed that since 1938 the other countries of the world have depreciated their currencies against the dollar to the extent of 90 percent. This, of course, is a form of protectionism on the part of other countries, because when they depreciate their exchanges they keep foreign goods out.

Let me also suggest that if we want to import more goods there is one very effective way of doing it, and that is to keep our national income high. And all kinds of economists have shown that there is a very close correlation between income and imports. This correlation or association is much greater between income and imports than between tariffs and imports.

A great deal is said about the effects of the reciprocal trade agreements in increasing trade. Undoubtedly they have had some effect along these lines. But I would certainly hold very strongly that the major factor has been the high national income of this country. In fact, Mr. Chairman, since 1938 we have increased our imports, correcting for price changes, by 60 percent, and today we are importing relative to the rest of the world, 67 percent more goods than the rest of the world is, relatively speaking, which suggests that we are a great importing nation, greater than we ever have been, and we have shown the largest increase of any major nation since 1938. So it isn't true to say that we are really a protectionist nation.

And, finally, Mr. Chairman, let me say a few words about the Japanese situation, because this is an aspect of the problem which is especially important for our textile industry, and for the New England region.

So far as Japan is concerned, she has all kinds of troubles, and certainly these problems must be treated by the United States Government and private enterprise.

This is of great importance both politically and militarily. What is the trouble with Japan?

In the first place, she has a great inflation, has had a rise of prices of 70 percent in the last few years. Despite a rise of prices something like 5 times as great as the United States, she has not adjusted her exchange rate, and that, of course, puts her on a competitive disadvantage.

Along with this inflation her wage rates have risen higher than prices. Also, she has lost most of her fishing industry and her shipping industry. The British are afraid to trade with Japan. They say, "Let the United States buy Japanese goods." And it certainly is true that the British have had serious problems in the balance of payments, but in the last few years these problems have been, to some extent, solved.

It seems to me that if Japan is going to sell more goods she must not depend only upon the American market. She has also had a large increase in population, and she has had to increase her imports of food at high prices, and that also has weakened her dollar position.

What can be done for Japan? Obviously Japan must export more goods, and undoubtedly the United States will take on part of this increase.

But this is not the most important thing, or even the solution. Japan needs capital to develop her industry to make up for the losses due to the war.

The present military situation in Asia may result in considerably increased expenditures in Asia, and to that extent it would make necessary less tariff concessions.

Japan also needs more domestic industry with new capital so they won't be so dependent on foreign nations. And, finally, they need a more reasonable economic policy which puts less emphasis on consumption.

Generally, a stronger government can meet these problems and solve them without wrecking the United States textile industry, and to some extent the industry of New England.

I am not arguing that we shouldn't solve the dollar problem, or that we must not export more goods, I am merely saying that we should not put an extensive part of the burden on vulnerable industry, the mill workers in textiles, which is the vulnerable area, as Governor Roberts has well said.

We must take into account not only the problem of the effect of a particular firm or industry, but how the full tariff policy affects a region. And I think that is an important part of the whole problem.

Thank you very much.

The CHAIRMAN. Senator George, do you have any questions of either Governor Roberts or Doctor Harris?

Senator GEORGE. Yes.

I was very much interested, Doctor, in part of your statement. You seem now to be claiming that freight rates are operating against New England. That has been our complaint down South and in the Southeast for about 50 years.

Mr. HARRIS. May I quote Senator Sparkman on this, because I had a debate with him——

Senator GEORGE. I don't care to hear you quote him. I can hear him on the Senate floor.

Mr. HARRIS. Senator Sparkman and I debated this in a hearing before the Joint Committee the other day, and we discussed why the South was against—I think the South has a great industrial future—but one of the points he made, he thought one of the most important factors was the fact that the South had some advantage on rates as compared with the North.

I don't think this is a terribly important factor, but I think it is a factor of some importance. I think it is true that recent rulings have given the South some advantage. It may well be, as you argued, that in earlier years the South was at a disadvantage, but I don't think there is too much difference now.

Senator GEORGE. I wanted to ask you, since you were speaking about how the tariff and other things are being manipulated against New England, isn't it possible that New England has had more than her share of the good things of the world in recent years?

Mr. HARRIS. We are interested more in the present than in the past, Senator George. I agree that the South has taken a beating on this. But I want to point out that the South has had many advantages over the North in recent years.

Senator GEORGE. I would like to have you enumerate them sometime.

Mr. HARRIS. I did, I thought.

Let me put it to you this way, that the South is a great industrial region——

Senator GEORGE. It isn't yet industrialized, the South is just beginning to become an industrial area.

Mr. HARRIS. Well, you take Georgia, your State, South Carolina, North Carolina, they are now the three greatest textile States. And what is more, your nontextile industries are growing more rapidly than textiles; they have been in recent years.

Senator GEORGE. That is true. But textiles is a very important industry. You estimate that in the whole country there are a million people working in textiles?

Mr. HARRIS. One million three hundred thousand, Senator George.

Senator GEORGE. A million and a quarter or a million and three hundred thousand?

Mr. HARRIS. Here is what I would say, Senator George, if you don't mind me being frank. I said this at this other committee meeting; I think that the great trouble is that there are a lot of influential Senators from the South in Congress here who are well-organized, and they do an awfully good job in influencing the economic policies that help the South.

Senator GEORGE. That is unavoidable. But I have also seen some very able Senators from New England and other parts of the country.

Mr. HARRIS. I think that New England has a very good group of Senators. And I have often heard that Senator Millikin, who is here, is one of the most able Senators in the country.

I don't think the South has a monopoly, but in recent years they have had political control.

Senator MILLIKIN. You stopped just at the right time. [Laughter.]

Mr. HARRIS. You know, the difference between the South and the North now in these economic problems is that the South is relatively, as you say, newly becoming industrialized, and the point is—they are on the make, industrially speaking, and therefore they have a certain amount of vigor and interest and community organization which an older economic region doesn't have, and in this sense they deserve all they get.

But the southern Congressmen on the whole are always speaking about free private enterprise—and I think they believe it. But when it comes to getting help from the Government, they are always effective there, despite their philosophical and ideological principles. I think that is something we must take into account.

Senator GEORGE. I think we do take these things into account. But I do not think the South is getting more than many other areas of the country out of the Government. In fact, I do not think the South gets as much. The per capita direct contributions to all southern projects is very much less than it is to the projects in other areas of the country, if you really go to the trouble of running that down sometime.

Mr. HARRIS. Well, Senator George, I have done a great deal of work on this. I once wrote a book on the economy of New England, and went into the problem of how much New England gets and how much other regions get.

I think it is true that in certain programs, certain assistance programs, for example, where the low-income groups that can't afford to finance their share get more than some of the northern groups do.

Senator GEORGE. Very much so.

Mr. HARRIS. I don't mean the South only, I think it is also true of the West—Senator Millikin's State, for example. I don't want to be unfair about this. Perhaps this is just because the Northeast has always had more—I am not saying that I object to these policies, all I am saying is that these policies have these effects.

I am simply saying this, that when you consider all of the effects, then you shouldn't give New England another kick by cutting tariffs drastically.

Senator GEORGE. I do not know that that would happen under this bill. A favorite indoor pastime of most of the people who have appeared before us in prior years has been to point out what the injury would be.

I think there has been a lack of business administration in connection with this act. And I think the administration is about nine points of it. If it were properly administered, I do not know that any sector would have any complaints that they would be crucified or destroyed. But I didn't know until now that the picture had changed up the New England way.

We always have figured that things were pretty good for New England, as they should be, and for every other section of the country. I believe I agree strictly with Mr. Hancock, wasn't it, who said that tariff was a local issue. You wanted to know what they had done for Lawrence, Mass.

Mr. HARRIS. I am not taking that position. I am an economist, I am looking at this problem from the national viewpoint. But I think you have to consider what the effects of tariff cuts will have on a particular region.

In others words, the economist says, we want a growing, dynamic economy, therefore we want free trade, but if in the process of getting free trade and increasing our income we get maladjustments such as we have in Providence and all other textile towns, I say that is a part of the picture, and you can't have too much progress if in the process of getting it you do a great deal of damage.

Senator GEORGE. I don't think anyone would combat that. I am not even a free-trader, although I am from the South, although we have a great many products which we must export in large percentage or else cut down our production to a point where it isn't profitable to operate.

Of course, I have been in your area there, Lawrence, Fall River, and it does present problems. But I can take you into my State and show you, not ghost towns, but places where towns were and nobody did anything about them.

We just had to do the best we could, because with the cutting out of the timber and the exhaustion of certain natural resources you have got to move your industries whether you want to or not, particularly if you haven't any other way of developing an industry in that particular area.

But I am not advocating that any industry be destroyed under this act—far from it. I am hoping that we can get a business administration with some practical yardsticks that can be applied by an experienced business administrator.

I think that would be about nine points in this whole program.

You speak of Japan. Japan does present, of course, an acute problem right now, and will in the future. But don't you believe that the only way to soften that impact—because we must meet Japan either here or in mutual markets—they must trade—there is no question about that; it is just academic to talk about Japan not trading—and our products must meet the Japanese products somewhere in the world.

Don't you think that the one way through which we might hope to soften that competition would be to encourage Japan and to reestablish her markets in areas where she formerly carried on her business and commerce?

Mr. HARRIS. I agree with that 100 percent, Senator George.

You know, Japan sold about 45 percent of her goods in China before the war.

Senator GEORGE. And they must go back into that.

Mr. HARRIS. I agree with you on that 100 percent. And I think that Japan will have to trade with Asia, and Europe. You know GATT recently wrote a report in which they said the really serious problem for Japan is not trade—not building up her exports to the United States, but building up her exports in sterling countries, because she had a much greater shortage of sterling than she did dollars.

Senator GEORGE. I think that the only thing that will temper that very sharp opposition is for Japan to reestablish her markets in areas where she formerly carried on a great trade in commerce. I agree with you on that point.

I have no further questions.

The CHAIRMAN. Senator Millikin?

Senator MILLIKIN. I would like to say, first, that I think Governor Roberts and the doctor have made a very important contribution to these hearings.

Let me ask this question. If we adhere in good faith, and under competent administration, as Senator George has pointed out, to the basic principle that domestic industry shall not be injured, isn't that as much of a solution as we can find?

Governor ROBERTS. I think you are right, Senator. That is the point of my statement, to have domestic industry protected—if I may use that phrase—and we have brought out what it means not only to New England but to the sections of the country where there are the textile industry and the jewelry industry and rubber, and so forth, which are vulnerable to tariff reductions. Safeguards in the administration of the act is one method—but there is a question in the minds of these people representing the industry in New England, as expressed by Dr. Harris, as to whether or not the textile industry can absorb any further competition by reason of tariff cuts.

Senator MILLIKIN. If you apply the principle that we should not be injured by imports, and apply it in good faith, that is your answer, isn't it?

Mr. HARRIS. May I add a footnote there, Senator?

Senator MILLIKIN. Yes.

Mr. HARRIS. What worries a good many of us is we have public servants—and, I think, good ones—who go and make these agreements and then, of course, under the escape clause they can be canceled by the President. Of course, that takes a good deal of time, and your injury has to be evident.

The President takes a broader view of these problems. He is not bound, as is the Tariff Commission, by such matters as injury to an industry; he can include other conditions—for example, the fact that Japan has to have dollars.

Now, these are all important, but the point I am making is that to a considerable extent this policy is determined down below, and that happens in matters of this kind to a considerable extent.

So how can we be sure that concessions are not going to be made that may be very serious now? If, as Senator George says, a good administrator takes hold of this sort of thing and runs it the way Congress intends it to be run, I wouldn't be very much worried about it at all. But, on the basis of past experience, how can you be sure that that is going to be the case, in view of the difficulty of attracting first-rate men into the Government? How can you be sure you are going to get that kind of an administrator?

Senator MILLIKIN. Well, if we can't staff this Government with men in whom we have confidence, we can write all the laws we want to and indulge in all the philosophy we want to and nothing will come of it.

But, assuming that we do make a good-faith effort to see that no American industry, whether in New England or elsewhere, will be injured, and that is adhered to strictly and in good faith, that is as much as we can do, isn't it?

Mr. HARRIS. Yes, sir. If you do that, I don't see how New England can have any complaint.

Senator MILLIKIN. And if it isn't done, there is a legitimate reason for considerable complaint.

Governor ROBERTS. Senator, one of the serious problems that we have in Rhode Island is that some 57 percent of our unemployment in manufacturing is in textiles. And I think it is safe to say that if that unemployment is increased by reason of any tariff reduction, then we would suffer not only an increase of loss of jobs in textiles but jobs in service industries and those that depend upon the general economy of Rhode Island.

If it goes along to where we have a decrease in tariff in rubber and in lace and the other industries there, and we do not have any opportunity to pick up unemployment in the growing industries, we are going to be in a situation where our unemployment-compensation reserve fund will become insolvent, and we will inflict a greater penalty upon industry in the form of taxes in trying to create some device to carry that burden.

So my fear is that if we alter the tariffs on textiles and admit the Japanese competition—with which we cannot compete—before the escape clause can come to our rescue, we will be in great trouble, and will perhaps be damaged to a considerable extent in Rhode Island.

Senator MILLIKIN. I think I have an appreciation of your situation in Rhode Island, as much as one can have who doesn't live there.

You have an exceptionally high concentration of industry there which is very sensitively affected by imports from lower-wage nations. I think special attention has to be given to that.

I like your idea that you have got to consider the whole picture, and not only what it does to a particular industry, but what the effect of putting that industry out has upon other businesses—the repercussions on the other businesses in the State.

I think you have made an excellent contribution to this hearing.

Governor ROBERTS. Thank you, sir.

Senator GEORGE. I believe we have a hundred thousand people in the textile mills in my State, about a hundred thousand or maybe more, and we feel this problem just as keenly as you do.

Now, I have no doubt that there will be a specific proposal made with reference to the textile industry later before this committee. And I hope that this committee will be able to consider that with great care.

The problems in Georgia, or even in the textile industry, are not the same as they are in Rhode Island or in New England, because a great many of our workers are working in mills where the rougher, coarser yarns are made. On that particular type of textiles, I think we are fairly immune from unreasonable competition.

But, when the labor content goes up and becomes a very important element in your textile fabrics, why, it does become more and more important. Now we have many finishing mills and many mills that employ workers in products that do feel this competition just as you do.

The CHAIRMAN. Senator Kerr?

Senator KERR. Governor, I gather from what I have heard from yours and the doctor's testimony that the unemployment in the textile industry that you speak of is a present reality, not a possible future problem?

Governor ROBERTS. That is right.

Senator KERR. Is it your judgment that the present unemployment that you have, which I understand to be about 10 percent of the employables in your State——

Governor ROBERTS. That is right, Senator.

Senator KERR (continuing). Is in part, in your judgment, the result of tariff concessions already made?

Governor ROBERTS. I think that is one factor. The other factor is the competition that we have received from other areas of the country and from synthetic yarn. There are several factors, but the present tariff is one.

I do not have the ability to evaluate what the precise effect of present imports is on textile unemployment.

Senator KERR. The other factors to which you refer are domestic factors operating under our own free trade in our own country, and are unaffected as far as direct effect is concerned by this act.

Governor ROBERTS. That is right.

Senator KERR. Your complaint is that the reductions in tariff already made have contributed to the unemployment in the textile industry in your State?

Governor ROBERTS. That is my opinion, Senator.

Mr. HARRIS. May I make a comment there, Senator?

Senator KERR. Yes.

Mr. HARRIS. I think the tariff cuts have to some extent affected the situation, but I think the point that both the Governor and I are trying to make here is that you have to consider not only the effects of the tariff, but the whole general picture of Federal operation, which has worked to the detriment, you might say, of the New England textile industry.

Senator KERR. Are those other factors involved in this legislation?

Mr. HARRIS. They are involved in this sense, that if you are confronted with an industry that is suffering great losses for various reasons, including the possibility of larger tariff cuts, then to that extent you are taking all these factors into account when you determine any one single policy. And it is true that the South is capturing the textile industry and bringing about very serious maladjustment problems in New England, and that is a real factor that ought to be considered when they negotiate for cuts, because the whole Nation depends upon a prosperous New England, as it depends upon the prosperity of all.

Senator KERR. I do not care to enter into a debate with you on that question. I take it that we are addressing ourselves at this time primarily to the provisions of this bill. And I want to say that I agree with what I believe the Governor's position is, that the tariff reductions already put into effect have a contributing factor on the unemployment of your textile industry.

I think they have been a contributing factor to unemployment in a lot of industries. And if that is correct, wouldn't it be just as appropriate, and maybe a little more so, for us to be considering legislation that would either bring about an increase in the tariff, or authority to increase it, rather than legislate to grant authority to further reduce the tariff affecting the industry to which you refer and others in similar or worse situations?

Governor ROBERTS. I think that is right. Senator. As far as the jewelry and the textiles are concerned there in the area that I have experience in, I think they should be protected rather than jeopardized by any further lowering of the tariffs.

Senator KERR. You see, there are some industries in our country that have lost their markets to foreign products, in part, as a result of foreign competition, and in fact, to a greater extent the New England textile industry has lost a part of its markets to both domestic and foreign products. And I think that the operation of this law has a direct bearing upon the welfare of those industries, just as it has a direct bearing upon the welfare of your textile industry. And I am glad you made your case.

Governor ROBERTS. Thank you, Senator.

Senator KERR. And I think it should be in the minds of Congress. It occurs to me that it might be entirely possible that benefits to economy and the benefits to our country to be divided from the operations of tariffs in this field of our governmental operations may have already been achieved, and that we might well be asking for the reduction of the dosage of this medicine rather than increasing it.

It seems entirely possible to me that a little bleeding of a patient might sometimes bring about his cure, while a too oft repetition of the treatment might bring about his demise.

Thank you.

The CHAIRMAN. Senator Carlson?

Senator CARLSON. Mr. Chairman, if I may, I want to say that I appreciate very much Governor Robert's appearance here this morning.

Having had the privilege of serving as Governor of Kansas during the time that your predecessor, the Honorable John Pastore, served as Governor, I am somewhat familiar with your local problems. And I know you have some, because he was always expressing the fact that you are a great industrial area, and you have your problems with labor, with unemployment compensation, and others.

And I was pleased to note that you made this statement, because I think it is a very fine statement.

You state:

> Moreover, I am confident that the members of this committee are equally unwilling to see the economy of any State or community in the Nation seriously weakened.

And I think that is a very fine attitude for you folks to take, because, as has been mentioned by Senators George and Kerr, we have problems in other States, too. And I think we are going to have to work them out around this table, together.

The CHAIRMAN. Senator Barkley?

Senator BARKLEY. I would like to ask either you or Dr. Harris to what extent tariffs have been reduced under this program on textiles.

Governor ROBERTS. Dr. Harris will answer that.

Mr. HARRIS. You mean under the Reciprocal Trade Agreements Act?

Senator BARKLEY. Yes.

Mr. HARRIS. They have been reduced to some extent, but I would say probably not as much as the average tariffs. The net effect of this is that some were unaware of what a tough spot textiles were in in this country.

Senator BARKLEY. What sort of textiles have the tariffs been reduced on?

Mr. HARRIS. Well, I can't recall all the facts, but I would say—let me put it this way, that I looked at the figures, and there has been a significant reduction. The reduction was less than the average for all—in other words, you had a three-quarters reduction of tariffs in general, but you musn't forget that you get a larger tariff reduction even if you don't get it in Reciprocal Trade Agreements, because of the fact that you have a rise of prices, and with a rise of prices, and with a lot of these tariffs on a specific rate, that would give you a cut in tariffs of something like one-half, in other words, about half of the total, cut in tariffs is the result of the fact that prices have been going up.

Now, when prices go up, even if you do nothing about tariffs, your tariffs are cut by one-half. Now, that one-half has affected textiles more than anything else. To top that off, we have had some cuts—I can't recall the specific items—they have not been large, and they haven't been large because of a general realization that this is a tough industry, it has been having all kinds of trouble. And what we are afraid of now is that with this tremendous pressure to cut tariffs because of the dollar shortage, because of the dollar shortage the tariffs should be cut some more. And I don't think the textile industry can suffer any substantial cut.

I have the figures, but I am getting to the generative stage where I can't remember them any more. But I can furnish them for you.

Senator BARKLEY. I wouldn't expect you to remember all the details, but there are all sorts of textiles worn in this country by men and women, and all sorts of textiles are used by the textile mills. My recollection is that only on a small proportion of those textiles has there been any reduction. Of course, the textile industry in New England has been injured by the removal of the industry to other parts of the country.

What proportion of this injury, of this unemployment in New England, is due to the removal of textile mills to other parts of the country, and what proportion is due to a reduction in the tariff.

Mr. HARRIS. Let me put it to you this way. As a matter of fact, this is something that only highly technical people know. The major losses to the South have not been removals, they have simply been that mills have closed up in the North and the capital has gone to the South and opened up new mills.

Senator BARKLEY. That is a removal, they have closed the mills and gone down South and built others.

Mr. HARRIS. To answer your question, I would put it this way. You are absolutely right that there have been few tariff cuts in the past, except so far as automatic cuts have been brought about because of the rise of prices.

Senator BARKLEY. The Government has nothing to do with that.

Mr. HARRIS. Except the Government might have caused a change in relation.

If you want a direct answer to your question, I would say that the competition from the South has been a more important factor, and most of it has been legitimate. But some has been due to Government bills.

Senator BARKLEY. Of course, this bill is very limited in its scope, it extended the Reciprocal Trade Act through the years and authorized the President to do certain things, including a reduction of tariffs not more than 5 percent a year for a period of 3 years. And yet, from the hearings that we have been listening to here, you would think that this was an old-fashioned tariff bill.

Mr. HARRIS. No, sir, there are two other provisions in this H. R. 1 which are of some importance to textiles. One is a provision which comes from the implication you have just made, that where they haven't been large imports they have been reduced by 50 percent.

Now, this affects textiles to a substantial degree and suddenly you have this other provision in relation to the Japanese where you can get a reduction of 50 percent in order to improve the Japanese situation.

Now, most of these items are very important for New England textiles, and also, I might say, to some extent in the South. This is not merely a New England problem.

Senator BARKLEY. You object to those provisions in the bill?

Mr. HARRIS. I wouldn't say I object to them, I point to them because I am afraid of the way they may be administered. Now, if I were perfectly sure, as Senator Millikin says, that nobody would be injured—I don't even go that far, I think that some industries are going to be injured—but it is a question of how many. We have industries that are declining, and textiles is one of them. But we are in a bad shape in textiles. We have lost 30 percent of our employment in 3½ years. That is very serious.

In the light of that, the statement that we have not had any tariff cuts on textiles, becomes insignificant.

Senator BARKLEY. To what extent has that been produced by imports?

Mr. HARRIS. You asked the vital question. As I said before, our imports have not been large, but it is what we are afraid of in the future.

Senator MILLIKIN. Would you let me interrupt just a moment, Senator Barkley?

Senator BARKLEY. Yes.

Senator MILLIKIN. I have a note from a technician which says that the average reduction in cotton textiles has been 30 percent since 1945 and 44 percent since 1934.

Mr. HARRIS. That is larger than I thought. I think the total is something like 75.

Senator BARKLEY. Well, as between the statement of the statistician and an economist, I am still at sea. I don't know where the average is. Since you mentioned in your testimony a while ago—you said that the Japanese native, among other things has more capital invested in the industry of Japan, who will furnish that capital, and where is the markets in which you obtain it? This is, of course, a problem. You know, for several years the United States poured quite a bit of money into Japan. Then we began to have large military expenditures in Japan because of the Korean war, and that solved the problem temporarily.

When our industries began to be reduced as a result of the situation in Asia, that was the beginning of Japan's dollar problem, because you had a decline of these outlays.

Now, you say, where is the capital coming from? I think to that extent it would probably have to come from this country. But I also think—and I think it is a very widely held view—that the Japanese in general haven't very smart economic policies. They have had excessive consumption, with not enough money being put aside for investment, and a great deal of inflation to cut down investments, and I think part of the solution is proper Japanese economic policies.

I think in view of the world situation that some part of this must come from the United States—I hope from private investors, but to some extent, from the Government. But I think that that can be done without sacrificing the vulnerable industries.

Senator BARKLEY. If we are going to furnish a large proportion of the capital of Japan—which I think we will have to do if there is any furnished—unless Japan trades with the countries with which she formerly traded, which are now chiefly Communist countries, when you take that into consideration, if you furnish the capital to revive Japanese industry, they have still got to find a market for those industries, and they must find them either here where the capital has come from, or other parts of the world.

And in that process, we may drive Japan into the arms of our enemies. And taking into consideration the economic and political situation, which is the best for our country, to raise our tariffs against Japan, and then, while we are having to furnish capital for them to expand their industries, drive them into the arms of our political enemies by refusing to trade with her, or to accept some of the manufacturing which we have helped her produce by furnishing capital?

Mr. HARRIS. I would put it this way, that what we have to do is, we have to help Japan, there is no doubt about that. We are in agreement on that, that this is a serious international problem. Japan is a most important country in the Asiatic problem, perhaps the most important. We are in agrement on that.

The question is, how do you solve this Japanese problem? I think that some increase of trade of Japan with Asia is essential unless we want to pour an endless supply of dollars into Japan, which I don't think the American public is prepared to do.

Then, on top of this, it isn't merely that Japan must capture our markets—and that would help a great deal—but also to some extent we could help Japan develop industries to turn out a great many things which she formerly imported.

I think the solution must lie in that direction. Then, if she trades more in strategic items with the Iron Curtain countries, and produces more goods than she formerly imported, if we give her more capital—and I don't think a large sum is required—that may well solve Japan's problems, if we include in that the willingness of Europe to do her share.

Senator BARKLEY. Do you think as an economist and as an American, it is wiser to approach the tariff question—which really, after all, is economic, and for years and years there have been wise men in this country that have been advocating that instead of the tariff being acted on from a political standpoint, it be acted on from an economic standpoint or a scientific standpoint, and it would accomplish at least a part of that purpose if the Reciprocal Trade Agreements Act were passed in the first place—we all have our local problems, you have textiles, and we have textiles in our State, coal, and oil, and in other States they have glass, this, that and the other. And if we attempt to deal with all those questions in a bill of his sort extending the authority of the President, we will wind up with an old-fashioned tariff bill somewhat like the one in 1930, which took us 18 months to enact, beginning in December 1928, and winding up in June 1930.

Do you think that it is wiser to reach a reasonable solution of those problems through a Reciprocal Trade Act, through the Tariff Commission, or to abolish all of them and go back to the old-fashioned way of writing tariffs?

Mr. HARRIS. Senator, I realize the old-fashioned system of writing tariffs is very bad. On the other hand, I think this is true, that if you look at the tariff on, say, coal and textiles, which are certainly two of the important soft spots, you do have to take into account what a tariff will do on each of these industries.

And this is not a matter of a special section or a reasonable problem, because a weak New England affects the whole country, a weak Kentucky affects the whole country. And I therefore say—I doubt whether you can deal with this problem with specific provisions, I am sure every industry will have a provision in its particular case, and it is going to be very difficult. But, for example, I think this 50 percent provision might do a great deal of harm to the textile industry, and I am a little afraid of it. And I still consider myself a free trader, but——

Senator BARKLEY. I am not, I have never been a free trader in my life.

Mr. HARRIS. I think you have too much confidence in these reciprocal trade agreements, if you don't mind my saying that.

The present Reciprocal Trade Agreements Act was fine in 1933, the idea was to increase the total amount in trade during the period when the trade was very low. Now trade is very high and the Reciprocal Trade Agreements Act isn't tuned to solving the specific problems today, because they say, we buy more of you, you buy more of us. But what we need is for these countries to get additional dollars, which means that what is required is that we either buy more from these countries or reduce our exports, and the only other thing is assistance.

I think I would give the exporters a bigger kick under American policy than we have so far. I don't think the reciprocal trade agreements are the solution today.

Senator BARKLEY. You would let the act expire, then?

Mr. HARRIS. I don't know whether I would let it expire. I don't think it solves the problem. It is just one facet of what has been done.

Senator BARKLEY. You wouldn't let it expire?

Mr. HARRIS. I would be more satisfied if I were assured that the people that run this program, the civil servants, are not in a position where they can wreck or seriously damage any important industry.

Senator BARKLEY. The Tariff Commission is appointed by the Senate and confirmed by the President, they are not civil servants.

Mr. HARRIS. But the negotiators at GATT are really civil servants.

Senator BARKLEY. Of course, everyone for a long time has been advocating the extension of the civil service. You can't have your cake and eat it, too.

Mr. HARRIS. I am not objecting to the civil service, because I am saying—I know some of these people that are negotiating, many of them have been students of mine, and they are able people. I simply say that I wouldn't put that much responsibility on them. I would want somebody to rule on what they do, I would like to have the interests of a community or of a region protected against the decision of any group of this kind, although I think they are very able civil servants.

Senator MILLIKIN. Would you yield to me for just a moment?

Senator BARKLEY. I will yield to you for good.

Senator MILLIKIN. I would like to say, Doctor, that I have a note here, a quote from a report made by GATT, an institution of which I have considerable doubt——

Senator BARKLEY. For the benefit of the record, may I interpose there. I wish somebody would spell out what GATT is.

Senator MILLIKIN. GATT is a pistol at your head.

Mr. HARRIS. General Agreement on Tariffs and Trade.

Senator MILLIKIN. General Agreement on Tariffs and Trade. But a pistol at your head is a better description.

This quote says:

> Thus most of the pressure of the world demand for dollars cannot reasonably be attributed to a failure of the United States to supply a sufficient and sufficiently regular amount of dollars to the outside world, but must be seen as the result of a substantial share of the dollars earned by Western Europe and other areas on current account finding their way back to the United States both in the form of portfolio investments and short-term holdings.

They had previously been talking about the significance of the transfers of refugee capital to North America.

Mr. HARRIS. Senator, I made some inquiries from them, from people who are in a position to know what the situation is on this. I was given a confidential memo, and so I am not in a position to comment on it. But the position was that the GATT position had been misinterpreted by Michael Hoffman of the New York Times, or else GATT was misinformed, that this was not as serious a problem as most think.

Senator MILLIKIN. The dollars that appeared to go to Europe are in fact kept here as refugee capital, that is the point.

Mr. HARRIS. There is some escape.

Senator MILLIKIN. I doubt whether that is the whole answer.

The CHAIRMAN. Senator Malone?

Senator MALONE. Mr. Chairman, I think we have gleaned a good deal of information here. One bit of information that is very interesting to me is where these negotiators come from that go into GATT.

Senator BARKLEY. Harvard. [Laughter.]

Senator MALONE. I can say that we have long suspected it.

Now, Mr. Chairman, I have quite a sense of humor on certain occasions, but I soon lose it when I start talking about the workingmen of this Nation and the small investors, and what we are doing to them.

I am happy to see a Harvard professor that is at least wavering a little in some of his teachings.

I think the Governor—Governor, I want to say to you that I think you have made one of the best witnesses that have come before this committee.

Governor ROBERTS. Thank you.

Senator MALONE. You have presented your problem, and you have not tried to hurt anybody else. One of the reasons that we have had a tariff for 75 years in the growth of our industry is to act as an evener between the low wages of the rest of the world and the increase in our standards of living.

Now, we have never attempted—the Constitution prohibits it anyway—to try to have tariffs between the States, because all of these 48 States belong to us. I listened with great care to the professor in trying to make a case that the South has injured New England. I have been in the engineering business for 30 years, half of it industrial engineering and we have all been aware that when there is a demand for a product, people who collect the money from the investors also have engineers and economists who study every area in this country, and whenever they find a set of factors—the costs, the labor, the water, the transportation, all add up, there are 5 or 6 main ones, and hundreds of smaller factors that influence each one of the main factors—when these engineers and economists find a set of factors that add up and the market is available, whether it is in Seattle, Wash., Nevada or Boston or Georgia, or anyplace else, that is where they locate the plants.

Governor ROBERTS. That is right, Senator.

Senator MALONE. So all these factors in the United States tend to level. If the South was overlooked by some other factor and temporarily they had a wage advantage—which everybody knows they did have—they certainly never had a freight rate advantage, because the West and the South have always been behind the eight-ball on freight rates.

I live in the West, and I am not arguing for anything in the West that you can't get in New England if the factors add up.

I want to argue, and I think I have always done so, for a principle. Just as Abraham Lincoln said in 1860—

> I believe in the adjustment of a tariff so that the industry of a whole nation may be developed.

There is no textile industry in Nevada, and I doubt if there ever will be, because we are trying to get enough cotton acreage out there to build a gin and not freight it 287 miles to a California gin. We have been having a tough time getting it.

Some of us don't agree with the principles we have adopted. We are trying to make ourselves heard. As I said this morning, there might be a disagreement but there is always a readiness to try to see the other man's viewpoint.

But, if we extend the Trade Agreements Act for 3 more years, we are stuck with it. I am against the extension of it, and I think you are. I have heard all of your arguments. Are you against the extension of this act?

Governor ROBERTS. I am not against the extension of it, Senator, in that sense, but I am asking, as Senator Millikin has pointed out, that the administration of and the adoption of the act take into consideration the fact that a change in tariffs in certain industries affecting certain localities and industries of the country can do an irreparable damage before any remedy can come to it under the escape clause.

I appreciate the fact—I think it has been brought out by Senator Barkley—that we do have a responsibility, and we have the duty of carrying out our responsibility to our friends throughout the world, and that we are in sort of a dilemma between trying to protect some of our friends in other nations of the world and at the same time not doing it at the expense of, or destroying our local industry.

I am not, to be perfectly honest with you, Senator, prepared to say that I am against the extension of it, but I think I do see your point, and agree with your premise. But I can't go the full distance with you.

Senator MALONE. I will ask another question.

Do you understand what happens if it is not extended, if we do not extend this 1934 Trade Agreements Act, do you understand——

Governor ROBERTS. No; I do not.

Senator MALONE. Immediately upon the expiration of the 1934 Trade Agreements Act the General Agreement on Trade and Tariff, the International Materials Conference created by the State Department, this great world organization to distribute the markets of the world on an even basis according to population—what is generally called by a trick phrase "Entitlements for consumption," whatever that amounts to—which was created by the General Assembly of the United Nations by resolution 3 or 4 months ago—all of these trick organizations which are based on this act, go out of existence. They fall on their face.

In other words, they are waiting over there in Geneva now for an extension so they can do just what they have been doing for 21 years, and that is have a continued, gradual lowering of the tariff—not so gradual in a certain way.

Now, in 1934 we changed the principle of protection that we had had up until that time. The principle was very clear. The Tariff Commission, as an agent of Congress, has only one principle to go by, and that is, fair and reasonable competition.

In other words, they would consider a certain textile, not just lump them all together, because there are too many of them, and they are ordered under section 336 of the 1930 Tariff Act to determine the difference in cost between an article here and the like or similar article in the chief competitive nation. Those are the exact words.

They recommend that to be the tariff, that doesn't mean that they take the highest price here or the lowest price, but they take a reasonable price.

And now, if they have only that one principle to go by, the establishment of a fair and reasonable competitive situation between the foreign imports and domestic production, and that is all you want, isn't it?

Governor ROBERTS. Yes.

Senator MALONE. Now, they have that order, and it was never used, because in 1934 it was nullified by the passage of this act.

According to the 1930 act, flexible duties or tariffs would be adjusted up or down in accordance with that definite principle, fair and reasonable competition. But in the 1934 act they invoked another situation where Congress transferred its constitutional responsibility to set these duties through its agent, the Tariff Commission to the President of the United States. That is article I, section 8, of the Constitution and I don't know whether they have a copy of it up at Harvard or not. I thought they had, but there have been certain developments in the last 20 years that would cause some of us to doubt it. At any rate, Congress transferred that responsibility to the Executive.

Then they allowed him to consider other factors: the relationship between industry and agriculture in this country, and the political situation in Europe, just as you are discussing, and just as the man from Harvard was discussing.

Now, in order to keep from being subject to a tariff reduction you have got to show a definite injury. Any technician knows that after an industry is able to show a definite injury it is probably on the way out. So the principle now definitely adopted is that the decision rests on the factors to be considered abroad and the domestic economic relationship as to whether or not the tariff should be reduced by the hands of one man.

If you do not extend this act, any article upon which there is no trade agreement immediately reverts to the Tariff Commission under the 1930 act.

Anything upon which there has been a trade agreement the President of the United States may at any time serve notice of cancellation on the country with which such trade agreement has been made, and in a certain specified time it then reverts to the Tariff Commission on the same basis.

Isn't that the principle you are asking for, just a fair and reasonable competitive basis?

Mr. ROBERTS. That is right.

Senator MALONE. In talking about Japan, Japan would have solved its own problem and also China's problem before we got into the picture and lost China deliberately. Now we have destroyed Japan.

They are out of China, they are out of Manchuria, and apparently Russia has the whole business. We should have let Japan alone, like letting Germany alone. We say we are helping Germany. Nobody needs to help Germany. We made four Germanys out of it. If you let them alone for 3 or 4 years they will wipe out and whip anybody in a trade way or in pretty nearly any way, because they will fight and they will work.

But we have destroyed them utterly.

To say we have to support Japan, 90 million people, to me is the most unreasonable thing that anybody has ever said, because we can't do it.

You divide our markets with 90 million people there and with two or three hundred million people in Europe—twice as many as we have with twice the area—and you have nothing left.

If we are going to get at this, shouldn't we sit down in the cool and the evening and get back on the principle of fair and reasonable competition and preserve our economy in this Nation, while we are trying to help do the best we can? Wouldn't that be reasonable?

There are two ways the tariff was cut. The distinguished professor from Harvard hit the nail on the head on that one.

We had inflation and split our economy directly in two. We had inflation so it cut the value of the dollar. They all admit 50 percent, and I think it is about two-thirds. You lowered any fixed tariff to the extent of that inflation; isn't that right, Governor, without touching the tariff at all?

Mr. ROBERTS. That is right.

Senator MALONE. Whatever amount you lowered it, whether it is on 0 or 50 percent, you just added that to it. There is another way to do that, and that is manipulation of their currency, and they all do it in Europe.

So that is one reason these trade agreements cannot possibly work on a reciprocal basis—and I would like to call your attention to the fact that the two words don't occur in the act, either in the title or the body of the act.

They are not reciprocal because every one of these nations with which we have a trade agreement, almost without exception, immediately manipulated the price of their currency in terms of the dollar or they required exchange permits so you could not import anything in the country without the exchange permit, or import permits, so they absolutely avoided over the whole 21 years any reciprocity under the act.

I would ask the professor this question: You are aware of all this, aren't you?

Mr. HARRIS. Senator Malone, I think there is a great deal of truth in what you say in this issue. Say the British or Germans were making negotiations which we say we will cut our tariffs on so and so by so many percent and they should cut their product.

Then they can refuse to issue a license to those whom we want to support, and that makes nonsense of the agreement.

Senator MALONE. Doesn't it make nonsense of 95 percent of it?

Mr. HARRIS. I don't go as far as you have. I am still more of a free-trader than you are.

Senator MALONE. Have you studied this?

Mr. HARRIS. You would be surprised of how many volumes of these hearings I have read.

Senator MALONE. You are not going to get anything out of these hearings.

I ask you if you sat down in the cool of the evening and studied the situation as it exists in Europe, didn't you?

Mr. HARRIS. I have been teaching international trade for 25 years.

Senator MALONE. And some of your people are around here teaching this rot that is going on?

Mr. HARRIS. I have talked to business people who have been involved For example, I have known bicycle manufacturers who said to me something like this, "The British agreed they were going to import a certain number of our bicycles and motorcycles and they made an agreement to do so and they put a quota on and you couldn't buy motorcycles and bicycles in Great Britain."

I wouldn't say it was 95 percent.

Senator MALONE. Have you studied it?

Mr. HARRIS. Look at the total amount of trade.

Senator MALONE. What was the kind of trade when we increased in the last 10 or 15 years? Do you have any idea what it is?

Mr. HARRIS. Of course we have had a great deal of increase of machine tools, machinery, and all that sort of thing, chemicals to some extent. We have had even some increase in textiles.

Senator MALONE. Has there been an increase in the shipment of chemicals and machine tools to Europe?

Mr. HARRIS. Not in Europe because of the dollar shortage but to Latin America and so forth.

Senator MALONE. What is the cause of dollar shortage or exchange control or import control?

Mr. HARRIS. The exchange control and import control is the result in no small part in dollar shortage.

Senator MALONE. Did you ever think about what a dollar shortage is?

Mr. HARRIS. My dear Senator, I have written a book that is concerned wholly with dollar shortage.

Senator MALONE. Will you send it to me? It may be responsible for what has happened.

Mr. HARRIS. It can't be. It isn't out.

Senator MALONE. When did you write it?

Mr. HARRIS. I just finished it. That is about 400 pages and 250 pages is concerned with dollar shortages.

Senator MALONE. Let me give you one idea. I am sorry you finished your book.

Mr. HARRIS. I can still put it in.

Senator MALONE. I would rather you wouldn't because then it would ruin your philosophy. Every man, woman, and child in this Nation unless he inherits money or has a sudden influx of good luck has a dollar shortage.

Mr. HARRIS. Quite right.

Senator MALONE. I have one every day because I can't buy all the things I want. We can buy a lot of things on installment buying. Over in Europe they have a dollar shortage for the same reason that I do, because they try to buy more things than they have earning power.

That is the reason they have the dollar shortage.

That is the reason they have a dollar shortage because we try to force them to buy more than their earning power.

The second dollar shortage a nation can have is financing the price of its money in dollars above the market price and then nobody on earth but a Congress will pay it. We pay it. Now, in trade, if they bought within their income and if they did not manipulate the price on their currency there would be a free interchange. It would hit its proper level. In other words you would know what it is worth. You don't know what their currency is worth because there is no chance on the open market for it. I know that the first time I was in France in 1917 and 1918, 5 francs was worth a dollar. The last time, in 1947, they had a price fixed on the thing $1.50 or somewhere around that, maybe it was less than that, but you could go on the street and get three times that.

If we could practice installment buying over there and sell our stuff on the installment plan, we might have a chance. But they have more sense than that.

If you have another idea about this dollar shortage, I would like to have it.

Mr. HARRIS. I would be very glad to comment on this. I have devoted a good part of my life to studying this kind of problem.

I agree with you in general the dollar shortage results from your open buying more than they can pay for.

Now to that extent we are in agreement, but one also has to consider what the explanation of this dollar shortage is.

Senator MALONE. What is your explanation?

Mr. HARRIS. One would be the point you raise about whether they have the appropriate exchange rates.

Senator MALONE. They don't, you know they don't have them don't you?

Mr. HARRIS. I think over a considerable period they certainly don't but when the British cut their pounds from $6 dollars to $2——

Senator MALONE. What period was this when they had a proper exchange?

Mr. HARRIS. You mean how long have they had exchange control?

Senator MALONE. All this time since World War II they have not had a free exchange.

Mr. HARRIS. They have had a control market.

You have to consider what happened in Europe right after the war.

They had a very serious economic situation as a result of the war. They couldn't possibly buy the food and raw materials they had to have. There was a serious political problem. You couldn't cut consumption greatly when you had the Communists ready to march in. You had to make concessions. I think the Marshall plan is explained partially by the need of making concessions of this kind in order to save Europe from communism.

I want to say in part perhaps you are right that the Europeans had a little too much inflation; they didn't in some cases restrict their imports too much; sometimes they increased them too much. There were many mistakes made.

I think that fundamentally it was the result of the war. After all, now they are in a position where they are in balance pretty much on dollar account.

Senator MALONE. Let me say just one thing, although we are not on that particular thing here. When we adopted the Marshall plan they were 98 percent lower in their industrial capacity to what they had been before the war. But now it is up to around 150 percent and they can produce much more than they can consume there. So now you say we have to buy it, and in 1948 on the Senate floor I said that would be the result and it is.

Mr. HARRIS. I can see you have had a lot of training as an economist or picked it up.

Senator MALONE. I am not an economist. I deny it. A little commonsense doesn't hurt us.

Mr. HARRIS. The problem of production is one thing. You have a transfer problem, too. If you produce from now to doomsday, if you can't sell your goods then you have a dollar shortage. This is the second problem you are neglecting.

Senator MALONE. We are overproducing here and we are forcing the sales to nations all over the world beyond their capacity to buy so we won't have to reduce our manufacturing capacity. Therefore, we thought we had to give them five billion or six or seven billion dollars a year in cash. All of these economists that you have sent down here include in the foreign trade the amount of material that we send for national defense; they include the amount of money we give them, all as foreign trade; but you are right back to the 4½ to 5 percent of legitimate foreign trade if you subtract those 2 items.

Mr. HARRIS. I said that a large part of our exports are financed by the United States Government.

Senator MALONE. It is as though you had a grocery store down the street and trade was slack so you went to the banker to give you $10,000 to scatter around the neighborhood so those who found it could buy from you. The banker would know you were nuts and he would hold you until the men in white coats came and took you away. He would know you were nuts. He wouldn't know whether you were violent or not.

I don't want to prolong this because time is going, but there are one or two things I wanted to add to what the Governor had to say—or maybe, if I could, ask for information that the Governor might have.

All these trick people have no interest in us at all but are waiting for our markets to be in the pot, which means an extension of this particular act, and then our markets are in the GATT pot.

They are in the United Nations Assembly organization pot.

They are in the International Materials Conference pot and then the game goes on.

But any time we withdraw from it, which means if we went back to section 336 of the 1930 Tariff Act and let them adjust these tariffs on every one of your textiles on the basis of fair and reasonable competition, there is no game in Geneva because we are not in the game.

It is a sucker game. Just 1 or 2 other things:

The only think we ask for is national protection. Governor, in your dissertation which was very fine, you did not ask for protection from the South or Nevada or any place else. We have never asked for protection from you. We are for you on the same basis as we are for ourselves.

A tariff was only meant to equalize the difference between the wage standard of living, the taxes and the cost of doing business in the United States of America as against the chief competing nations on each product. Then it did that generally speaking. Sometimes not entirely well adjusted but everybody had that as an objective.

Naturally the Tariff Commission would make mistakes even if they were allowed to go back on this section 336. But once you put a tariff into effect, then everybody knows in a few months whether it is working or not and they can take it up again on the suggestion of an interested party or the President or Congress or on their own or anybody's motion.

I want to read a dispatch here from the London Daily Express on an exhibit entitled "Britain demands protection for vital industries because competitors in low wage countries pay 30 to 50 percent less than British employers."

The next paragraph says:

> Britain demands tariff reduction in the United States although British employers pay as much as 5 to 75 percent lower wages than the competitive United States employer.

Governor, I would like to have the record show right close to your testimony which I think is very fine that we are the only Nation in the world that is not for our own economy.

Every nation in the world is trying to protect itself on economy. That is true about everyone except the Iron Curtain countries and Russia and a couple of the low countries.

In each case we should not try to make them do anything.

They have to protect their own economy according to their best knowledge. Just like you do in your little State of Rhode Island. So we must do the same thing but do it on the basis of fair and reasonable competition, which merely gives the American workers and the American small investor equal access to his own markets.

Is that too much to ask?

Mr. ROBERTS. No.

Senator MALONE. I would ask you now if you think we have an understanding of where we would go and how we would do our business, if we took the first step here to reestablish a basis of fair and reasonable competition and I understood from your testimony that is what you are for.

Mr. ROBERTS. That is right, Senator.

Senator MALONE. I have no further questions.

The CHAIRMAN. Thank you very much, Governor Roberts.

Mr. ROBERTS. Thank you very much. We are very grateful to you and to the committee.

The CHAIRMAN. Both of you made a very fine contribution.

At this point I should like to have inserted in the record the statement of the New England Manufacturing Jewelers' and Silversmiths' Association.

(The statement referred to follows:)

STATEMENT OF NEW ENGLAND MANUFACTURING JEWELERS' AND SILVERSMITHS' ASSOCIATION

Gentlemen, the New England Manufacturing Jewelers' and Silversmiths' Association, whose offices are located in Providence, R. I., submits this statement in opposition to H. R. 1 as now proposed for consideration by the Senate Finance Committee. This association, representing the major portion of the low- and medium-priced jewelry manufacturing industry countrywide, is a typical trade association. It functions on behalf of that industry, working to solve its various problems.

Members of the low- and medium-priced jewelry industry make a wide selection of articles of men's and women's jewelry, using either base metal or base metal combined with precious metal. Many separate segments of the industry specialize in various types of jewelry (example: emblematic and fraternal jewelry, religious jewelry, watch attachments, pearl and bead jewelry, etc.). Competition requires specialization that has resulted in a lack of versatility within the industry to an extent that jewelry is often referred to as a federation of industries rather than a single industry.

WEAKNESSES OF THE BILL

The jewelry industry opposes H. R. 1 in its present form because of several glaring weaknesses of the bill. They are:

1. It fails to insure that the benefits of tariff concessions be shared by the mass of world consumers to increase their purchasing power, although this is the only logical method by which a prosperous export market can be established.

2. It fails utterly to insure that they will receive the fruits of this rising economic tide, although, according to the Secretary of State, one of its purposes is to secure our allies from the advancing tide of communism by offering their populations the advantages of increased commerce and trade.

3. It lacks adequate provision for protecting important segments of our industrial economy and important industrial communities from the devastating effects of cutprice, cutthroat, foreign competition based on subhuman wage rates.

Although it took many years to gain general acceptance of the fact that increased purchasing power provides increased consumption, and therefore an economic picture of increasing activity, our foreign competitors have given unmistakable indications that they do not accept this fact. Evidence has been presented during the course of this testimony showing that the wage differential between this country and its competitors has substantially increased since the 1930's. Foreign workmen have shared less and less in the fruits of their labor during the period of the reciprocal trade program. We must then ask this question: "In light of the record of the past 20 years, will a simple lowering of tariffs, which we are told will provide increased imports into this country and therefore increased manufacturing activity abroad, necessarily trickle down to the workmen of these industries in the way of increased wages and increased benefits?" Evidence is all to the contrary. (See Wage Comparisons, ex. I.) It is only by insuring an increase in their purchasing power that they can provide the export potential needed to be of material benefit to any broad group of American exporters.

It is not by swelling the profit coffers of a few cartels in Japan and Germany that the free world allies can be secured against advancing communism. It is only by lifting the general economic level of a country through a fair sharing of the fruits of increased activity among the workers—the voters—that communism can be held. The wage level provides the simplest and easiest standard for measuring our success in the use of tariffs as a political instrument against communism.

Statements have been presented both to the Ways and Means Committee of the House of Representatives and the Finance Committee of the Senate that H. R. 1 will not be used to injure domestic industry. The inclusion of the so-called peril-point and escape-clause procedures have been heralded as the adequate safeguards that will prevent domestic industry from being harmed.

The Randall Commission House report that furnished the basis for this bill stressed that any permanent or long-term delegation of tariff-changing power by the Congress must be accompanied by adequate standards more specific than those which have accompanied the early delegation of such power for limited periods of time. H. R. 1 as written utterly fails to provide additional standards and relies only on the untested peril-point and the ineffective escape-clause procedures.

The dismal record of the escape clause completely justifies the Randall Commission's recommending additional standards. The peril-point proceedings, as yet untested and unproved, present scant consolation to industries whose welfare is already in serious jeopardy by the tariff reductions that have been made in the past 10 years and by the trend of ever-increasing imports.

The wording of the law requires that actual or threatened serious injury to the domestic industry be proven for both peril points and escape clauses. This confronts threatened industry with a nearly insurmountable situation in initiating escape-clause action. It is well established that an industry must be virtually out of business before the escape clause can operate. If serious injury is regarded in the same light in the peril-point procedure, then, indeed, additional standards are direly needed.

As an example of the effect competition from imports from low-wage countries can have on segments of the domestic jewelry industry in spite of the so-called peril-point and escape-clause safeguards, let us examine briefly the pearl industry in this country.

In 1947 it sold $13 million at the manufacturer's level and employed 3,000 persons. Japanese pearl imports were then $200,000 or, landed, constituted about 2 percent of the market. Japanese pearls and pearl jewelry now constitute over 60 percent of the domestic market and, measured on a piece rather than a dollar basis, comprise over 85 percent of domestic production.

At least a dozen plants are out of business; employment is now down to less than 500 persons. Cigarette lighters, rhinestone jewelry, watchbands, and several other segments are now fighting the losing battle with imports that the pearl industry has already lost.

The major difficulty of these segments' initiating escape-clause action lies in the interpretation given the term "serious injury" by the Tariff Commission and the Chief Executive. It is a term that is subject to individual interpretation, depending on the attitude of the individuals administering it to a point where domestic industry has lost all confidence in the use of the escape-clause procedure as a safeguard or as a corrector of mistakes that have been made in tariff reduction. This is evidenced by the split votes of the Commission and the repudiation of Commission findings by the President. It is essential that these standards be clarified both for those who would interpret and enforce the law and for those who must use this device to save their businesses.

RECOMMENDATIONS TO REINSTATE ORIGINAL PURPOSES OF RECIPROCAL TRADE

The escape clause

It is, therefore, recommended that in order to reinstate the original purpose of the escape clause—a safeguard for industry—the term "serious injury to the domestic industry" found in section 3, section 6, and section 7 of the Trade Agreements Extension Act of 1951, as amended (19 U. S. C., sec. 1360 (a), sec. 1361 (a), and sec. 1364 (a)), be changed to terminology such as "substantial unemployment of or injury to American workers, miners, farmers, or producers" (the term "substantial unemployment" as applied to an industry should be defined in the same way the term "substantial labor surplus" is defined as applying to a labor area by the United States Department of Labor, Bureau of Employment Security, i. e., 6 percent or more of the total work force is unemployed). This addition would clarify the standard and permit an industry to petition for relief before it has lost the strength, the resources, and the vitality needed to regain a lost or disappearing market.

Peril points related to industrial areas

The jewelry industry, like several other small, non-mass-production industries, occupies a unique position in relationship to the community in which it resides. Seventy percent of the American low- and medium-priced jewelry industry is located within 20 miles of Providence, R. I. Of the 50,000 persons employed in this industry nationwide, over 35,000 are found in Rhode Island and in a few small communities in southeastern Massachusetts. One-third of the people of Providence are solely dependent on the industry for their livelihood. Communities of Attleboro and North Attleboro in nearby Massachusetts are almost entirely dependent on this industry. It has recently become the first-ranking industrial employer in the metropolitan Providence area. Twenty-five percent of those employed in manufacturing in this area work in the jewelry business. If we were to include the hundreds of suppliers and job shops whose businesses are 50 to 99 percent dependent on the industry, its significance to the community would be further enhanced.

The second-ranking employer of the Providence metropolitan area is the textile industry, which employs another 25 percent of those employed in manufacturing. Part of the remainder consists of such industries as the Lever lace and the rubber footwear industry, all of which are gravely concerned with the impact of H. R. 1.

The Providence industrial area ranks foremost in the Nation, of those communities that are particularly sensitive to the effect of imports. Were the manufacturing jewelry industry spread throughout the 48 States, the effect of tariffs that would create unemployment might be devastating to the industry itself, but the impact on actual employment in the communities in which the plants were located would be softened by the industry's dispersion. Displaced employees would probably be absorbed into the less-affected industries in the distressed areas. The effect on unemployment compensation rules, State tax revenues, etc., would be relatively insignificant.

The opposite is true in our community. H. R. 1 seems aimed at the heart of Providence, R. I., and the several hundred thousand persons of that area employed in manufacturing, together with addditional tens of thousands of storekeepers, professional people, and others who regard jewelry and textile income as the lifeblood of their business.

"Peril to an industry" is in itself a relative term. It cannot become a mathematical calculation based on a set formula. There are too many intangibles and variables to reduce it to this. It is self-evident, however, that relatively minor decreases in employment in several industries could have an important effect on a community if it is highly dependent on those industries, while the effect on any one industry alone would not cause a perilous situation in the community. It is imperative that this community factor be a required consideration in the determination of peril points unless the wholesale dislocation of important industrial areas is to be permitted as a result of future tariff reductions.

We therefore recommend that section 3 (a) of the Trade Agreements Extension Act of 1951, as amended (19 U. S. C., sec. 1360 (a)), relating to the peril point procedure be amended by adding at the end thereof the following new paragraph:

"If it appears to the Commission that the impact of any concessions, or failure to increase duties or impose additional import restrictions, in the case of any articles on the list furnished to the Commission under this subsection, would be strongly felt in any given labor area or areas because of the concentration in such area or areas of the industry or industries producing such articles, the Commission shall take that fact into consideration in making its report to the President."

This amendment requires that the geographic location, with particular reference to important concentrations, be established for each industry whose tariffs are being reviewed. It also requires that where there are concentrations of an industry or several industries which are producing articles of a similar or like nature to those which are being considered for tariff reduction or for tariff increase, that the impact of those reductions or increases on these communities in which the industries are concentrated be given full consideration in the setting of peril points for those products.

Wages and tariffs

The great issue in H. R. 1—the reason this bill has stirred the Nation as it has—is the differential required of American industry in relation to the wages paid by our foreign competitors. Other competitive factors such as quality, delivery, styling, and service, yes, and even price, insofar as price is affected by efficiency, mechanization, etc., have not been advanced as issues in regard to this bill. The fires of industry and labor and of many private individuals have been concentrated on the subject of wage differential and the difficulty, yes, impossibility, of fair competition in an area where our foreign competitors' great advantage is in the substandard, subhuman wage conditions tolerated in many of these countries.

As mentioned in the Randall report, the importance of wages to other production costs is often dictated by the nature of the product, which governs the degree of mechanization that can be used to minimize labor factors. The style factor in the jewelry industry is the governing one that prevents this industry from massing itself into large productive units that will turn out millions of items of a given style. The popularity of jewelry and its appeal are in the individuality and diversity of the products. And so, certain of our industries necessarily and inherently must, due to the impossibility of standardizing products, compete on almost an equal basis with the low wage rates paid abroad.

It has been deemed a proper Government function to set certain minimum wage standards. We have no quarrel with this theory. We believe it completely irresponsible, however, if that same Government which sets these domestic wage standards washes its hands of its responsibility to take proper steps to enable domestic producers to meet those standards.

The instrument of tariffs is the logical and accepted device by which the Government can fulfill this responsibility and logically fulfill the broader objectives of reciprocal trade.

In order to fulfill its primary objectives, which are:

1. To put dollars into the hands of the masses of the world so that they may be given the ability to buy our exports;
2. To raise the standard of living throughout the world, to retard communism; and
3. To permit fair competition between the products of this country and the rest of the world,

H. R. 1 must relate any further lowering of tariffs to the differentials between foreign and domestic wages in those industries in which wages are an important part of production costs and make further reductions dependent on a raising of foreign wages to American levels.

It is therefore recommended that H. R. 1 be amended as follows:

That no further reductions in import duty beyond the reductions already permissible by existing law shall apply to any import in the production of which any employee was employed at an hourly rate less than the minimum rate in effect in the United States under section 6 of the Fair Labor Standards Act of 1938, as amended, except that:

(*a*) For the first 12 months after such agreement becomes effective, employees may be paid not less than 60 percent of the United States minimum legal wage (equates to 45 cents per hour).

(*b*) For the next 12 months, employees may be paid not less than 70 percent of the United States minimum legal wage (equates to 52½ cents per hour).

(*c*) For the next 12 months, employees may be paid not less than 80 percent of the United States minimum legal wage (equates to 60 cents per hour).

Provided, however, That the above wage standard shall apply only to those industries whose direct labor costs exceed 30 percent of all manufacturing costs, as determined by the Bureau of the Census, Census of Manufactures.

The above suggested amendment will:

(*a*) Insure the degree of selectivity recommended by the Randall Commission in making further tariff reductions by separating the mass producer from the nonmass producer.

(*b*) Fully recognize the importance of wage differentials in international trade competition.

(*c*) Furnish an incentive to foreign producers to share the benefits of their industry with the workers and consumers of the world.

(*d*) Provide assurance to all exporters or potential exporters that the purchasing power of foreign populations and the ability to consume the products of our export will progress.

This amendment does not:

(*a*) Equalize costs of production. Complete freedom is accorded competition in the area of other costs and other factors of competition and in wages since only the statutory minimum must be met, not American average rates.

(*b*) Eliminate the prospect of tariff reductions for most products because of the low level of wages abroad. It carefully distinguishes between those domestic industries which must compete on the direct basis of wages and those industries whose products have permitted them to minimize the wage differential problem.

(*c*) Equalize working conditions of foreign and domestic workers. It does not provide for time and one half wages for over 40 hours per week. It does not provide for the elimination of homework. It does not require collective bargaining rules such as those found in this country. It permits each nation to adhere to its own customs and tradition in this regard.

(*d*) Impose impossible wage conditions on foreign producers. In 1934 the NRA legislation imposed far larger increases in wages on domestic producers than would this amendment on foreign producers.

(*e*) Set a new precedent. United States tariff laws already contain prohibitions with respect to goods produced by convict or forced labor. This amendment, unlike this precedent, however, does not ban the import, but merely excludes it from benefits of extra trade concessions made possible by the extension of authority given the President under H. R. 1.

(*f*) Require that actual wage differentials existing between foreign countries and this country be equalized; it simply requires that minimum wage conditions required by law in this country be met abroad. A long experience with free collective bargaining and the progressive increases that American labor has made in the past 10 years have led to substantial average wage differentials which could still exist between domestic and foreign industries that could qualify under this amendment. Since it is not necessary that the average wage of a domestic industry be taken into account, such standards are easily calculable.

THE JEWELRY INDUSTRY

The low- and medium-priced jewelry industry is typical of that group of small-business industries which considers the lack of proper safeguards in H. R. 1 as a virtual Sword of Damocles hanging over them.

Jewelry imports

In 1938–39 low- and medium-priced jewelry and parts imports were at about $1½ million a year. Since those postwar years imports have risen steadily to nearly $15 million in 1953. The bulk of this increase was in finished jewelry, that rose during this time from about a half million dollars to more than $11 million (chart 1).

This rise matches, in timing and proportion, the rejuvenation and resurgence of the Japanese and German jewelry industries, and coincides with the reductions made in jewelry tariffs, most of which are now at 50 percent of the 1945 rate. In 1953 nearly 70 percent of our total imports originated in these 2 countries, with the Japanese responsible for nearly 50 percent (chart 2).

Computed on a unit basis, these figures actually represent over 15 percent of the sales of all types of low- and medium-priced jewelry.

Prices of jewelry imports

Price comparisons between the foreign and domestic products readily explain this fantastic increase. Japanese products are often landed with duty paid at 25 to 40 percent of the price of a similar domestic product. Imports from Germany, landed and duty paid, are sold at 50 to 60 percent of the domestic price. Direct wages account for 35 to 50 percent of the total production cost of most jewelry products. The wage differentials outlined in exhibit 1, therefore, readily explain how these price differences are made possible.

Jewelry exports

The export trend also gives a good indication of what we are facing in the way of foreign competition. Our German and Japanese competitors have made great inroads into our export market. Since 1946 exports of American low- and medium-priced jewelry dropped from $22 million to $10 million in 1953.

There is every indication that as Germany and Japan further develop their skills and rebuild their facilities, they will continue to exploit their cost advantages made possible by substandard wage and working conditions, and will even further decrease our export potential.

In the light of the situation facing the low- and medium-priced jewelry industry of this country, the Metropolitan Providence industrial community and other small-business, non-mass-production industries of this country, we respectfully urge the adoption of the three amendments to H. R. 1 for the reasons herein indicated.

Respectfully submitted.

HOWARD H. SWEET,
Sweet Manufacturing Co., Attleboro, Mass.—Association President.
RAYMOND L. WELLS,
Wells Manufacturing Co., Attleboro, Mass.—Chairman, Legislative Committee.
ISADORE PAISNER,
Brier Manufacturing Co., Providence, R. I.—Legislative Committee.
GEORGE R. FRANKOVICH,
Executive Secretary.

EXHIBIT 1

Comparison of the rates of jewelry-production workers, United States versus foreign competitors

United States (Bureau of Labor Statistics, U. S. Department of Labor, Employment and Earnings, June 1954) per hour	$1.47
Germany (Wage Contract for Pforzheim and Schwaebisch Gmuend effective Jan. 1, 1953 [1]):	
Male:	
Skilled	$0.39
Unskilled	$0.33
Female:	
Skilled	$0.31
Unskilled	$0.27
Austria (Report on Swarovski, Wattens, Tyrol) per hour	[2] $0.22 to $0.48
Japan (Report of the Division of Foreign Labor, Bureau of Labor Statistics, U. S. Department of Labor, for 1953 average wages in the miscellaneous manufacturing group (jewelry, sporting goods, toys, etc.):	
Average yen per month	10,694
Per day	[3 4] $1.19
About, per hour	$0.12 to $0.14

[1] Source: Industrie—Gewerkschaft Metall, Stuttgart. (Converted to dollars, basis 1 deutschemark=$0.24.)

[2] Converted to dollars, basis 1 schilling=$0.04.

[3] Converted to dollars, basis 360 yen=$1.

[4] For workers regularly employed in plant—often less for home piecework often performed by children.

EXHIBIT 2

[From Women's Wear Daily, January 21, 1955]

DECEMBER EXPORTS TREBLED BY JAPAN

Tokyo Bureau

TOKYO, January 20.—Experts of costume jewelry in December were three times larger than normal, the manufacturers' association reports. This reflects the sudden surge in world demand for artificial pearls and beads, as previously reported in these columns.

The industry shipped almost $500,000 worth of imitation pearls and about $275,000 worth of beads in that month, out of a total of around $1 million.

The industry's shipments for all of 1954 were valued at over $5.5 million, a gain of about 10 percent over 1953, it is reported. Of this, imitation pearls accounted for half, but were just barely even with 1953. Only the sudden year-end spurt brought the total up. Sales of beads, however, gained about one-third over 1953, and were valued at around $1.3 million last year.

EXHIBIT 3

Price comparison of domestic versus Japanese pearls

IMITATION PEARL BEADS

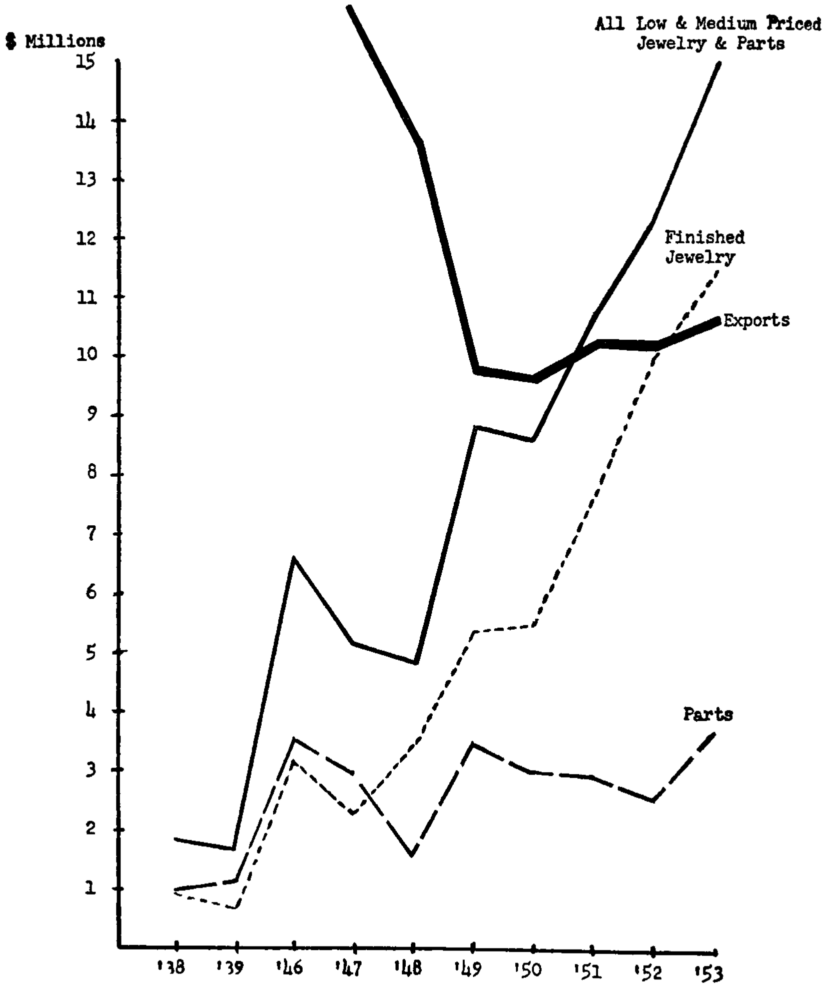
	Domestic	Japanese
8 millimeter imitation pearl linked beads, price to assembler.	$0.22 to $0.25 per foot	$0 08 to $0 09 per foot.
6 millimeter imitation pearl linked beads, price to assembler	$0 18 per foot	$0 04½ to $0 06 per foot.
Pearl necklaces, glass beads, good quality, single strand, wholesale.	$54 per gross	$9 per gross (landed).
Imitation pearl necklace	Plastic base pearls, nongraduated, retail $0 98 each.	Alabaster base, graduated, retail $0 39 each.
Iridescent, 4-strand necklace, alabaster base pearl.	Retail $3.98 each	Retail $0.59 each.

MANIPULATED PEARL JEWELRY

Imitation pearl shower drop earring, brass finding.	Wholesale $21,50 per gross (direct material and labor cost $9 95 per gross exclusive of overhead and profit).	Wholesale $9.50 per gross.

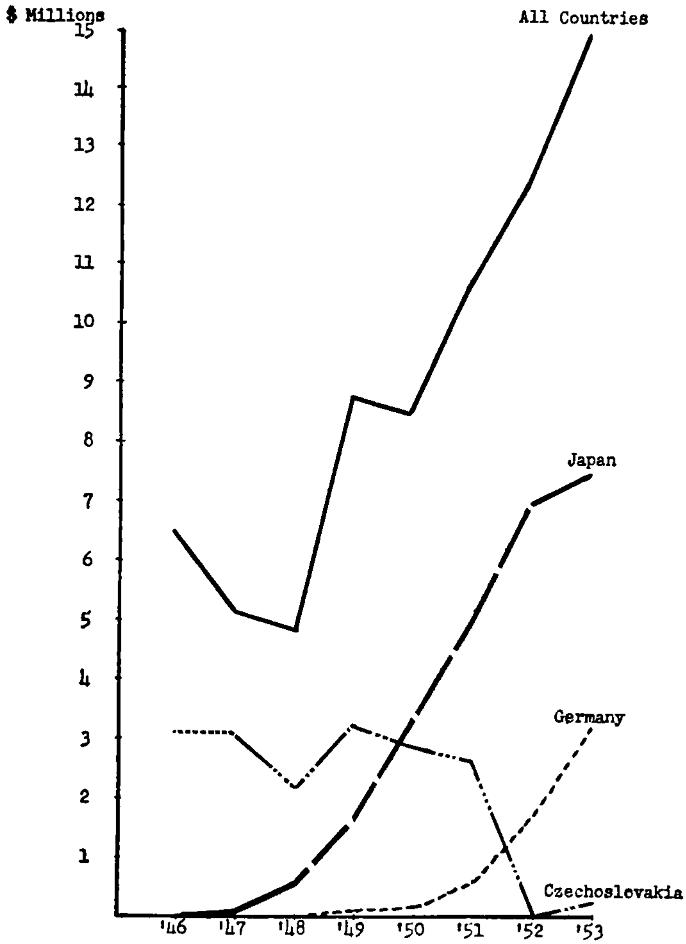
ANNUAL IMPORTS

LOW- AND MEDIUM-PRICED JEWELRY AND PARTS



COUNTRIES OF ORIGIN

LOW- AND MEDIUM-PRICED JEWELRY AND PARTS



(The following letter was subsequently received for the record:)

MARCH 15, 1955.

Hon. HARRY F. BYRD,
Chairman, Senate Committee on Finance,
Senate Office Building, Washington 25, D. C.

DEAR SENATOR BYRD: We are in receipt of communications from Mr. George R. Frankovich, executive secretary, New England Manufacturing Jewelers' and Silversmiths' Association, suggesting amendments to H. R. 1.

Enclosed is a copy of the memorandum Mr. Frankovich has prepared in support of his suggested amendments.

We trust that the Senate Committee on Finance will give appropriate consideration to the suggested amendments.

Yours sincerely,

THEODORE FRANCIS GREEN.
JOHN O. PASTORE.

SUGGESTED AMENDMENTS TO H. R. 1

1. It is recommended that section 3 (a) of the Trade Agreements Extension Act of 1931 as amended (19 U. S. C., sec. 1360 (a)) relating to the peril-point procedure be amended by adding at the end thereof the following new paragraph:

"If it appears to the Commission that the impact of any concessions, or failure to increase duties or impose additional import restrictions, in the case of any articles on the list furnished to the Commission under this subsection, would be strongly felt in any given labor area or areas because of the concentration in such area or areas of the industry or industries producing such articles, the Commission shall take that fact into consideration in making its report to the President."

This amendment has particular reference to the Greater Providence area. Fifty-three percent of those engaged in manufacturing in this area work for the jewelry, textile, and rubber industries, all of whom have stated that they will be severely affected by any further tariff reductions.

This amendment will require that the Tariff Commission take into consideration the geographic location of industries whose products may be subjected to additional tariff reductions. When it is found that certain industrial communities are highly dependent on one or more industries whose products are being considered for tariff reductions, the effect of those reductions on the community—on unemployment, taxes, unemployment compensation, relief rolls, etc.—will be taken into full account when the Commission makes its recommendations to the President in regard to peril points.

2. It is recommended that the term "serious injury to the domestic industry" found in section 3, section 6, and section 7 of the Trade Agreements Extension Act of 1951 as amended (19 U. S. C., sec. 1360 (a), sec. 1361 (a), and sec. 1364 (a)) be changed to terminology such as "substantial unemployment of or injury to American workers, miners, farmers, or producers" (the term "substantial unemployment" as applied to an industry should be defined in the same way the term "substantial labor surplus" is defined as applying to a labor area by the United States Department of Labor, Bureau of Employment Security, i. e., 6.0 percent or more of the total workforce is unemployed).

This amendment would standardize thinking on the part of the Commission, the President, and industry in regard to injury to domestic industry. It would set forth clearly in unmistakable terms those industries that might successfully petition for escape-clause relief on the basis of injury, and those that would be considered ineligible.

The many hundreds of applications that have been turned back before they have been given formal recognition by the Commission, the present split decisions of the Commission, and the rejection of many of the Commission's recommendations by the President could successfully be avoided if this section were clarified in the manner suggested above.

This amendment would, we believe, give life to the so-called safeguards that the bill is reputed to contain, to prevent injury to domestic industries. It uses as a standard for unemployment the already established criterion set forth by the Department of Labor in the determination of "distressed areas."

3. It is recommended that H. R. 1 be amended to establish the relationship between tariffs and wage differentials as follows:

That no further reductions in import duty beyond the reductions already permissible by existing law shall apply to any import in the production of which any employee was employed at an hourly rate less than the minimum rate in effect in the United States under section 6 of the Fair Labor Standards Act of 1938, as amended, except that—

(*a*) For the first 12 months after such agreement becomes effective, employees may be paid not less than 60 percent of the United States minimum legal wage (equates to 45 cents per hour).

(*b*) For the next 12 months, employees may be paid not less than 70 percent of the United States minimum legal wage (equates to 52½ cents per hour).

(*c*) For the next 12 months, employees may be paid not less than 80 percent of the United States minimum legal wage (equates to 60 cents per hour).

Provided, however, that the above wage standard shall apply only to those industries whose direct labor costs exceed 30 percent of all manufacturing costs, as determined by the Bureau of the Census, census of manufactures.

The above suggested amendment will—

(*a*) Insure the degree of selectivity recommended by the Randall Commission in making further tariff reductions by separating the mass producer from the nonmass producer.

(*b*) Fully recognize the importance of wage differentials in international trade competition.

(*c*) Furnish an incentive to foreign producers to share the benefits of their industry with the workers and consumers of the world.

(*d*) Provide assurance to all exporters or potential exporters that the purchasing power of foreign populations and the ability to consume the products of our export will progress.

This amendment does not—

(*a*) Equalize costs of production. Complete freedom is accorded competition in the area of other costs and other factors of competition and in wages since only the statutory minimum must be met, not American average rates.

(*b*) Eliminate the prospect of tariff reductions for most products because of the low level of wages abroad. It carefully distinguishes between those domestic industries which must compete on the direct basis of wages and those industries whose products have permitted them to minimize the wage-differential problem.

(*c*) Equalize working conditions of foreign and domestic workers. It does not provide for time-and-one-half wages for over 40 hours per week. It does not provide for the elimination of homework. It does not require collective-bargaining rules such as those found in this country. It permits each nation to adhere to its own customs and tradition in this regard.

(*d*) Impose impossible wage conditions on foreign producers. In 1934 the NRA legislation imposed far larger increases in wages on domestic producers than would this amendment on foreign producers.

(*e*) Set a new precedent. United States tariff laws already contain prohibitions with respect to goods produced by convict or forced labor. This amendment, unlike this precedent, however, does not ban the import but merely excludes it from benefits of extra trade concessions made possible by the extension of authority given the President under H. R. 1.

(f) Require that actual wage differentials existing between foreign countries and this country be equalized; it simply requires that minimum-wage conditions required by law in this country be met abroad. A long experience with free collective bargaining and the progressive increases that American labor has made in the past 10 years have led to substantial average wage differentials which would still exist between domestic and foreign industries that could qualify under this amendment. Since it is not necessary that the average wage of a domestic industry be taken into account, such standards are easily calculable.

The CHAIRMAN. Mr. Eugene Holman, chairman of the board of directors of the Standard Oil Co. of New Jersey.

Mr. Holman, you may be seated, sir. We are glad to have you before the committee.

Mr. HOLMAN. Thank you, Senator. I am very glad to be here and thank you very much for the time.

My name is Eugene Holman, I am chairman of the board of the Standard Oil Co. of New Jersey.

STATEMENT OF EUGENE HOLMAN, CHAIRMAN OF THE BOARD, STANDARD OIL CO. OF NEW JERSEY

Mr. HOLMAN. Thank you, Senator.

I am very glad to be here and I thank you very much for the time.

My name is Eugene Holman, chairman of the board, Standard Oil Co. of New Jersey.

I am here to record my company's endorsement of H. R. 1 as passed by the House of Representatives, and to tell you why we believe that legislative restrictions on oil imports are not needed and, if adopted, would be harmful to the national interest.

As a company with domestic and foreign investments, we have seen at firsthand the benefits of foreign trade to our own and other nations' economies. There is nothing inconsistent between an American export-import trade balanced at progressively higher levels and a dynamic domestic economy. Both go hand in hand. The record of the 20th century demonstrates that high tariffs, quotas, currency restrictions, exchange manipulations and the like, not only stifle domestic economies and international trade but also, and even more important, lead to international tensions.

The nature of Jersey Standard's business has caused us to study the relation of imports generally and of oil imports specifically to an expanding domestic economy. During this study we came to certain conclusions which, more than a year ago, I stated as follows:

> I do not hold the view that we should abolish all tariffs. Nor do I hold the view that our present volume of imports is so low that other nations can justly criticize us, nor that our tariffs—with certain exceptions—are outrageously high. But I do hold the view that we should move consistently in the direction of reducing tariffs and quota restrictions and simplifying customs procedures.

Because H. R. 1 is, in our opinion, a sound implementation of these conclusions, we unqualifiedly urge its adoption without amendments. Our reasons for this have been stated repeatedly. Therefore, I will not discuss them further.

We have not, however, previously commented on two recent developments, namely, the report of the Cabinet Committee on Energy Supplies and Resources Policy, and the proposed amendment to H. R. 1 which has been introduced by Senator Neely and others.

(The amendment referred to follows:)

[H. R. 1, 84th Cong., 1st sess.]

AMENDMENT Intended to be proposed by Mr. NEELY (for himself, Mr. ALLOTT, Mr. BARRETT, Mr. BEALL, Mr. BENDER, Mr. BIBLE, Mr. CARLSON, Mr. DANIEL, Mr. DIRKSEN, Mr. KILGORE, Mr. MCCLELLAN, Mr. MARTIN of Pennsylvania, Mr. MURRAY, Mr. O'MAHONEY, Mr. SCHOEPPEL, Mr. WELKER, and Mr. YOUNG) to the bill (H. R. 1) to extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended, and for other purposes, viz: At the end of the bill add the following new section:

SEC. . Section 2 of the Act entitled "An Act to extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended", approved July 1, 1954 (19 U. S. C., sec. 1352a), is hereby amended by inserting "(a)" after "SEC. 2." and by adding at the end thereof a new subsection as follows:

"(b) In order to further the policy and purpose of this section—

"(1) the President shall take such action as is necessary to restrict imports of commodities whenever such imports threaten to retard the domestic development and expansion or maintenance of domestic production of natural resource commodities or any other commodities which he determines to be essential to the national security;

"(2) the total quantity of crude petroleum and petroleum products (including oil for supplies for vessels at United States ports but excluding oil for manufacture and reexport) which may be imported into the United States in any calendar quarter of any year shall not exceed 10 percentum of the total domestic petroleum demand (as determined by the United States Bureau of Mines) for the corresponding quarter of the previous year: *Provided*, That the total quantity of residual fuel oil which may be imported into the United States for consumption therein in any calendar quarter of any year shall not exceed 10 per centum of the domestic demand for residual fuel oil (as determined by the United States Bureau of Mines) for the corresponding quarter of the previous year: *Provided further*, That the quotas established under this subsection may be suspended by the President during any period in which he finds that fuel supplies are inadequate to meet current national consumption; and

"(3) the provisions of this section shall be effective notwithstanding the authority granted in section 350 of the Tariff Act of 1930, as amended, or any foreign trade agreement to which the United States is a party."

Three statements by the Cabinet Committee on the subject of oil imports are extremely important.

First, the Cabinet Committee recommends that imports be determined "by voluntary, individual action of those who are importers or those who become importers." We have stated many times our own belief that this matter should be dealt with by voluntary individual action. The claim is made that such voluntary action has been tried and has failed. This Cabinet Committee recommendation is a new and extremely important development in this area. I submit that it is likely to have definite effects and should be given a fair trial.

Second, the Cabinet Committee recommends that imports of crude and heavy fuel oil—

should not exceed significantly the respective proportions that these fuels bore to the production of domestic crude oil in 1954.

You may be interested in the figures on imports by our importing affiliates, Esso Standard Oil Co. and Esso Export Corp. In 1954 they decreased crude oil imports 5 percent from 1953 which in turn was 14 percent under 1952. Their 1954 heavy fuel oil imports were just slightly higher—3 percent—than in 1953, were equal to 1952, and less than in 1950 and 1951. During 1955 these affiliates plan to import just about the same amount, or slightly less, crude oil than in 1954.

We intend to continue doing what we can to conform to the spirit of the Cabinet Committee's recommendation. In this connection I should like to make two observations:

(*a*) Supplies of and demand for crude and heavy fuel oils are never static. They are moving targets. So while a formula such as that mentioned by the Cabinet Committee may seem to produce satisfactory results at the time of its adoption, it can become outmoded almost overnight. A great part of the oil industry's demonstrated strength to meet rising and constantly changing consumer needs lies in the industry's flexibility. Today's pattern of supplies relative to demands can change quickly, and every factor of supply, including imports, should be free to change rapidly to meet new situations. I recall to your minds, for example, that an unanticipated sharp increase in demand during the 1947-48 winter made domestic oil supplies "tight" indeed.

The Cabinet Committee obviously recognized that there is no durable formula in this situation, for it recommends that the relationship between imports and domestic production—

be reviewed from time to time in the light of industrial expansion and changing economic and national defense requirements.

(*b*) Heavy fuel oil imports have little, if any, effect on domestic crude oil production. For this reason, there is really no logic in relating heavy fuel oil imports to domestic crude oil production. Further, the domestic output of heavy fuel oil has declined continually since the war because of persistent reductions in the yield of that product from domestic refineries. We anticipate that the yield of heavy fuel oil will continue to decline, so that even with a level of demand in the United States no higher than we experienced in 1954, imports would have to increase in order to supply existing customers.

The third point in the Cabinet Committee's report on which I would comment is its reference to—

the importance to the economies of friendly countries of their oil exports to the United States, as well as the importance to the United States of the accessibility of foreign oil supplies both in peace and war.

This point merits particular emphasis. In considering defense, we cannot think solely in terms of domestic production. Oil supplies in friendly foreign countries would be of critical importance in an emergency. Such supplies were vital in World War II. Unless we believe another war would be fought without allies and solely within the United States, we must regard availability of oil products around the world as of cardinal importance.

In view of the foregoing, it is clear that we oppose legislative quotas on oil imports.

No one denies that more crude oil would have been produced in the United States during 1954 if no crude oil had been imported. But that is a far cry from the claim that crude oil imports have adversely affected the vigor of the domestic oil industry.

Well completions in 1954, both development and exploratory, were higher than ever before. The trend of crude oil production in the United States has been upward for many years despite a dip in 1954 as compared with the record year of 1953. For the last 20 years, in fact, the domestic oil producing industry has increased its output an average of almost 5 percent per year, compounded annually. Production in January this year was at an all-time peak. Chart 1 shows the level of oil production since the war in each of the 7 leading oil States. Surely that is not a picture of a sick industry. I think the chart is attached to your papers, gentlemen.

To be sure, there is excess productive capacity in some domestic fields. But this should be viewed in the light of three important factors:

1. The Nation's need for a substantial, immediately producible oil reserve for defense;

2. The long-term increase in demand for oil products in the United States, which is expected nearly to double in the next 20 years;

3. The fact that present known oil reserves in the United States are only about one-fifth of the free world total, although we account for more than half of the free world's consumption.

Another important issue is the relation between heavy fuel oil imports and the coal industry. A health domestic coal industry is certainly important to our Nation. But we believe that the data shown in chart 2 demonstrate that oil imports have been a very minor factor in the causes of coal's admitted troubles. The really significant causes for the decline in use of coal in the United States have been dieselization of the railroads and growth of the natural gas industry. In pressing the Congress to legislate against heavy fuel oil imports, the coal industry is asking for action which would hurt others, including fuel consumers, very much, and would help it very little.

Restricting heavy fuel oil imports would increase consumption of coal to only a slight degree. Our affiliate, Esso Standard Oil Co., has made a survey of its 3,238 heavy fuel oil customers, not including utilities and marine sales. It found that more than 97 percent of these consumers have no facilities to use coal. Similarly, Esso analyzed data from the Federal Power Commission as to ability of electric utilities on the east coast to use coal instead of the heavy fuel oil currently used. From these two studies it appears that, if fuel oil imports were restricted, as proposed in the amendment before you, coal could hope to get no more than about 10 million tons additional business at best, and probably not that much.

Those consumers who were forced to change to coal, and who do not now have equipment to use it, would have to pay large sums to convert and to provide coal storage space. Some of the thousands of consumers who could not or would not switch to coal would change to natural gas or light heating oil. The remaining heavy fuel oil consumers, because of supply-demand factors, would also find their fuel prices sharply increased.

In arguing against oil imports, coal witnesses have used such expressions as "cheap foreign labor," "dumped oil," and "waste oil." These epithets simply are not factual.

The notion that imported heavy fuel oil is produced with cheap foreign labor is a figment of somebody's imagination. Practically all imported heavy fuel oil is made from crude oil produced in Venezuela where labor costs are often higher than such costs in United States oil fields.

Nor is imported fuel oil "dumped." It sells in the United States interchangeably with the domestic product, and at the same price. That price in New York Harbor, for example, fluctuates above and below the price of bituminous coal. But in all except 19 of the 108 months from 1946 through 1954, the price of heavy fuel oil, on an equivalent heat basis, has been higher than the price of bituminous coal. Chart 3 shows the relationship.

And, certainly, heavy fuel oil is not a "waste" product. It is a tailor-made product of efficient, modern refineries, demanded and used by thousands of consumers for decades.

It has been said that fuel oil imports were shut off in World War II. This is not the fact. Imports over the 4 war years averaged higher than they did in the 4 years immediately preceding the war.

Now to discuss specifically Senator Neely's proposed amendment. Let me note that it is much more restrictive than the proposals of the Cabinet committee. For example, if the amendment were in effect today, it would permit heavy fuel oil imports of only 143,000 barrels per day as a maximum.

This would mean an immediate drop in supplies of heavy fuel oil of at least 210,000 barrels a day. Thousands of consumers—including schools and other public buildings, apartment houses, and office buildings, churches, hospitals, and factories—would be hit overnight. Besides these consumers, the proposed restrictions would also affect the livelihood of the hundreds of small-business men who are heavy fuel oil distributors.

If the United States Congress were to adopt legislation against oil imports, it would reduce the dollar earnings of other countries and thus reduce export markets for American farms and factories. It would violate existing international commitments. It would put a strain upon the friendship of other nations—and not only oil-producing nations—toward the United States.

Imported oil has been vital to our country to meet emergencies in the past; and if we restrict imports now, we might find in some future emergency that imports cannot be turned off and on like a faucet. Imports help develop oil in other parts of the world, which could be of life-or-death importance to our own and Allied armed forces in case of war.

In my estimation, enactment of H. R. 1, as passed by the House, is truly in the best interests of this and other free nations. The position of the United States in today's world calls for leadership from us.

The Chairman. Thank you very much, Mr. Holman.

Mr. Holman. Thank you, Mr. Chairman.

The Chairman. Are there any questions?

Senator Millikin?

Senator Millikin. Mr. Holman, do you believe in the principle that we should protect American industry against injury?

Mr. Holman. Yes, I think that the definition of injury is an important one to define.

Senator Millikin. Of course it is important. A definition is difficult to find. Assuming you can find it and assuming an injury is found, if an industry is injured by imports you favor the application of the theory of no injury?

Mr. Holman. I think you have to be a little more specific—at least I have to be a little more specific in my thinking than that, Senator. I think that the thing to think about is what is best for America actually.

I certainly think that industry regardless of what industry does is important to the welfare of America.

Senator Millikin. Can we agree that we should not be sacrificing American payrolls in the interest of foreign trade? Is it best for America to sacrifice any of our payrolls?

Mr. Holman. Certainly I am heartily in favor of full employment to the fullest extent possible, but I don't know that I can say in the oil business for example that we could never—and certainly we believe in full employment and continuous employment to the fullest extent possible in our company.

Senator Millikin. Suppose it ware shown that imports of oil were coming in here at an unfair competitive rate with our domestic interests, what would you do?

Mr. Holman. These charts represent my view pretty well on that.

Senator MILLIKIN. If it should be shown that we are importing foreign oil at prices with which our domestic producers cannot compete, would you favor importing it?

Mr. HOLMAN. I think we still have a strong, healthy industry and the conditions you mention don't exist at the present time—that is why I am against any legislation at the present time.

Senator MILLIKIN. The facts of the matter are that in your opinion our domestic industry is not being injured by importations.

Mr. HOLMAN. That is my opinion.

Senator MILLIKIN. If it were not the fact, if it were shown that domestic industry was injured by importations, would you continue to have the same view?

Mr. HOLMAN. I think that we should have a strong, healthy domestic oil industry. I have said that many, many times. One of the things involved in that is full employment in industry.

Senator MILLIKIN. That is another way of saying you can't have full domestic employment if you fritter away the American payroll to accommodate importations that rest on payrolls which amount to much less than American payrolls.

Mr. HOLMAN. My point is that they can go together. I think that my point on that particular question is that as far as imports today are concerned, we do have a strong, healthy industry including relatively full employment and therefore it seems to me that we want to—furthermore the foreign business is important to us also, and I think that to the extent that we can gage those year by year that it is the best way to handle the situation rather than adopt restrictions which in my judgment are not in the best interests of the country at the present time.

Senator MILLIKIN. I would like to make it a little more specfiic than that. If you have a domestic industry in which it costs X dollars to produce a barrel of fuel oil and you are importing fuel oil into this country at a cost at which our domestic producers cannot compete to stay in business, should we foster that kind of importation or should we foster the diminution of that kind of importation?

Mr. HOLMAN. In my opinion that condition doesn't exist at the present time.

Senator MILLIKIN. If it did, let's take an "if." If it did exist, I mean other people are presenting other facts which reach conclusions other than your own and I would be the last person in the world to say that you are not in this case entitled to a conclusion and I would also be the last person in the world to say that others were not entitled to a conclusion.

Mr. HOLMAN. Correct.

Senator MILLIKIN. If it should be shown that we have imports of fuel oil that give unfair competition to our domestic production of fuel oil, what would be your viewpoint on that?

Mr. HOLMAN. I think the facts on fuel oil produced from foreign crude versus fuel oil produced from domestic crude is a very simple thing. The facts—the reason why we import foreign fuel oil is that we would reduce domestic fuel oil yields rather than import the crude for that purpose. In general the foreign crudes that we use for that purpose basically have a good deal more fuel oil in them, so we produce for that purpose.

Senator MILLIKIN. I come back to my original question. If you give unfair competition to the production of the same item, do you believe we should?

Mr. HOLMAN. Well——

Senator MILLIKIN. I may be oversimplifying.

Mr. HOLMAN. It seems to me that it is oversimplification a little. To my way of thinking, the import of residual fuel oil has very little influence on crude oil as I tried to point out in my testimony.

It is largely more influential on the coal picture. I think from our studies we show that really the imports of residual would have—even if all of them were cut out—would have a very small, if any, effect on the coal people's problem, of which I am greatly in sympathy. I would like to see a strong coal industry.

Senator MILLIKIN. I am just suggesting that there might be some contrary testimony and we have the job of evaluating testimony. I am not disparaging yours but I also want to keep an open mind on what others say.

Mr. HOLMAN. I think that is perfectly right, Senator.

Senator MILLIKIN. I come back to the main proposition which is the theory of the Reciprocal Trade Act.

If domestic industry is threatened with serious injury or injured seriously with the kinds of import we are talking about, should we continue to import or should we protect the American industry?

Mr. HOLMAN. I think that is a question of establishing the facts as you say first.

Senator MILLIKIN. Yes.

Mr. HOLMAN. I think it depends a good deal then on how much is it hurt.

Senator MILLIKIN. Yes.

Mr. HOLMAN. You have to weigh both sides of the question.

Senator MILLIKIN. I agree with all that. But if it should be determined that there is a serious injury to domestic production of fuel oil through the importation of foreign fuel oils would you say we should continue to injure the domestic industry or should we take the steps necessary to put the imports on a fair competitive basis?

Mr. HOLMAN. I think we should have a strong domestic industry and if evidence could be shown that you did not have a strong domestic industry, I would be in favor of doing something about it.

Senator MILLIKIN. Thank you very much.

Mr. HOLMAN. But I want to make this perfectly clear, that in my opinion, Senator, when you are talking about domestic fuel oil and domestic foreign fuel oil or crude to make foreign fuel oil you are talking about two different things completely. I don't think that anything you do about it would save the coal industry, and I don't think the oil business would be tremendously affected by the importation of fuel oil.

Senator MILLIKIN. But if these things should be shown to the contrary——

Mr. HOLMAN. That is right.

Senator MILLIKIN. If they should be shown to the contrary, you think something should be done about it?

Mr. HOLMAN. That's right.

Senator MILLIKIN. Thank you very much. That is all.

Senator CARLSON. Mr. Chairman.

Senator MILLIKIN (presiding). Senator Carlson?

Senator CARLSON. Following some of the questions of Senator Millikin with regard to production and the effect of importation of oil, I notice on your chart one that the State of Kansas for 1947, 1948, 1949, up to 1954 had an annual production of about a hundred million barrels of oil per year. There was no increase during that 7- or 8-year period.

At the same time our national economy gross production had greatly increased, our population has increased about 15 to 20 million people.

Wouldn't it be reasonable to assume that it had not been for proper ratios and allocations of production that we would have increased that production in 7 years some?

Mr. HOLMAN. Senator, certainly if you cut off all crude oil imports, and permited no imports, that would have been made up in production in the United States.

Senator CARLSON. I am not one of these individuals that is in favor of cutting off all imports of crude oil, but I have been concerned about the great increase of these imports which I believe according to some tables I have was in 1948 we had 512 million barrels total imports and the average for 1954 according to this President's Commission on Energy Supplies and Policy Resources was some million fifty-four thousand barrels which shows a great increase over the same period that we in our State, with, I think, substantial reserves and new fields, should have increased some of our oil sales. That is the point I wanted to make.

Mr. HOLMAN. I can certainly sympathize with your viewpoint completely. The Carter Oil, one of our companies, does business there.

We hear them say the very same thing.

Senator CARLSON. I appreciate that.

Mr. HOLMAN. I would not argue for 5 minutes that if you cut off all imports that Kansas along with other States it would increase their production some.

But I think that you have to weigh the other factors in this whole thing too. Certainly my opinion has been that industry itself should handle the problem. In our own company we think that our record is such that we have supported that viewpoint pretty much and we are going to continue to support that viewpoint.

Senator CARLSON. I noticed your comments on the report of the President's Commission on Energy Supplies and Policy Resources.

Is it your position that you have or you can have an agreement—I don't like to use that word—limiting the imports of oil to this Nation?

Mr. HOLMAN. I don't know whether other people can. I say we can and we have.

Senator CARLSON. In your opinion would these voluntary agreements, if that is your contracts among the industry, violate the antitrust law?

Mr. HOLMAN. Individual action, which we have done right along, we have been doing it for 25 or 30 years and we don't think we have violated any antitrust law.

All we have done is said what we are going to do and we have done it.

Senator CARLSON. Mr. Holman, I am in your corner on that as far as getting the limitation but I have been disappointed in the results.

That is the thing that concerns me. I would be the last person who wants to establish any more quotas if I didn't think it was necessary. I have stated so for several years.

This year I am a cosponsor of a bill for 10 percent limitation because I feel that we have to stop someplace.

I think it is of great concern, not only to the industrial expansion of the Nation, as far as our own economy is concerned, but from a definite standpoint. If this continues, at the present rate of increased oil imports and States in the oil-producing area—there are many of them and you are interested in most of them, I assure you, and are thoroughly familiar with the problem I bring up, that we can't quite see this picture of pro ratio and stifling of expansion in the industry which I believe was demonstrated by your own table there as far as the State of Kansas is concerned.

I am so concerned about it, and I think that this committee, which, I believe, is a committee that tries to look at the whole figure, and we have to do it and try to do it, and we are confronted with that.

Before we report a bill we are going to be confronted with the problem of voting out some import quotas or having some assurance, at least, that we can show you to protect a domestic industry that I think is vital to the national defense as well as the industrial expansion.

Your suggestion, I take it, is that we depend on volume contracts by the individual companies.

Mr. HOLMAN. That is right.

Senator CARLSON. And you state you have been following that policy?

Mr. HOLMAN. That is right. I think our record here would show that pretty well.

Senator CARLSON. Then on that basis, how can we, as a committee in the Congress, assume, with the great increase from 500,000 barrels in 1948 to what presently indicates will probably be 1,240,000 barrels this year, feel that we have protected our country and our industries without taking some definite steps?

Mr. HOLMAN. Senator, I think it needless to say that I am as interested in protecting our industry and our country equally as much as you are.

I think that the Cabinet Committee report, as I point out in my testimony, is a very important thing. I would certainly give it a trial and see what happens.

Senator CARLSON. On that point, Mr. Holman, if we do and we extend this Reciprocal Trade Agreements Act for 3 years, as proposed, it would be 3 years before this Congress could act except by special legislation, and these reciprocal trade agreements, their effects are not only on our national economy but they affect us internationally.

Therefore, I don't think we should tamper with the thing too much. And too often. That is one of our problems. I want assurance that we can rely on these things safely without import quotas.

I have said 10 percent. I will admit that I don't know whether that is the right figure. I notice the Secretary of the Treasury, in his statements before this very committee, stated that the Committee of which he was a member, the Committee on Energy Supplies and Resources Policy, said they thought the average of last year, which I think was 10.8 percent, and present indications are that next year it may go to 19 percent—where are we going to stop?

Mr. HOLMAN. I don't know. I suppose you will hear other importing companies give their views. My only suggestion is that I think the Presidential Committee is an important report. I think that people in industry should have time to weigh this thing and I would believe that all the American companies are just as much interested in the domestic industry, certainly more so than they are in the foreign industry, and I hope that the recommendations that they make, the suggestions they make, would be carried out.

Senator CARLSON. Does not this enter into it, that there are foreign companies that in addition to the American companies that are importing oil here. What possibility would there be of getting any agreements from them.

Mr. HOLMAN. So far as I know, I don't know of any—there may be—but so far as I know, American companies are the ones that are importing, that are actually importing the crude.

They may be buying from some foreign company. I don't know about that. But the American companies would be the ones that actually import the crude.

Senator CARLSON. Would you object to the committee following the recommenations of the Committee on Energy Supplies and Resources Policy which establishes a quota on the basis of the 1954 average?

Mr. HOLMAN. I object to any legislative quota.

Senator CARLSON. I believe that is all, Mr. Chairman.

The CHAIRMAN. Senator Malone.

The Chair would like to state I am forced to go to the Senate floor: the tax bill is up. The plan is to be in session until 1 o'clock and adjourn until 2. We have permission, the committee has permission to sit this evening.

Senator MILLIKIN. You mean this afternoon?

The CHAIRMAN. This afternoon; yes. I will ask Senator Millikin to act as chairman in my absence; if he is not here, Senator Carlson.

Senator MILLIKIN (presiding). Senator Malone.

Senator MALONE. Mr. Chairman, I want to say first that I consider you, Mr. Holman, one of the outstanding men in the entire petroleum industry, not only the strong man in your own company but one of the strong men in the industry, and I have watched your operations for a long time.

Mr. HOLMAN. Thank you, Senator.

Senator MALONE. I am very much interested in your statement that you do hold the view that we should move consistently in the direction of reducing quotas and tariffs restrictions and simplifying customs procedure. You don't confine yourself to the oil industry there. I take it you mean every product in the United States.

Mr. HOLMAN. I did not get the latter part of it.

Senator MALONE. You do not in that statement confine yourself to the oil, petroleum industry; I take it you consider every product in the United States we should do the same thing.

Mr. HOLMAN. Yes, I think in general I would do what I could from our own interests to promote a larger exchange of goods. I would like to see more exports, I would like to see more imports.

Senator MALONE. I think in that you have no disagreement with anybody that I have ever seen that we want more legitimate exports, more legitimate imports.

Mr. HOLMAN. Yes.

Senator MALONE. But there is a considerable difference of opinion as to what is legitimate. In other words, we are furnishing, and have been since the war, 5 to 10 billion dollars to European nations to buy our goods and we are exporting a tremendous amount of goods free to foreign countries on the basis of national defense and we call it foreign trade. So we say, as a basis then, that we have increased our foreign trade when as a matter of fact—whether you have ever done this or not—if you will subtract the amount of cash and goods that we are furnishing other countries without repayment, you come right back to about the same legitimate percentage of trade, 4½ to 5 percent that you have had about 40 years ago. Have you tried that formula?

Mr. HOLMAN. No, I haven't. I agree that we don't want to promote foreign trade by giving away our money.

Senator MALONE. That is what we have been doing.

Mr. HOLMAN. They have earned some dollars. I don't think they have gotten all their dollars by gifts.

Senator MALONE. I did not say that. You come back to about 4½ to 5 percent legitimate trade where you sell and get the money and buy and get the money.

Have you made that calculation?

Mr. HOLMAN. No.

Senator MALONE. Would you try that some time and see where you come out?

Mr. HOLMAN. I am sure some of our people are making the calculation. I will look it up and send you a statement on it.

Senator MALONE. Have you studied other industries' products besides your own as to what the effect might be?

Mr. HOLMAN. Only in general sessions in hearing other business people talk about their problems and so on.

Senator MALONE. You have not determined what the effect might be in textiles, machine tools or minerals or crockery or glass or any of those specific items is that true?

Mr. HOLMAN. No, I haven't. That is specifically. Naturally I have studied the oil situation. The fuel energy situation.

Senator MALONE. You think the oil industry would be benefited if you reduced the tariffs on everything else?

Is that about what it comes to.

Mr. HOLMAN. I think the oil industry, to the extent that we increase our exports, Senator, I think that the oil industry would benefit, sir.

Senator MALONE. You were here when the Governor of Rhode Island was testifying that the textile industry was already hurt under the present tariffs. Now under the additional, they would be extremely vulnerable, and you are testifying exactly like Mr. Hoffman did here a few days ago about any industry that can't survive under a continual, gradual—I think that is the word he used—decrease of that protection afforded by a tariff (or duty the Constitution calls it) that makes up that difference between the reasonable cost of production of an article here, and the cost of that article or a like article in the chief competing nation. He believed, just as you do, in a continual reduction and in a slow freeze out of some production in the United States of articles—I have named 4 or 5 of them, there are probably several thousands. You believe that such freeze out would be advantageous to the petroleum business?

Mr. HOLMAN. I think that anything that creates activity in this country is beneficial to the petroleum industry.

Senator MALONE. My personal opinion is that you will create quite a bit of activity if you keep this up, advocating abolition of protection on every article in the United States so the cheap labor countries can come in with the products, I don't think you will lack for activity, it will increase pretty fast.

Mr. HOLMAN. That gets down to matters of opinion, of course.

Senator MALONE. I think it does—no; I don't think it does. I think the evidence justifies it. I don't think you have studied it. You say you have not.

Mr. HOLMAN. I think I have——

Senator MALONE. I have the highest respect for you and I think you are an expert in the petroleum business and I want to see if you are an expert in the other business.

Mr. HOLMAN. I am not even an expert in the petroleum business.

Senator MALONE. You believe, do you, that by voluntary action on your part in the product that you import that you can handle it, that you ought to be the judge? You are not the first one that testified to that effect as a witness before this committee. I have heard this testimony before from a subsidiary of yours or a company in New Jersey that handles your product.

They said exactly as you have said that the importers should be allowed to judge the extent of their imports and exports, and then be able to balance production in this country and the imports.

Mr. HOLMAN. Yes, sir.

Senator MALONE. Do you believe that all investors in other products should have the same privilege on their products, such as glass, crockery, or machine tools? Would you give them the same privilege?

Mr. HOLMAN. I am talking here about the oil business which I think I know something about.

Senator MALONE. Unfortunately your policy is not limited to the oil business. Do you limit the voluntary part of your testimony to the oil business?

Mr. HOLMAN. I am simply subscribing to what the Cabinet Committee said there and they were talking about the energy field solely in that particular case.

Senator MALONE. But your statement that you do hold the view that we should move consistently in the direction of reducing tariffs and simplify customs impositions and reduce quotas refers to every product in the United States.

Mr. HOLMAN. That is right.

Senator MALONE. I agree with your statement that the Neely formula will become obsolete in a very short time. Because no one knows what it should be at the present time and nobody knows what will be economically necessary to protect the economy of this country 6 months, a year, or year and a half hence. Do you hold to that view?

Mr. HOLMAN. That is right.

Senator MALONE. I am not for a quota. I have never been for a quota on anything unless it is a combination of protection. For example, the Congress of the United States itself took up the matter of sugar at one time. They fixed quotas. They fixed tariffs. They fixed restrictions and stand ready to change those at any time it seems necessary. At least I suppose they do. They fixed at that time what they thought was right and it worked pretty well.

Article 1, section 8, of the Constitution gives to Congress the responsibility to regulate commerce, which means setting tariffs, but they transferred that responsibility to the Executive and he can reduce or raise a tariff when he wants to without regard to the economy of the country. If he wants to change a political situation in a foreign nation he can take anything he wants to under consideration under the 1934 Tariff Act.

You are aware of that, aren't you? I mean the 1934 Trade Agreements Act.

Aren't you aware that that's up to him entirely?

Mr. HOLMAN. Up to the——

Senator MALONE. Executive, or State Department most of us think.

Mr. HOLMAN. I have heard that said before.

Senator MALONE. I don't know whether you agree with it or not.

Mr. HOLMAN. Senator, let me state my view this way.

Senator MALONE. I would like for you to.

Mr. HOLMAN. In the first place I think the Reciprocal Trade Act——

Senator MALONE. I would like to ask you where you got the phrase "Reciprocal Trade Act" or do you know?

Mr. HOLMAN. Whatever H. R. 1 is.

Senator MALONE. I have a name for it but I don't suppose you would adopt it. It was invented by the London bankers in 1934 just as Butler invented the "trade but not aid" in 1952, but I pinned that on him as soon as he invented it.

We mouth those things. But that phrase doesn't occur in the act, doesn't occur in the title. In the opinion of the Senator from Nevada, it was simply named by a European country to sell free trade to the American people.

Why you call that reciprocal trade I do not know.

Mr. HOLMAN. I simply yield to your better knowledge. Whatever the name of the bill is I accept your name for it.

To get back to the point I think you were asking me: My viewpoint on the act as it now stands and as it is proposed before you gentlemen today. I think that my general feeling has been that through the peril point provisions and the escape clause provisions everybody should be heard. I think that they should be enforced. I think that everyone should have full opportunity first to explain their position before the Tariff Commission and I think that that should not be on general grounds. I think it should be on specific items, if necessary, on general items and those things should be weighed very carefully and the provisions of the peril point and escape clause as provided by Congress.

It is my view that administration should have the power as provided in the act.

It seems to me that the Tariff Commission is weighing these things from the viewpoint of certain things now.

It seems to me that the administration or the President should be able—and I think he should have a broader general overall knowledge of what is good for the country than the Tariff Commission itself weighing just a specific thing under the provisions of the peril point and escape clauses.

Senator MALONE. Regardless of any peril point, regardless of any escape clause—and I suppose you know this—the President of the United States is still the final judge and there is no recourse to Congress under the act.

Congress could, of course, take it up if they insisted on doing it on any product by introducing a bill, sending it to this committee, and then in time to the Senate, and they can pass it if they want to. But under the 1934 act there is no other recourse.

Mr. HOLMAN. Yes.

Senator MALONE. The Executive is the final one to decide what the Tariff Commission says.

Mr. HOLMAN. Yes.

Senator MILLIKIN. I think the witness should be advised that the Congress can overturn the President's viewpoints if it wishes to.

Senator MALONE. I just explained that for the record. Congress, at any time, can take up a bill regularly introduced, referred to this committee, and sent back to Congress and they can pass it.

I just explained that to you before I asked the question. But that takes a special bill. The decisions of the President are not referred to the Congress for approval under the act.

Of course, you understand that.

Mr. HOLMAN. Surely.

Senator MALONE. Do you understand that in 1934 we changed the principle of regulating tariffs from what had been our policy for a long time and to which we would revert under the 1930 Tariff Act if this is not extended. At that time the President, by serving notice, could cancel any trade agreements already made.

Anything upon which there is not a trade agreement made now, any product would immediately revert to the Tariff Commission on the basis of fair and reasonable competition.

The Tariff Commission has only one principle laid down to it by Congress under the 1930 Tariff Act, which was superseded by this act but is still in full force and effect if this act is not extended. They have one principle and that is the basis of fair and reasonable competition and that is the difference in cost of a production of an article here and a like or similar article in the chief competitive nation. I heard you testify that the wages are about the same or even higher in certain countries where you're operating and I presume that principle would not hurt you.

In 1934 that was superseded by the Trade Agreements Act that changes the principle entirely then to the principle that any producer of any product must show injury before he can ask for relief and then he doesn't get it unless the President decides that he should get it regardless of what the Tariff Commission determines.

You understand that change in principle under the two acts?

Mr. HOLMAN. I was under the impression that the President after these hearings could overrule the Tariff Commission or agree with them, but I think it is my understanding that he is supposed to report to Congress on that.

Senator MILLIKIN. He is supposed to report to Congress and Congress can overcome his decision entirely if they wish to.

Senator MALONE. He does report to Congress and Congress, through a special bill introduced in the Senate or House, referred to the committee—Ways and Means in the House, Finance Committee here—may pass a special bill. He can be overruled in that way, but that is the only way he can be overruled.

He did explain and has explained to Congress several times but Congress had done nothing about it in any case.

In other words you approve in that change of principle, from a principle of fair and reasonable competition to a situation where any industry must show a distinct injury before he can ask for such relief.

Mr. HOLMAN. Yes. I thought that is the provision Congress set up and I think that is fair.

Senator MALONE. I wanted to know if you considered that fair and that ends that question. That is a fair answer. Did I understand you to say that in case of an all-out third world war that the Middle East oil would be available to us?

Mr. HOLMAN. No, you didn't understand me to say that.

Senator MALONE. You said it would be valuable to national defense. What did you mean?

Mr. HOLMAN. I certainly don't want to anticipate what oil will be available to us, Senator.

Senator MALONE. It is pretty important to anticipate what oil will be available to us.

Mr. HOLMAN. I would think oil we had any place outside the United States would be valuable to us. It was valuable to us in World War II and it was valuable to us in World War I.

I think, God forbid it will be valuable to us——

Senator MALONE. Do you believe the Middle East oil would be available to the United States of America in an all out third world war?

Mr. HOLMAN. I think there is a fair chance that——

Senator MALONE. Could be shipped to the United States?

Mr. HOLMAN. Well, I am assuming we are not just fighting the war in the United States. I would think——

Senator MALONE. I only want your opinion. I am not going to question it. You are entitled to your opinion.

Mr. HOLMAN. You asked me whether it would be available.

Senator MALONE. To us in the United States. It is not reasonable to suppose that you have not asked somebody this question before in your own outfit.

Mr. HOLMAN. Oh, yes. I have always thought, looking at it from a national-defense standpoint that I would assume that the chances are it may be available, I have assumed from a defense standpoint we should be better off by depending on Western Hemisphere oil.

Senator MALONE. I think that is a very fair answer. I am delighted you gave me that answer. That is the answer from all the military strategists with whom I have discussed the situation.

Mr. HOLMAN. I have discussed the question.

Senator MALONE. I want to also say that you don't have to have oil in the United States. The military forces may not need oil in the United States, my opinion is they might need oil in the Eastern Hemisphere as they would here, and I would hope that some of that oil would be available.

Mr. Holman, you do believe that that Middle East oil would be available to Europe and if we could keep it operating in the all-out world war III.

Mr. HOLMAN. God knows what will happen in a situation like that. I don't think you can say all Middle East oil will pass out of the picture like that.

Senator MALONE. There isn't any reason to say that God does not know, but there are some people who estimate military strategy and make some good statements that you will have to destroy it and get out of there to keep somebody else from using it.

Mr. HOLMAN. We have investments there and we have thought about it.

Senator MALONE. I think you have.

I think you are right. I think your first answer was satisfactory. From all the word we can get and we did go into this problem in another committee and made Senate Report 1627 last year in which we say just about that—that the Western Hemisphere could be made self-sufficient in all the critical materials to fight a war or live in peace, and you can keep the industries running during a war.

That is an important conclusion. No one knows what the next war will bring about.

The idea has been sold to this country for 22 years that you had to defend areas in Europe and Asia, and also to get the critical materials from there to fight a war and live in peace.

That is one thing I don't think you hear so much about since last August.

I was recently in Venezuela on committee work and I have a high regard for what you are doing.

I visited the Lake Maracaibo oil operations in Venezuela. That is very great work that your company and other companies are doing there. I don't know that your particular company is interested there. But there are 3 or 4 large companies and they are doing a wonderful job.

I think that Venezuela in regard to the money exchanges and various things is head and shoulders above many foreign countries.

You do understand that these trick organizations built up on a basis of the 1934 act, like GATT in Geneva, are waiting to start work again as soon as this is extended, if it is? The U. N. Assembly passed a resolution 3 or 4 months ago setting up another worldwide organization.

We didn't vote for it, but they think we are bound anyway if we continue our present method of regulating world trade, to dump the markets of this Nation and others all in a pot on the basis of entitlements to consumption, whatever that is.

That can only be interpreted in accordance with the population of each country.

The International Materials Conference was created by the State Department after the Congress turned down the International Trade Organization.

They are all for division of the world markets in the pot, as long as we are in it. It is just like any other sucker poker game. If the man with the money doesn't sit in, then there is no game. So if we don't extend this thing, we go back to this section 336 of the 1930 Tariff

Act. We would not be sitting in the sucker game. We would be regulating our tariffs on the basis of fair and reasonable competition.

I am not asking you to put in the labor rates of Venezuela, because we get that from other ways. We know there are many emoluments beside the actual wages and it is a little intricate to figure.

But if you were on a basis where the tariff or duty were to be determined on every product in the United States on the basis of fair and reasonable competition, would that handicap your production greatly?

Mr. HOLMAN. I don't know that I exactly understand your question.

Senator MALONE. I will state it again. It is the simplest thing on earth.

In other words, if you take petroleum or zinc or textiles and the Tariff Commission—that is actually equipped to do a good job—determines the probable cost of production of an article in this country and the same article or like article (which it would have to be petroleum in this case) in the chief competing nation and recommended the difference as a duty or tariff, and if it is flexible so that they can increase or decrease it on evidence, would that handicap your production greatly in Venezuela or in the Middle East?

Mr. HOLMAN. Tariffs have an effect, Senator.

It would depend on how much it was.

Senator MALONE. Assume that it would be accurate.

Mr. HOLMAN. You said would it affect our operations?

Senator MALONE. Yes.

Mr. HOLMAN. Certainly.

Senator MALONE. You know how much it is going to be, and if it is accurate it will bring your oil in on the basis of fair and reasonable competition. Would that handicap you?

Mr. HOLMAN. Your question is, Are the costs in Venezuela as compared to the United States sufficiently comparable——

Senator MALONE. No, that is not my question.

Under the principle definitely laid down by Congress to the Tariff Commission in 1930, Congress gave distinct orders under no condition to consider anything except the differential in the cost of production, the difference in the reasonable cost of a product here and the chief competitive nation—not the lower and not the higher. It makes me a little sick to hear somebody being for high or low tariffs.

I have never heard anybody be for high tariffs.

What they want is that differential on the basis of fair and reasonable competition and flexible so that it remains that way.

If the economic relationship between the nations changes—say you raise your wages in Venezuela or the Middle East—then you can lower your tariff here. Assume you land your petroleum at the ports on the basis of fair and reasonable competition with the costs of production in this country. Would that handicap you?

You say you are paying the same wages or a little higher anyway.

Mr. HOLMAN. I think when you are talking about competition you are talking about a good many more things than just your cost.

Senator MALONE. What are you talking about?

Mr. HOLMAN. For example, the quality of your product. Sometimes your costs are very definitely related to the type of property you have, for another example.

Senator MALONE. You mean where it will produce more or quicker and with less expense?

Mr. HOLMAN. I would say we certainly have properties in the United States that are comparable in cost and everything else with properties in Venezuela and vice versa.

There again you can generalize too much in the oil business, because you have certain types of property in one place and in another place. This is the point I wish to make.

Senator MALONE. I wish you would make it.

Mr. HOLMAN. The final analysis is that it is not the cost that makes things tick. It is a question of producing something, it is a question of transporting it, refining it, and marketing and getting it to the customers' hands.

What you are interested in finally is making a profit on it. The logistics of moving the goods come into these rather more than purely the cost factors.

Senator MALONE. I want you to answer my question. I know you know what I am talking about.

Mr. HOLMAN. I honestly don't.

Senator MALONE. You are the smartest man in the business. I want to be dealt with fairly as I want to deal fairly with you. If it goes back to the Tariff Commission, under the 1930 act they only have 1 instruction, 1 principle laid down by Congress, and that is a fair and reasonable competitive basis, and if they determine the reasonable cost of your various grades of petroleum, and the production cost of the various grades in the chief competitive nation—I don't know whether it is Venezuela or it is a Middle East nation—residual oil or petroleum or gasoline——

Mr. HOLMAN. The delivered cost in this country.

Senator MALONE. And have that made comparable with the cost in this country so the American producers, the American workingmen, and the American investors have equal access to the American markets. If you bring in gasoline from the Middle East or Venezuela, let us assume that the Tariff Commission finally arrives at the proper differential so it is fair and reasonable competition. Would that handicap you in your operations in the foreign nations?

Mr. HOLMAN. We would have to see what the figures showed.

I don't know whether it would or not. I think in general as I point out as far as Venezuela is concerned——

Senator MALONE. Mr. Holman, that has nothing to do with my question whatever. My question is simply whether if they arrive at the proper duty or tariff to bring it in on fair and reasonable competition you have equal access to the markets here that domestic producers have here in taxes, and so forth. Would that handicap your operations?

Mr. HOLMAN. I think tariffs anyway you look at it are a handicap to some extent. You are just arguing it.

Senator MALONE. That is all I asked you. You said it would be a handicap. At the same time you say you are paying the wages in Venezuela you are paying here. That is not very consistent but your answer is in the record.

You did say a while ago and I think you have this information which I do not have without reference to other testimony that the domestic production last year was at an all-time peak here.

I would ask you if it is at an all-time peak is that on the basis of the increase in population? Could they naturally look forward to producing more here in accordance with increase in the consumption? But you did say that the domestic production here last year was at an all-time peak.

Mr. HOLMAN. I said the last month or so it reached an all-time peak.

Senator MALONE. The last month or two.

Mr. HOLMAN. If you are asking me whether I think it is true the consumption is going to grow——

Senator MALONE. I didn't ask you that.

Senator KERR. He said the all-time peak production was reached in January of this year.

Mr. HOLMAN. That is right.

Senator KERR. His charts show that production in this country actually was less in 1954 than it was in 1953.

Mr. HOLMAN. That is right.

Senator MALONE. I think that is what I wanted to bring out.

I thank the Senator from Oklahoma.

Is it a fact that the oil production in Texas, Oklahoma, and other oil-producing States is cut below 50 percent now of their capacity?

Mr. HOLMAN. I don't know, Mr. Senator. I don't remember. I think those facts are available from the Conservation Department.

Senator MALONE. Would it interest you if I say to the best of my knowledge—and I think we have other witnesses that will correct me if I am wrong—it is about 46 to 48 percent.

Mr. HOLMAN. Those figures are readily available.

Estimates are available but I don't recall just what they are.

Senator MALONE. That is my best information. Do you have any information to the contrary?

Mr. HOLMAN. We have that but I don't remember what it is.

Senator MALONE. Does it sound reasonable to you with what you have been hearing?

Mr. HOLMAN. I really haven't followed that close enough. We have statistics here if you want to take time to examine some.

Senator MALONE. We are going to take time all right. But if you have not the information that is good enough.

Mr. HOLMAN. I will give you the information.

Senator MALONE. You can turn it in to the committee but not take the time right now.

Mr. HOLMAN. Surely.

Senator MALONE. What States do you operate in? You operate in Texas.

Mr. HOLMAN. We operate in some form or another in almost every State of the Union.

Senator MALONE. You are interested in Texas. I am interested in Texas because it is a great State.

Mr. HOLMAN. I am very much interested in Texas because I happen to be a Texan.

Senator MALONE. Do you know for a fact—if you don't know I hope you will check it and inform the committee or we will get the information elsewhere—that they are cut there now to about 46 to 47 percent of their capacity?

Mr. HOLMAN. I am quite familiar with the situation about the way they feel about it.

Senator MALONE. I did not ask you how they felt. I know how they feel. I asked you if that is a fact. That they are cut below 50 percent?

Mr. HOLMAN. I don't know.

Senator MALONE. I think you should know as the head of a great oil company that is interested in Texas.

Mr. HOLMAN. I am sorry. I don't know all things. That is something that I could see every week. But I don't really know just what the figures are.

Senator MALONE. Mr. Chairman, there is a very interesting article by Raymond Moley, I will not read it. But I will ask you if it can be placed in the record at this point because it touches right on some of the problems that Mr. Holman has been testifying about.

Senator MILLIKIN. I didn't hear your request.

Senator MALONE. I ask permission to insert in the record an article by Raymond Moley, Newsweek, March 14, 1955. It will be very interesting. You will probably have it on your desk when you get home, Mr. Holman.

Senator MILLIKIN. It will be inserted.

Senator KERR. I am glad to see you before our committee. I am glad to have you here.

Mr. HOLMAN. Thank you, Senator.

Senator KERR. I notice in your statement that you recognized the need for curtailment of imports. In fact you say that your company has by policy curtailed its imports.

Mr. HOLMAN. That is right, Senator.

Senator KERR. Do you know of any way to bring about the general curtailment of imports without legislation?

Mr. HOLMAN. Well, as I answered Senator Carlson when he was here, I will say that it can be done. The Cabinet committee has made certain recommendations.

Senator KERR. I am familiar with them.

Mr. HOLMAN. I would certainly be willing—and I would like to see them tried.

Senator KERR. Do you know of any way to make certain that the recommendation would be carried out except through legislation?

Mr. HOLMAN. I said we had no trouble.

Senator KERR. I know your company.

I congratulated your company on its attitude and its policies. But I was thinking we must have the overall picture.

Mr. HOLMAN. I think you must. All I am saying is that I would certainly give it a try, Senator, rather than try to design a formula now.

Senator KERR. Would you want to tell the committee that you have a basis to assure the committee that the recommendations of the Cabinet Committee would likely be carried out in the absence of legislation?

Mr. HOLMAN. All I can do, Senator, is assure you that our companies——

Senator KERR. I know that, Mr. Holman.

Mr. HOLMAN. That is all I can do. I couldn't assure you of anything else.

Senator KERR. Then you would think that the committee would have no basis upon which to feel that the recommendations would be carried out without legislation?

Mr. HOLMAN. If you think in our own case that we have, I don't see why you don't have reason to think that the others would too. That is your own judgment on the thing.

Senator KERR. I don't want to argue with you. We had a campaign in Oklahoma last year for United States Senate and the nominee of the other party went out to Denver to see the President. And the President gave out a release or his press agent did that he had told this nominee from Oklahoma that he knew of no reason why Oklahoma shouldn't elect him but in a few days it became apparent that if he knew of any reason why he should, he didn't state it.

You have told me that you know of no reason why the recommendation would not be carried out; I am asking you if you have any reason that you can give this committee to suppose you would believe that it will be carried out?

Mr. HOLMAN. The only reasons I can give is the behavior of our own company and that is the policy we intend to follow as we have in the past.

Senator KERR. That is your company.

Mr. HOLMAN. That is right.

Senator KERR. But other importers haven't followed that policy, have they?

Mr. HOLMAN. I would let them speak for themselves.

Senator KERR. You are familiar with it. You don't want to withhold any information that you have do you?

Mr. HOLMAN. I think the imports have been a little on the high side.

Senator KERR. Can you interpret for me this chart that is in your statement here following page 11?

Mr. HOLMAN. Chart 1, 2, or 3?

Senator KERR. Chart 1. It gives the production by States, Texas, California, Louisiana, Oklahoma, Kansas, Wyoming, and New Mexico, which are not all of them.

Mr. HOLMAN. That's right.

Senator KERR. Do you have the figures of what the total production of the domestic production was in 1951?

Mr. HOLMAN. Yes. We have all that.

Senator KERR. What was it in 1951?

Mr. HOLMAN. Yes, we have it here.

Senator KERR. Can you give it to me and put it in the record?

Mr. HOLMAN. Certainly. We will give it to you and put it in the record.

Senator KERR. I want to bring out a point. I think that if everybody had followed your policy we would not be bedeviled with the problem that so sorely affects us today.

Another big refinery announced they were going to shut down in Oklahoma this week, and the company announced that they were going to go to the east coast and build a new hundred million barrel refinery, which we know will be supplied with imported oil.

You have told me you know of no reason why other companies would not follow the recommendation of the Cabinet Committee, but if you know of any reason to justify you in believing that they will, you haven't given that to the record and if you do think of it, you will give it to the record, won't you?

Mr. HOLMAN. I will, yes.

Mr. BURRILL. The figure was 6,346,000 barrels per day.

Senator KERR. 6,346,000?

Mr. BURRILL. Yes.

Senator KERR. I am talking about 1951.

Mr. BURRILL. This was 1954. The figure was 6,158,000 barrels per day in 1951.

Senator KERR. 6,158,000?

Mr. BURRILL. Yes.

Senator KERR. Does that present the total production?

Mr. HOLMAN. That's crude oil production in the United States.

Senator KERR. Domestic crude oil production in the United States?

Mr. HOLMAN. That's right.

Senator KERR. 1951? Yes.

Mr. HOLMAN. 1952, 6,256,000 barrels daily.

Senator KERR. 1953?

Mr. HOLMAN. 6,458,000 barrels a day.

Senator KERR. 1954.

Mr. HOLMAN. 6,346,000.

Senator KERR. Do you have the figures showing the increase in consumption in this country percentagewise as between 1951 and 1952?

Mr. HOLMAN. I could probably lay my hand on it here if you give me a minute.

Senator KERR. It shows that it was less in 1953 than it was in 1952 and it was less in 1954 than it was in 1953, wasn't that your statement?

Mr. HOLMAN. This is what I said:

> You may be interested in the figures on imports by our importing figures on Standard Oil Co. and Esso Export Corp. In 1954 they decreased crude oil imports 5 percent from 1953 which in turn was 14 percent under 1952.
>
> Their 1954 fuel oil imports were just slightly higher (3 percent) than in 1953, equal to 1952 and less than in 1950 or 1951.

Senator KERR. That was what I asked you that your group have actually imported less oil each year than they did the year before for a number of years overall?

Mr. HOLMAN. Generally that is true, but there have been slight variations in the thing.

Senator KERR. You were going to give me the difference in consumption.

Mr. BURRILL. I have here the consumption, what we would call the total demand of all petroleum in the United States.

In 1952 versus 1951, is that the ratio you want?

Senator KERR. Yes.

Mr. BURRILL. Do you want the barrels or percentage?

Senator KERR. Percentage.

Mr. BURRILL. It was 3.6 percent.

Senator KERR. 1952 was 3.6 percent?

Mr. BURRILL. Over 1951.

Senator KERR. Now 1953 was what with reference to 1952?

Mr. BURRILL. 1953 with reference to 1952 was 3.5.

Senator KERR. Plus 3.5.

1954 with reference to 1953?

Mr. BURRILL. It was approximately 2 percent. I don't have the figure here.

Senator KERR. Wasn't it a little more than with the 2 percent?

Mr. SWENSRUD. It was up just a wee bit. One percent up.

Senator MILLIKIN. Have you got what you want?

Senator KERR. I think I have—when they decide on 1954.

Mr. BURRILL. I will find it for you, Senator.

It is in here somewhere.

I have to chase down the figure. But it was small. It was an increase. It was probably in the order of 1 percent.

Senator KERR. I would like to have you furnish that correctly because my information was there was an increase and that it was more than 1 percent.

Mr. BURRILL. It was in that order.

Senator KERR. In view of the fact that the production in 1954 was less than it was in 1953 in spite of the fact that the consumption was higher, that means that imported products are getting a higher and higher percentage of this domestic market, doesn't it?

Mr. HOLMAN. Imported products.

Senator KERR. Imported crude oil products are taking a higher and higher percentage of our domestic market.

Mr. HOLMAN. Yes, I think it varies between crude and products.

Senator KERR. My question is with reference to the total and I would be glad for you to give the other figure if you wanted to, but my interest in it is whether or not—and my own information is that it is, imports are taking a larger and larger percentage of the domestic market.

Mr. HOLMAN. My impression is that that is true. I would like, however, to point out there is a difference between crude and products and we will work it up and give it to you.

Senator KERR. You will work it up and give it to us for the record.

Mr. HOLMAN. Yes, sir.

Senator KERR. Can you tell me approximately what—let's see in order that the record may show what are the two principal sources of imports.

What are the two principal foreign sources of imports?

Mr. HOLMAN. I would say Venezuela and the Middle East.

Senator KERR. Any oil coming from what we call the Far East, or do you refer to the general area around the Caspian Sea as the Middle East?

Mr. HOLMAN. I refer to Iran, Iraq, Saudi Arabia, Kwwait and those others.

Senator KERR. That is the Middle East?

Mr. HOLMAN. Yes. There might be minor importations from the Far East but they would be minor.

Senator KERR. Can you tell me what part of the known world oil reservations are in the Middle East percentagewise?

Mr. HOLMAN. I can't tell you offhand, they are very substantial. They are a large proportion of the known proved reserves as they are carried today.

They are very substantial.

I think we have those figures.

Senator KERR. Does the gentleman have that figure?

Mr. HOLMAN. Do you have that figure on crude oil reservations?

Mr. BURRILL. I have a statement of an estimate from reserves from published sources that I think I can give you.

Senator KERR. I think it would be helpful to put it in the record if you have it there.

Mr. HOLMAN. If we have it we can put it in the record.

Senator KERR. I know.

Mr. BURRILL. May I give it to you later?

Senator KERR. That would be fine. I wonder if it would be in the nature of 75 to 80 percent?

Mr. HOLMAN. It is a large figure in terms of total. Roughly, the Middle East constitutes the bulk of the foreign reserves. The United States proportion of the total reserves is somewhere around 20 to 25 percent and the only other large Western Hemisphere reserves are in Venezuela so the large bulk of the reserves have to fall in the Middle East.

That is free world I am talking about and not including Russia.

Senator KERR. That is right.

Mr. HOLMAN. It would be a large percentage.

Senator KERR. Do you know how many wells have been drilled in the Middle East?

Mr. HOLMAN. I don't recall how many. We have a record of it.

Senator KERR. Do you know what the daily production there is?

Mr. HOLMAN. Yes, we have that too.

Senator KERR. What is the production daily?

Mr. HOLMAN. I think we can probably guess at that pretty close. It would be well over about two million barrels per day. We can put an estimate on that. We can put it in the record, I am sure.

Senator KERR. From how many wells?

Mr. HOLMAN. I would have to guess.

Senator KERR. I would appreciate if you could make a guess.

Mr. HOLMAN. Per-well yield there is very high.

Senator KERR. If the per-well yield in the neighborhood of 5,000 barrels a day or more.

Mr. HOLMAN. I would guess it would be somewhat less than that, but I would want to check the figures to find out. I think we have those figures and would be glad to furnish them to you.

Senator KERR. Will you furnish us the figures of the known reserves of the free world represented in Venezuela?

Mr. HOLMAN. The number of wells and the daily production.

Senator KERR. Yes, sir.

Mr. HOLMAN. Generally speaking, what American companies operate or produce Middle Eastern oil?

Mr. HOLMAN. Our company, of course.

Senator KERR. New Jersey Standard?

Mr. HOLMAN. Yes.

Senator KERR. Socony Vacuum, New York Standard?

Mr. HOLMAN. Yes.

Senator KERR. Gulf.

Mr. HOLMAN. Yes.

Senator KERR. Texas?

Mr. HOLMAN. Yes.

Senator KERR. California Standard?

Mr. HOLMAN. Right.

Senator KERR. Is that the principal?

Mr. HOLMAN. There is some smaller production in Middle East.

Senator KERR. Those five companies would represent well over 95 percent of what American companies have there?

Mr. HOLMAN. I would think so; yes.

Senator KERR. What foreign countries are in substantial position there?

Mr. HOLMAN. The Shell. Anglo Iranian; the British changed their name recently.

The name of the company is British Petroleum Co.

Senator KERR. Isn't that owned by the British Government?

Mr. HOLMAN. A very large percentage of it is. I have forgotten the exact percentage.

Senator KERR. Is there any other foreign company that is in a substantial position?

Mr. HOLMAN. Compagnie Francaise, a French company, produces oil there.

Senator KERR. To any considerable extent?

Mr. HOLMAN. They own 23 and a fraction percent interest in Iraq Petroleum Co., which has a production of 7,000 barrels a day.

Senator KERR. Who are the other owners of Iraq?

Mr. HOLMAN. The Jersey Co., the Socony, the Shell, the British Petroleum; and then there was a small interest owned by Mr. Gulbenkian.

Senator KERR. What percentage?

Mr. HOLMAN. 5 percent.

Senator KERR. Is it the same situation generally in Venezuela?

Mr. HOLMAN. About the number of companies producing.

Senator KERR. Yes.

Mr. HOLMAN. I think there are a good many more American companies producing in Venezuela than there are in the Middle East. I would say there were probably twice as many American companies as a guess.

Senator KERR. Percentagewise. what part of the Venezuela production would you say is owned by Jersey, Gulf, Texas, California, New York Standard, Shell?

Mr. HOLMAN. A good proportion of it. Those figures are readily available. Rather than to guess at it.

Senator KERR. You can put those figures in the record.

Mr. HOLMAN. Sure.

Senator KERR. Would it be fair to say that the companies we have named here not to exceed 8 control 75 percent of the known reserves of the free world?

Mr. HOLMAN. They certainly own a very substantial part of it. Whether it would be 75 percent——

Senator KERR. Is it possible that they own as much as 90 percent including their ownership in this country?

Mr. HOLMAN. I would rather look at the figures and give you an accurate figure as near as the estimates are.

Senator KERR. Will you do that?

Mr. HOLMAN. Sure.

Senator KERR. You said you would put in the record how many wells there are in the Middle East and how much they produce.

Would you also put in there your estimate of what the costs are to drill those wells per well. That information is available, isn't it?

Mr. HOLMAN. As far as I am concerned, if it is available to us.

Senator KERR. Would you put that in? That is a matter of published information in your reports, isn't it?

Mr. HOLMAN. I don't think it is.

Senator KERR. You mean our American comapany's operations costs are not a matter of public record.

Mr. HOLMAN. If it is a matter of public record what the wells cost, I would put it in the record.

Senator KERR. If it isn't, would you make a reasonable estimate, an estimate?

Mr. HOLMAN. I would have to ask whether they would be willing to do it or not. I am sure they would.

Senator KERR. Their costs would be similar to yours?

Mr. HOLMAN. All our interests in the Middle East are owned jointly with other companies. We own an interest in ARAMCO.

Senator KERR. I thought so. That is why I was surprised that you said you would have to get somebody's permission to give me that information.

Mr. HOLMAN. After all I don't run ARAMCO. I don't tell ARAMCO what to do. Other people have a say in that too.

Senator KERR. I don't want a thing in the world that isn't a matter of available record.

Mr. HOLMAN. Public record. If it is a public record I will be glad to put it in the record. If it is not as far as I am concerned I would be willing to let you have the information if it would be of help to you.

Senator KERR. It would be a help to us.

Would you also put in the record or do you know approximately how many wells there are in the United States.

Mr. HOLMAN. Yes, we have estimates of that.

Senator KERR. And the average daily production.

That would be a matter of mathematical calculation?

Mr. HOLMAN. That is right.

Senator KERR. And also the difference in cost between the drilling of a well here and there to a comparable depth.

Mr. HOLMAN. All I could do is put in the record on that particular thing what the costs are to us. Others would be merely estimates.

Senator KERR. I know that would be a good example. I know from my own experience what the costs are, but this will have more dignity and more influence in this record if it is in there as a result of your estimate of costs than it would if it were mine.

How far are the Middle East oil reserves from Russia?

Mr. HOLMAN. They are varying distances of course. The Iraq and Iran oils are the closest to the Russian world.

Senator KERR. I have been told then it takes about 40 minutes to fly the distance in a DC-3 airplane.

Mr. HOLMAN. Let's see. I think it would be a little further than that. They are not very far. As far as Iran and Iraq is concerned and you have Arabia, that's further.

Senator KERR. It is less than 200 miles further, not over a hundred miles from the Caspian Sea.

Mr. HOLMAN. I have flown over it, it is a little further. Pretty close.

Senator KERR. How much further?

Mr. HOLMAN. I would have to refresh my memory by looking at the map to tell you. I am not trying——

Senator KERR. I am not trying to catch you. I know you want us to have all the information we want.

Mr. HOLMAN. That is right. I will tell you in general that Iran and Iraq fields are very close to the Russian border. I don't know in terms of how a DC–3 would fly.

Senator KERR. It would not take a modern jet bomber 15 minutes to make the distance would it?

Mr. HOLMAN. Going faster than sound, they could cover it pretty quick, no question about that.

Senator KERR. I noticed in here that you made the statement on page 11 if you will recall, if United States Congress were to adopt legislation against oil imports it would reduce the dollar earnings of other countries and thus reduce export markets for American farmers and factories, what is the value of the crude oil which your companies import from Venezuela to the United States?

Mr. HOLMAN. I don't recall exactly what it is but I think we have made some estimates and I think it is in previous testimony.

Senator KERR. I think they are too. I wanted to get it in here.

Mr. HOLMAN. As I recall in case of Venezuela.

Senator KERR. I have it here before me taking from your report that is made public. I just want to get it into the record.

Mr. HOLMAN. Whatever it is there.

Senator KERR. I would rather have you.

Mr. HOLMAN. It is in the record already actually as far as Venezuela is concerned, the place, the balance of trade between them, it is when we testified before on H. R. 1.

Senator KERR. How does it increase the purchases from American farms and factories?

Mr. HOLMAN. Venezuela buys a tremendous amount of goods from here. Six hundred million dollars is the figure, if I recall it right, that they buy—well to us we pay in dollars for it, then in turn they buy goods from us or at least people in Venezuela do including ourselves.

Senator KERR. I am not talking about what you buy. Doesn't Venezuela buy anywhere else but from us?

Mr. HOLMAN. They do some.

Senator KERR. What part of the oil you ship in here belongs to Venezuela?

Mr. HOLMAN. The Creole Petroleum Co. operates in Venezuela. Their exports are from Venezuela and in their trade account it is considered an export from Venezuela.

Senator KERR. Doesn't Venezuela have a royalty interest?

Mr. HOLMAN. We buy the oil from them.

Senator KERR. You buy the oil from them?

Mr. HOLMAN. In our case we do.

Senator KERR. How do you pay them for it?

Mr. HOLMAN. We pay them for it in dollars.

Senator KERR. Altogether?

Mr. HOLMAN. Yes.

As far as I know all our payments to Venezuelan Government are in dollars.

Senator KERR. You don't pay them any sterling or any other foreign currency?

Mr. HOLMAN. No. in Venezuela we don't do that. I am sure all of our settlements are made in dollars, isn't that right?

Mr. BURRILL. We make the payment in bolivars but we bring dollars to the central bank to buy the bolivars.

Senator KERR. So in settling your accounts with Venezuela you have never settled with them in any other currency than American currency?

Mr. HOLMAN. That is right.

Senator KERR. What part of the overall production of Standard of New Jersey is, that is marketed in the United States, is brought in from foreign countries?

Mr. HOLMAN. Again I would have to check that to give you that figure. As far as that is concerned, our imports are a public record.

Senator KERR. I know that.

Mr. HOLMAN. What we sell here of course in volume is a public record so I will be glad to put that in the record for you, but I don't know what it is.

Senator KERR. I have a compilation here which was taken from Judge's report of 1953, 47 percent of your refinery runs within the United States, 52 percent out of the United States.

Mr. HOLMAN. That is right if that is in our report.

Senator KERR. That 16 percent of your reserves are in the United States, that 84 percent of them are out of the United States?

Your net production in the United States was 414 million barrels and in Venezuela and the Middle East and Far East was 827 million barrels. In other words, that two-thirds of the production is outside the United States but that approximately 50 percent of the refinery capacity is in the United States?

Mr. HOLMAN. Yes.

Senator KERR. And what I was trying to get to there was the percentage of products which you market in the United States which are made from imported oil?

Mr. HOLMAN. Actually our imports of crude oil as brought out here is around 70,000 or 80,000 barrels a day as I recall. The rest of it is outside of that particular crude oil, all of it is manufactured from domestic crude. We do bring in residual crude oil from outside of course.

Senator KERR. As to what degree?

Mr. HOLMAN. As to the amount we sell here in the United States.

Senator KERR. Yes.

Mr. HOLMAN. I don't recall the figures.

Senator KERR. A hundred thousand barrels a day?

Mr. HOLMAN. Residual fuel oil, what is that?

Mr. BURRILL. 150,000.

Senator KERR. Barrels a day?

Mr. BURRILL. Yes.

Senator KERR. Do those figures include the amount of foreign oil which you sell to other refineries in the United States?

Mr. BURRILL. But this is just what we bring in ourselves.

Senator KERR. What is the depletion factor on the oil you import worth to you in dollars and cents?

Mr. HOLMAN. It varies from country to country, Senator, actually in working out 50–50 in the case of Venezuela it does not enter into the thing too much, does it, Cecil?

Mr. BURRILL. It affects the tax calculation.

It is really a complicated question I think, Senator, and needs some working out.

Senator KERR. Could you work that out?

Mr. BURRILL. That is the value to Jersey of the depletion.

Senator KERR. Allowance.

Mr. BURRILL. Of oil production or imports.

Senator KERR. Imported oil?

Mr. BURRILL. Imported oil.

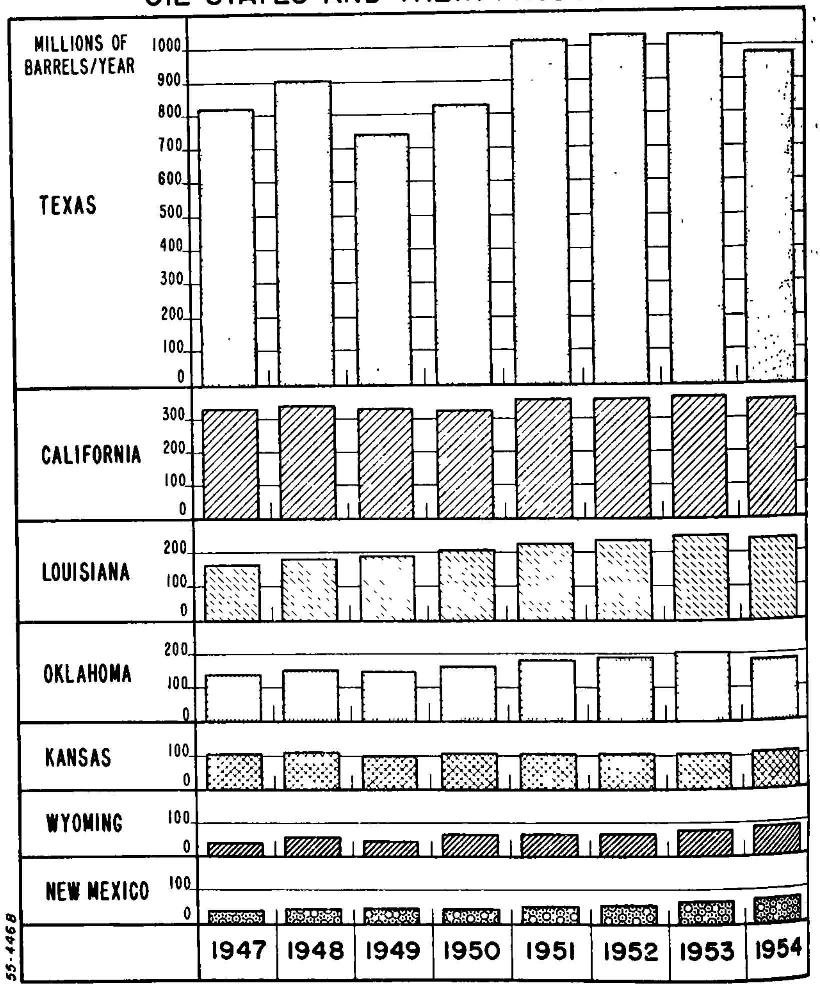
Senator KERR. Yes. In dollars I believe, in dollars and cents. I believe that is all I have, Mr. Chairman. I want to express my deep appreciation to Mr. Holman for his patience with me and helpfulness.

Mr. HOLMAN. Thank you very much for your patience with me.

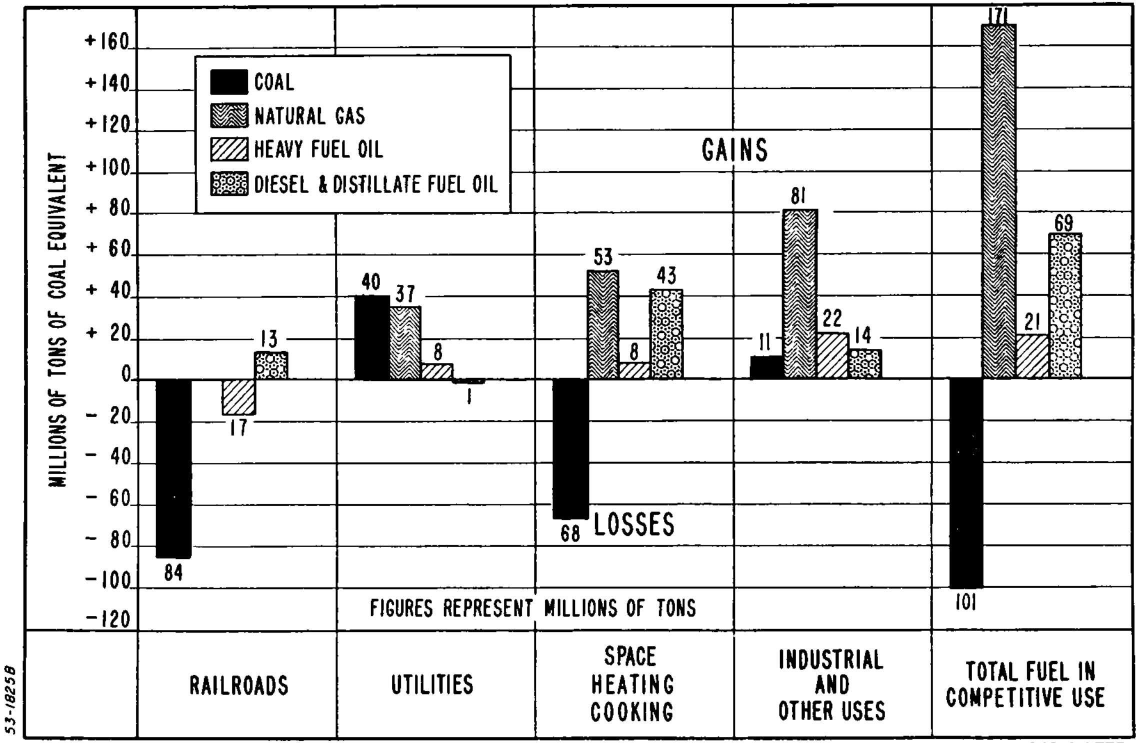
Senator MILLIKIN. We are very grateful to you, Mr. Holman, I imagine we will meet again at 2:30.

(The charts referred to in Mr. Holman's testimony follow:)

OIL STATES AND THEIR PRODUCTION



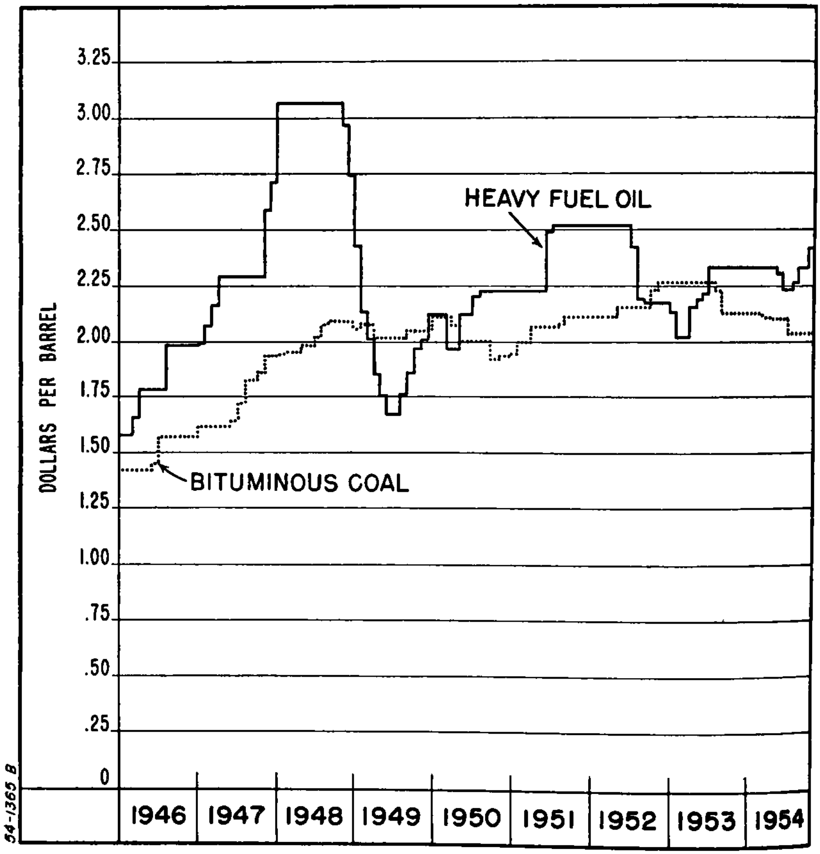
COMPETITIVE GAINS AND LOSSES
IN U. S. FUEL CONSUMPTION 1953 VS 1946



SOURCE BUREAU OF MINES AND FEDERAL POWER COMMISSION *GASOLINE, HYDRO POWER, AND NON-FUEL USES OMITTED*

COMPARISON OF PRICES OF
HEAVY FUEL OIL AND BITUMINOUS COAL
AT NEW YORK HARBOR
1946-1954

EXPRESSED IN DOLLARS PER BARREL ON HEAT EQUIVALENT BASIS



(The following letter was subsequently received for the record:)

MARCH 24, 1955.

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

MY DEAR SENATOR BYRD: During the presentation of my testimony before the Senate Finance Committee on March 11, 1955, Senator Kerr asked for certain data which I was unable to give him at the time. To the extent that we have been able to obtain the answers to those questions, the information requested is presented herewith.

1. Latest revised figures for crude oil production in the United States are as follows:

Years:	*B/D*
1950	5,407,000
1951	6,158,000
1952	6,256,000
1953	6,458,000
1954	6,346,000

2. The latest revised Bureau of Mines' figures for total demand for crude oil and products in the United States (domestic and export demand) show the following percentage increases. These percentages are calculated on a daily average basis:

Year:	*Percent*
1952 over 1951	+3.3
1953 over 1952	+3.8
1954 over 1953	+1.3

3. Imports of petroleum as percentages of United States total demand for crude oil and products are tabulated below:

Percent imports of United States domestic and export demand

Year	Crude oil	Products	Total imports
1950	7.2	5.3	12.5
1951	6.6	4.7	11.3
1952	7.4	4.9	12.3
1953	8.1	4.8	12 9
1954	8.1	4.9	13.0

4. Total proved crude-oil reserves as of January 1, 1954, in the United States, Venezuela, the Middle East, and the balance of the free world are shown below, as well as the percentages owned by American companies. These data were obtained from World Oil.

Millions of barrels	United States	Vene-zuela	Middle East	Balance free foreign	Total free world
Proved reserves	28,945	10,138	81,125	7,831	128,039
Percentage of total	22.6	7.9	63.4	6.1	100.0
American owned	----------	7,604	44,998	2,948	84,495
Percentage owned by American companies	----------	75.0	55.5	37.7	66.0

5. The number of wells, the daily average production, and the average production per well in the year 1953 as reported by World Oil on August 15, 1954, is shown below for the United States, Venezuela, and the Middle East.

	Number of producing wells at year end	1,000 barrels daily average production	Daily average production per well
United States	501,859	6,466	13
Venezuela	11,684	1,765	151
Middle East	503	2,426	4,822

We have not found any published data on the cost of drilling wells and, because such costs vary widely depending on a number of factors, any attempt to estimate the cost of drilling a typical well in the United States, Venezuela, and the Middle East would be extremely hazardous. The larger production per well in Venezuela and the Middle East than in the United States is accounted for, in good measure, by the fact that foreign acreage is held in much larger single blocks than domestic acreage; thus enabling full development with fewer wells.

Further, neither the cost of drilling nor the production per well are valuable indicators of total or unit cost or of net profit. For example, American corporations producing crude oil abroad have many costs, such as the construction and maintenance of entire communities, including public utilities, hospitals, schools, etc., not usually incurred in domestic operations. In this connection, and lest the large per well production in the Middle East give the impression that that oil is cheap, your attention is directed to the generally known fact that Arabian American Oil Co., an outstanding Middle East producer, had a net profit from crude oil operations, after all charges and taxes, of less than $0.70 per barrel in 1952 and 1953. We have taken data from the annual reports of six large oil companies in the United States who confine their activities to crude-oil production, and whose operations are therefore comparable to those of Aramco. Calculations from these data show the net profits of these 6 companies, after all charges and taxes, averaged $0.74 per barrel in 1952 and $0.82 per barrel in 1953.

6. The distances from producing areas in the Middle East to the Russian border are approximately as follows:

Producing area in—	*Air distance (miles)*
Iran	525
Iraq	225
Kuwait	625
Neutral Zone	700
Saudi Arabia	880
Bahrein	850
Qatar	900

You will note that the main producing area in Iraq (Kirkuk Field) is closest to the Russian border and is less than half the distance between London and East Germany (575 miles). The general area of Qatar, Bahrein, and Saudi Arabia is farthest from Russia and is almost double the distance between London and East Germany.

7. United States imports by affiliates of Standard Oil Co. (New Jersey) in relation to sales made by affiliates in the United States are tabulated below:

	1,000 barrels daily		Percent imports of product sales
	Product sales	Imports	
Crude oil		83.7	
Residual fuel	262.6	145.4	55.4
Other products	661.3	2.4	.4
Total	923.9	231.5	25.1

8. The value of crude oil imports from Venezuela by Standard Oil Co. (New Jersey) affiliates in 1953 was $56,500,000 The total value of crude oil and

products imported into the United States from Venezuela in 1953 as reported by the U. N. commodity trade statistics was $363,071,000.

9. It is impossible to give any worthwhile figure in response to Senator Kerr's question as to what the depletion allowance is "worth to you [i. e., affiliates of Standard Oil Co. (New Jersey) which produce crude oil abroad] in dollars and cents." Under existing United States income-tax laws, American corporations engaged in producing crude oil, whether at home or abroad, are allowed a percentage depletion deduction. Other provisions of that law designed to stimulate foreign investment (e. g., corporations having Western Hemisphere status) and to prevent double taxation (e. g., the foreign tax credit) reduce the United States tax liability of American corporations engaged in foreign operations. The result of these latter provisions is that the depletion allowance is "worth" (as Senator Kerr put the question) less in terms of reduced United States tax liability of American corporations producing crude oil abroad than it is to those engaged in producing crude oil in this country. This alleged "worth" to American corporations producing crude oil abroad varies according to, among other things, the amount and type of royalty paid, the local tax rate, and the profitability of the operation. Under some variations there would be no United States tax liability whether or not depletion is allowed, while under others the disallowance of depletion could result in some United States tax liability.

Respectfully,

EUGENE HOLMAN.

(Whereupon a recess was taken until 2: 30 p. m. of the same day.)

AFTERNOON SESSION

Senator CARLSON. The committee will please come to order.

Now, I wish to state that there are a number of witnesses here, and if there are any that have statements that they care to file, if it is so that they cannot stay until the end of the afternoon or evening at which time we conclude all the witnesses, we will be glad to get the printed statements and they will be made a part of the record.

(The statements are as follows:)

STATEMENT OF S. RALPH LAZRUS, PRESIDENT OF THE AMERICAN WATCH ASSOCIATION, INC.

Mr. LAZRUS. In order to conserve the time of the committee I shall be pleased to submit my statement for the record in lieu of reading it this afternoon.

The CHAIRMAN. Thank you, Mr. Lazrus. The committee is pleased to receive your views and your statement will be printed in the record at this point.

(The statement referred to follows:)

Mr. Chairman, gentlemen, my name is S. Ralph Lazrus. I am president of the American Watch Association. Its 70 members are all American businessmen who import jeweled-lever watch movements from Switzerland and assemble them in American-made cases and attachments, and distribute and merchandise them through 32,000 retail jewelry stores in this country.

I understand, Mr. Chairman, that this committee will receive a summary of the testimony which I have given, and which other representatives of the watch importer-assembler industry presented before the House Ways and Means Committee. Therefore, my statement today will not discuss the broad benefits to both the Swiss and United States economies which have resulted from the reciprocal-trade program, nor will it repeat the testimony concerning the most unfortunate reactions which have resulted from the series of recent moves which have been unilaterally undertaken by our Government to curtail Swiss watch imports.

Your committee is being urged to give favorable consideration to amendments to H. R. 1, by which many United States industries would be able to obtain higher tariff protection on grounds that they manufacture certain products essential for defense. The members of your committee are undoubtedly aware of the fact that the four companies which make up the jeweled-lever watch division of the United States timing industry have already sought and received a great measure of protection on civilian watches because it was believed that such action would enlarge their capacity to make military products, most of which are not watches.

It is my intention to devote my remarks today to this subject: Is it wise or proper for this Nation to restrict international trade on the pretext that such restrictions are needed to aid industries which proclaim themselves essential for national defense?

As you gentlemen know, last year the Office of Defense Mobilization issued a report which found that the skills of the four domestic manufacturers of jeweled watches were essential to national security. Subsequently, within the past 8 months, various departments and agencies of the Government have taken a series of drastic actions against watch importers, and it appears that still further moves are contemplated.

The United States Government has intervened in the normal commercial relations of the United States watch industry. In effect, the Government has become the partner of the 4 domestic jeweled-lever companies in their competitive battle against the 400 American companies who import and assemble watches. In behalf of the 4 domestic companies, and to the complete disadvantage of the 400 companies whose many thousands of employees possess great precision skills and have outstanding records of defense production, our Government has, in effect, said to the importers and assemblers: "You must cut down your sales. Under no circumstances will we permit you to expand, regardless of consumer preference for your product. National defense requires that we shift sales of your civilian products away from you and to your competitors."

How many American businesses could possibly operate in the face of such a Government attitude?

How is it possible to maintain morale in an industry when it is realized that as soon as we better our product, intensify our sales and merchandising programs, or try to improve our market condition in any manner whatsoever, the United States Government will move in to counter and nullify our efforts by tariff increases and other administrative actions, all taken in the name of national defense.

Is this the American way? Can this unprecedented type of intervention be reconciled with our traditions of free enterprise, lawful competition, freedom from Government interference and control, or our promises to the world that we would encourage and stimulate international trade?

So far as the American watchmakers and assemblers are concerned, our Government seems to have abandoned all of these cherished guaranty and promises as soon as a few of our competitors began to shout that they considered themselves essential to national defense.

Now, I want to make it quite clear that we are just as concerned as any other group of citizens with the need for maintaining national security. But it is our contention that the protectionist actions taken by the Government in connection with the watch industry are unwise and improper, will weaken both the American economy and those of other friendly nations; and will actually be detrimental to the security of the United States and the free world.

Time will not permit me to go into these matters in detail. However, I am submitting to the committee a revealing analysis of the ODM report on the watch industry and subsequent Government actions, which I would appreciate having incorporated as part of my statement.

There are three major points which I would like to make very briefly today:

(1) The so-called essentiality to national defense of the four domestic watch producers has been greatly exaggerated.

It should be clearly understood that the ODM report, which found that the domestic watch producers were essential to national security, was not based upon Defense Department conclusions, but upon a highly questionable study by the Commerce Department which stated that there would be a serious civilian shortage of jeweled watches in event of all-out mobilization.

As a matter of fact, a comprehensive study by the Defense Department, which was submitted to ODM last year, reached quite opposite conclusions. This is what the Defense Department stated, according to the ODM report (p. 20):

> The Department of Defense has found that military requirements for jeweled timepieces are relatively small and that these requirements could be stockpiled if it appeared that the capacity of the industry were to be lost. It regards the facilities of the industry as highly desirable capacity for the manufacture of other military items but believes that all items other than jeweled movements would be procurable from suppliers outside the jeweled watch industry.

In other words, so far as military production is concerned, the Defense Department concluded that while it would be desirable to have the facilities of the domestic watchmakers available—just as it would be desired to have virtually any manufacturing establishment where there are skilled workers—the watch manufacturers are not uniquely vital to the military procurement program since the ordnance items they produce can be obtained from many other plants, or can easily be stockpiled.

The truth is that from the standpoint of defense production, the four jeweled watch manufacturers possess few skills that are not found in other branches of the watch industry where employment is many times that of the four jeweled producers. Assistant Secretary of Defense Thomas Pike testified before the Senate Armed Services Committee last year that:

> It is * * * from a Defense Department standpoint nearly impossible to arrive at a determination that any one part of the horological industry is more essential for defense than any other part.

So far as the importer-assembled segment of the horological industry is concerned, I can state emphatically that this is true. Benrus Watch Co., for example, had an outstanding record of defense production during World War II and the Korean emergency, manufacturing the same types of precision ordnance items as the four domestic jeweled watch manufacturers, in at least equal quality and quantity. A list of the defense items we produced is attached as exhibit I to this statement.

It hardly makes sense for the Government to try to aid the four domestic producers through techniques which injure the equally skilled workers employed by the importer-assembler companies. Yet this is precisely what has been done during the past 8 months.

(2) If it is deemed important, from the standpoint of national defense, to protect skilled watchmakers—or any other group of American workers—this should be done through direct assistance rather than indirectly by curtailing imports.

It is our contention that imposition of barriers to trade are neither an effective nor a proper method of aiding a domestic industry whose skills are deemed essential to a defense. There is no question that higher tariffs on watches have curtailed imports, have engendered the deepest resentments against the United States in Switzerland, have antagonized many of our friends in other trading nations, and have forced 160 million Americans to pay higher prices. But they have proved quite ineffective in stimulating demand for watches produced by the domestic manufacturers.

Exhibit II, attached, presents figures showing imports of watches and watch movements during the last 4 months of 1954, following imposition of higher tariffs. It will be seen that the total number of imported watches decreased by 31.8 percent, compared with the same period of 1953; dollar value of these watches dropped by 33.8 percent. For the better quality 17 jeweled-lever imported movements, where the tariff hike was greatest, the decrease in imported movements amounted to 38.2 percent. This is the only category that directly competes with the four domestic jeweled-lever watch companies.

At the same time, however, watch sales of the domestic producers did not increase to take up the slack, although their total sales and profits continued to mount. In fact, on January 13, 1955, ODM Director Arthur Flemming announced creation of a new Advisory Committee on the Watch Industry to see what further steps the Government should take to aid the domestic producers in view of their drop-off in sales. As might have been anticipated, the higher prices necessitated by increased tariffs have resulted in a shrinkage of the total market and lower sales by all companies.

The difficulties of the four domestic manufacturers in selling watches stem from several basic causes: (*a*) Manufacturing inefficiency; (*b*) antiquated designs; and (*c*) nonimaginative merchandising techniques. None of these basic ills can be cured by imposition of higher tariffs.

It is difficult to believe that the much discussed Office of Defense Mobilization report does not deal with these problems. In support of this statement, I now read from the ODM report (p. 24):

> In examining proposals for maintaining watch production, the committee in many cases did not have sufficient information on the profit conditions of the industry, price and selling practices, adequacy of modernization programs, and possible results of specific actions on sales of domestically produced watches in relation to imported watches to provide definitive conclusions or to recommend specific courses of action to be taken.

In effect, what this says is that the committee was not supplied with information which could lead to recommendations for improved efficiency and production in the domestic watch industry. Nonetheless, on the basis of the ODM report, the administration immediately instituted a series of far-reaching actions aimed at curtailing Swiss watch imports.

If the Government is really interested in helping the domestic firms, and wants to keep them most available to meet defense-production requirements, it should aid them through direct methods—such as assisting their engineering and design capabilities, encouraging establishment of watchmaking schools such as are maintained throughout Switzerland, giving them priorities on defense contracts which require precision production, allowing tax benefits for improved facilities, and so forth. These types of aid might encourage United States producers to modernize their operations to the point that they will be able to compete effectively with the Swiss.

However, by attacking imports, the Government is only temporarily assuring the domestic manufacturers healthy profits for their present relatively inefficient operations. There is no doubt that these protectionist moves are seriously disrupting competitive relationships within the American watch industry, but they are certainly not aiding the efficiency or the technical abilty of these firms to engage in defense production.

(3) My final point is that protectionist actions taken in the guise of national defense will open the floodgates to higher tariffs for a large segment of the American productive economy, and will undermine the reciprocal trade program.

The use of the escape clause to raise watch tariffs last July represented the first action of this kind affecting a major item in a trade agreement in the 21-year history of the reciprocal trade program. But now that the administration has yielded to the questionable defense argument in the watch industry, it is being beseiged to take similar actions in scores of other pending cases.

Not only are such basic industries as coal and chemicals pleading for tariff relief on grounds of defense essentiality, but so also are producers of items such as scissors and pencils. And, of course, there is an element of truth in all of these pleadings. In time of all-out war our country needs the services of all of its citizens and all of its industries. Indeed, in this sense, every industry would be—or should be—serving a useful and important role in time of total mobilization.

Thus, too hasty acceptance of the defense argument will inevitably result in the spread of protectionism throughout the economy. Exhibit III, which reproduces a recent advertisement sponsored by the Committee on Foreign Trade Education, Inc., spells out this inevitable trap into which we are falling more completely than I can in this limited presentation.

Needless to say, however, increases in tariffs by the United States on grounds of national defense would quickly be followed by a rush toward self-sufficiency by other friendly nations, frustrated in their efforts to trade with us. Indeed, it would promptly lead to a complete undermining of United States efforts to strengthen the economies and defenses of the free world through increased multilateral trade.

Mr. Chairman, in conclusion, may I state that we in the watch importer-assembler industry support H. R. 1, but we are genuinely concerned with the fact that its purposes can be frustrated by unwise or unsympathetic administration. We hope that in addition to passing this legislation Congress will keep a close eye on its administration to make certain that it actually results not in a contraction, but in an expansion of world trade.

EXHIBIT I

DEFENSE SHIPMENTS BY BENRUS DURING WORLD WAR II

Summary

For year ended June 30, 1941 (12 months)	$96, 643.41
For period ended July 31, 1942 (13 months)	895, 332.48
For year ended July 31, 1943 (12 months)	2, 404, 637.67
For year ended July 31, 1944 (12 months)	4, 007, 781.88
For year ended July 31, 1945 (12 months)	6, 814, 224.80
Total dollar volume	14, 218, 620.24

Detailed analysis

YEAR ENDED JUNE 30, 1941, $96,643.41

Parts	*End use*
Gear No. 1	M-43 fuze.
Centrifugal gears	Do.
Escapement arbors	Do.
Firing arm weight	Do.
Escapement pinion	Do.
Pinion No. 1	Do.
Pinion No. 2	Do.
Pinion No. 3	Do.
Pinion No. 5	Do.
Timing disk retainer	Do.
Pinions	British fuze.
BFM striker	Do.
BFM setback pin	Do.

THIRTEEN MONTHS ENDED JULY 31, 1942, $895,332.48

Parts	*End use*
Rotor assembly	40-millimeter Bofors antiaircraft fuze.
Pallet arbors	British fuze.
Center pivots	Do.
Escape pinion	Do.
3d pinion	Do.
4th pinion	Do.
Setback pins	M52 B1 fuze.
Timing disk retainer	M43 mechanical time fuze.
Gear No. 1	Do.
Adjusting screws	Do.
Centrifugal shaft	Do.
Escapement arbors	Do.
Pinion No. 1	Do.
Pinion No. 2	Do.
Pinion No. 3	Do.
Firing pins	Do.
Gear No. 5	Do.
Pinion No. 5	Do.
Centrifugal gear	Do.
Escapement arbor blanks	Do.
Safety lever weights	Do.
Firing arm weight	Do.
Pinion No. 1 blanks	Do.
Pinion No. 2 blanks	Do.
Pinion No. 3 blanks	Do.
Pinion No. 5 blanks	Do.
Bridge locating pin	Aircraft.
Pivot screws	Do.
Pivot	Navy.
Setback pins	M52 B1 fuze.
Handstaff	Aircraft.
Stainless steel hex nuts	Do.
Pinion shaft	British fuze.
Valve holder and insert assembly	Oxygen masks.
Firing pins	40-millimeter Bofors antiaircraft fuze.
Escapement pinions	M43 mechanical time fuze.
Timing disk retainers	Do.

YEAR ENDED JULY 31, 1943, $2,404.637.67

Parts	*End use*
Rotor assembly	40-millimeter Bofors antiaircraft fuze.
Pallet arbors	British fuze.
Center pivots	Do.
Escape pinion	Do.
3d pinion	Do.
4th pinion	Do.
Setback pins	M52 B1 fuze.
Timing disk retainer	M43 mechanical time fuze
Gear No. 1	Do.
Adjusting screws	Do.
Centrifugal shaft	Do.
Escapement arbors	Do.
Pinion No. 1	Do.
Pinion No. 2	Do.
Pinion No. 3	Do.
Firing pins	Do.
Gear No. 5	Do.
Pinion No. 5	Do.
Centrifugal gear	Do.
Escapement arbor blanks	Do.
Safety lever weights	Do.
Firing arm weight	Do.
Pinion No. 1 blanks	Do.
Pinion No. 2 blanks	Do.
Pinion No. 3 blanks	Do.
Pinion No. 5 blanks	Do.
Bridge locating pin	Aircraft.
Pivot screws	Do.
Pivot	Navy.
Setback pins	M52 B1 fuze.
Handstaff	Aircraft.
Stainless steel hex nuts	Do.
Pinion shaft	British fuze.
Valve holder and insert assembly	Oxygen masks.
Firing pins	40-millimeter Bofors antiaircraft fuze.
Escapement pinions	M43 mechanical time fuze.
Timing disk retainers	Do.
Cocking pin screws	Do.
Cocking pin studs	Do.
Nickel nuts	Do.

Parts	*End use*
Fork joint blanks	Aircraft.
Bronze valves	Do.
PB10815 pinion	Do.
PB10816 pinion	Do.
Segment and arbor assembly	Do.
Brass tapered pins	Do.
Hairspring anchor posts	Do.
Armature shafts	Field telephone.
Armature nuts	Do.
Ferrules	Aircraft.
Retainers	Do.
Elevating pinion	Army.
Fork joints	Aircraft.
Chobert rivets	Do.
Gears	Army Signal Corps.
Rods	Do.
Pins	Do.
Shafts	Do.
Spacers	Do.
Handles	Do.
Heart cam screw	Do
Adapter nipples	Army Air Force.
Collars	Do
Pivot bearing assemblies	Navy.
Stacking swivel screw	Army, M30 rifle.
Rear sight slide cap	Do
Cutoff screw	Do.
Elevating pinion	Do.
Upper band screw	Do.
Front guard screw	Do.
Rear sight windage screw	Do.
Pinion No. 1	M111 fuze.
Pinion No. 2	Do.
Pinion No. 3	Do.

YEAR ENDED JULY 31, 1944, $4,007,781.88

Parts	End use	Quantity	Dollar value
M129 mechanical time fuze	M129 fuze	216,000	$474,120.00
Rotor assembly	40-millimeter Bofors antiaircraft fuze.	32,116,383	1,658,737.25
Firing pins	do	53,223,242	542,527.51
Pivots and bearings	Sperry gunsight	291,427	291,427.00
Contact sockets	Field telephones	4,070,588	101,764.70
W-58 escapement arbors	M43 fuze	1,694,127	92,465.45
1053X retainers		337,492	50,623.80
Pinions and escape pinions	M111 fuze and M43 fuze	1,452,904	60,069.43
Rivets	Aircraft	2,708,705	21,669.64
Ferrules	do	259,685	20,774.80
Gears	M111 and M43 fuze	34,998	30,856.57
Nickel nuts		160,350	16,035.00
Armature nuts and shafts		772,271	14,293.29
Rear sight windage screws and cut-off screw.	M30 rifle	481,400	17,807.37
Contact pins	Field telephones		
Segment gears	Airspeed indicators		
Rotor blanks	40-millimeter fuze		
W-120-2 centrifugal gears	M43 fuze		
Gear pinion assembly	M129 fuze		
1st wheel	do		
Escape wheel shafts	do		
Pivots	Sperry gunsight		
Fork joints	Aircraft		
W-68-2 pinion No. 2	M43 fuze		
W-70-2 pinion No. 3	do		614,610.07
1st pinion	M129 fuze		
Gear No. 5	M43 mechanical time fuze		
Pinion No. 5	do		
Safety lever weights	do		
Firing arm weight	do		
Pinion No. 1 blanks	do		
Elevating pinion	Army, M30 rifle		
Upper bank screw	do		
Front guard screw	do		
Pinion No. 1	M111 fuze		

YEAR ENDED JULY 31, 1945, $6,814,224 80

Parts	End use	Quantity	Dollar value
M129 mechanical time fuze	M129 fuze	2,084,000	$3,922,280.00
Rotor assembly	40-millimeter Bofors antiaircraft fuze.	28,230,000	1,416,510.00
Firing pins	do	71,376,908	688,375.08
Pivots and bearings	Sperry gunsight	415,956	269,396 00
W-58 escapement arbors	M43 fuze	2,369,185	110,049.60
Pinions and escape pinions	M111 fuze and M43 fuze	583,329	27,708.13
Rear sight windage screws and cutoff screw.	M30 rifle	59,518	7,439.76
Contact pins	Field telephones	3,419,812	55,174.55
Segment gears	Airspeed indicators	414,592	15,132.61
Rotor blanks	40-millimeter fuze	1,851,962	12,963.74
W-120-2 centrifugal gears	M43 fuze	272,771	5,492 32
Gear pinion assembly	M129 fuze	3,184,000	5,158.08
1st wheel	do	394,420	20,904.26
Escape wheel shafts	do	10,932	27,330.21
Pivots	Sperry gunsight	234,542	93,816.80
Fork joints	Aircraft	82,220	32,386.84
W-68-2 pinion No. 2	M43 fuze	467,335	28,040.10
W-70-2 pinion No. 3	do	413,570	23,894.16
1st pinion	M129 fuze	567,479	22,699.16
Gear No. 5	M43 mechanical time fuze		
Pinion No. 5	do		
Safety lever weights	do		
Firing arm weight	do		
Pinion No 1 blanks	do		29,473.40
Elevating pinions	Army, M30 rifle		
Upper bank screw	do		
Front guard screw	do		
Pinion No. 1	M111 fuze		

EXHIBIT II

Comparative figures on watch imports and dollar volume, September–December 1953 and 1954

TOTAL IMPORTS

	1953		1954		Net quantity, percent drop	Value, percent drop
	Net quantity	Dollar value	Net quantity	Dollar value		
September	1,522,416	$7,895,132	921,821	$4,878,224	39.45	38 21
October	1,531,570	7,685,358	1,041,626	5,190,557	31.99	32 46
November	1,584,157	8,279,104	1,194,753	6,062,453	24.58	26.75
December	1,025,735	5,596,832	700,526	3,353,039	31 70	40 09
Total	5,663,878	29,456,426	3,858,726	19,484,273	31.87	33.85

16-17 JEWEL IMPORTS

September	940,986	$6,467,944	566,429	$4,063,773	39 80	37.17
October	904,348	6,137,544	589,879	4,087,065	34.77	33.41
November	982,707	6,784,231	639,021	4,718,042	34 97	30.46
December	648,825	4,692,354	351,294	2,602,888	45 86	44.53
Total	3,476,866	24,082,073	2,146,623	15,471,768	38.26	35.75

EXHIBIT III

[Advertisement, the New York Times, March 4, 1955]

ARE CLAIMS OF "DEFENSE ESSENTIALITY" SWAMPING THE PRESIDENT'S TARIFF REFORM PROGRAM?

"DEFENSE ESSENTIALITY"

That's what the high-tariff lobbies are putting their money on.

And because every American wants our country to be prepared to meet any emergency it all sounds like a pretty good argument.

But Secretary of State Dulles and Secretary of Defense Wilson, our two top Government officials responsible for defense, have gone down the line for H. R. 1, the bill to extend and reform our reciprocal trade agreements program. So now, as the Senate begins to consider the President's tariff bill, we should all take a good hard look at this "defense essentiality" line and see how much substance there is to it.

WATCH INDUSTRY STARTED IT ALL

The four domestic producers of jeweled watches began all of this. And again, just recently, one of their major executives took an ad to tell how the industry is being driven into extinction by imports from Switzerland. Let's look at a few of the very strange contentions he made.

The fact is that the United States timing industry employs 21,519 precision workers. The 4 jeweled-watch companies are only a small part of the United States horological industry, and yet even they employ 9,754.[1]

What about that 4,000 figure?

The 4 jeweled watch companies employ 4,246 workers in making civilian watches, while 5,508, 50 percent of their labor force, are now in military production. All Government authorities agree that about the same precision skills are used in both civilian and military production.

Is any part of the United States time industry more essential for defense than another?

Not according to Thomas P. Pike, Assistant Secretary of Defense in Charge of Supply and Logistics, who told the Senate:

[1] From U. S. Tariff Commission's report to President, of May 21, 1954. The figures given are based on 1954 average of employment in the 4-jeweled lever watch factories and in 14 factories producing pin-lever watches and clocks.

"It is * * * from a Defense Department standpoint nearly impossible to arrive at a determination that any one part of the horological industry is more essential for defense than any other part."

Do they make defense materials that no other companies can make?

Not according to the Department of Defense which told the Office of Defense Mobilization the following:

"There is no item or product which is not being made or procured in some quantity outside of the jeweled-watch industry.

"There does not seem to be any part of the manufacture or assembly of mechanical time fuses that is peculiar to the jeweled-watch industry."

Another important contention is this—

(*b*) *The Swiss "already have 85 percent of the United States market"*

But the fact is that United States watch manufacturers are not confined to 15 percent of the market as they would have you believe, but have 41 percent of the United States wach market, according to the latest official figures.[2]

Here are the facts that disprove basic contentions on the defense essentiality argument used by the four domestic jeweled-watch companies. This rich industry (the figures for 1953—the last year available—show that 3 of the 4 enjoyed the greatest profit margin after taxes in their histories) has certainly started something. Right now, every high-tariff interest has devised some sort of theory by which they are essential. Defense essentiality is the anvil on which President Eisenhower's proposals for expanding trade are to be beaten out of shape.

WHERE WILL IT ALL END

Riding right on on the second wave of defense essentiality is the chemical industry—particularly those who manufacture synthetic organic chemicals. They are not only against the President's very modest reform of the reciprocal trade agreements program, but, according to one of their spokesmen, also "call for the removal of (past) tariff concession on items which have resulted in a volume of imports which threaten industrial capacity vital for defense."

What's being threatened? Why only a puny little industry made up of du Ponts, Monsantos, Dows, etc., that has grown 10 percent per year for the last 25 years. Producing $20 billion of goods annually, they exported $894 million during the first 9 months of 1954, while imports totaled only $242 million.

About the vital synthetic organic chemicals for which they ask high tariffs: The domestic industry produces $4 billion worth each year. The amount imported in 1953 was $50 million. According to the United States Tariff Commission only $5.8 million of these imports, or less than one-half of 1 percent, were competitive.

And now, because the getting is good, all the high-tariff lobbies are riding the tide of the defense-essentiality argument. Here are the arguments some industries cited in their demand for more protection:

The lace manufacturers say they make military mosquito nets, and are essential for defense.

The wool glove manufacturers say they make soldiers' gloves, and are essential for defense.

The cutlery manufacturers say they manufacture military machetes, and are essential for defense.

The tunafish producers contend that their tuna fleet is needed in time of war, and they are essential for defense.

The Lead Pencil Manufacturers Association says that pencil manufacturers are indispensable to national defense, only conceding that their product is not directly utilized for combat purposes.

Who's next?

IT SOUNDS SILLY—BUT IT'S DANGEROUS

While it may seem awfully silly, this is a very serious business. No American can, of course, afford to have a closed mind on any matter that pertains to national security. But, in viewing the problem with the objectivity that it deserves, we must be careful not to be just swept along with a "defense" slogan.

Britain did that—and learned the hard way. They decided to "protect" their optical industry so that they would not be dependent on overseas suppliers dur-

[2] From U. S. Tariff Commission's report to the President, May 1954, giving latest official figures on ratio of United States production to imports. This shows that United States factories produced 8.3 million jeweled-lever and pin-lever watches, in competition with 12.2 million imported in both categories in 1953.

ing time of war. "The result," Fortune magazine reports, is that "Britain has lagged seriously behind the United States and Germany in optical development"; so that, walled off by high tariffs from the stimulation of competition, the British optical industry became obsolescent and inadequate for national-defense needs.

And in taking an objective look at the defense-essentiality argument we should ask ourselves to what we should gear our national preparedness—World War II or a war of the future? Obviously, another world war would be tragically different. This time the war would inevitably come right to our own country. The era of the H-bomb makes an "arsenal of defense," 4,000 miles away from the battlefield, an impossible dream.

Just one H-bomb, the AEC tells us, would cause death throughout an area the size of New Jersey. In a third world war tremendous areas of our country and of our defense industry would be devastated. In a third world war the test of our defense industry will be its flexibility, its ability to adapt itself quickly to every circumstance. The idea of copying the British and building a defense industry that becomes complacent and fat behind high tariff walls is not the answer to the Nation's needs.

WORLD TRADE AND A STRONG AMERICA

Why all the concern about tariffs and trade? The President has stated:

"For our own economic growth we must have continually expanding world markets; for our security we require that our allies become economically strong. Expanding trade is the only adequate solution * * * If we fail in our trade policy, we may fail in all."

Committee on Foreign Trade Education, Inc., a bipartisan, 100-percent volunteer organization, declared before the Ways and Means Committee of the House of Representatives that the President's trade program is "the touchstone for success in our foreign policy, stimulation of our national economy, and aid to the consumer."

The President's plan for liberalizing and expanding trade, H. R. 1, was passed a short time ago in the House of Representatives. Against the onslaught of the high tariff bloc, the bill only won out by seven votes. Now before the Senate, this attempt to give America a modern trade program faces very rough sledding.

All those who believe in the need for a tariff policy in the national interest, a tariff policy that will build up—not tear down—our anti-Communist foreign policy, should write at once to the Senate Finance Committee or to their own Senator and protest exaggerated defense-essentiality arguments and endorse the President's program, H. R. 1, as written.

And every Member of Congress should be urged to support all moves that will undo the harm where we have fallen for essentiality sloganeering in the past.

COMMITTEE ON FOREIGN TRADE EDUCATION, INC.

National headquarters: 270 Park Avenue, New York City

Board of directors: David C. Hamilton; John C. Howatt, deputy executive director; Thomas L. Hughes; W. Byron Kontack; Eric Keble; David C. Lane, treasurer; Gwelda McPhee, secretary; Winthrop R. Munyon; B. A. Rittersporn, Jr., executive director; Daniel F. Ruge.

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AN ANALYSIS OF THE ODM REPORT ON THE AMERICAN WATCH INDUSTRY AND SUBSEQUENT GOVERNMENT ACTIONS

INTRODUCTION

In June 1954, an interdepartmental committee headed by the Office of Defense Mobilization issued a report on the essentiality to national security of the American jeweled-watch industry.

The report acknowledged that the Defense Department does not consider the skills of the four American watch manufacturers to be of major importance to our military procurement program—since all of the defense items manufactured by these firms can be procured from other industries or can easily be stockpiled. Nonetheless, the ODM committee concluded that these companies were essential to national security, that a minimum of 4,000 production workers should be employed by these firms, and that to achieve this purpose the Government should take any steps necessary to maintain domestic watch output at an average of not less than 2 million units per year.

Regardless ofthe validity of the ODM conclusion that the skills of the four watch companies are essential, there is no question that the report has been accepted as overriding Government policy on matters affecting the watch industry. Within 7 months following its issuance, the United States Government has taken a series of farreaching actions against importers of Swiss watches. These actions have aroused great resentments both in Switzerland and in other friendly nations which view the moves as symptomatic of a United States return to higher tariffs.

Since nearly every industry can make a claim of its importance to national defense, the ODM report and subsequent administration actions can establish a precedent for spreading the cloak of protectionism over broad segments of the American economy. The matter, therefore, is of a sufficiently serious nature to warrant the consideration of those who are interested in preserving and improving America's efforts to stimulate international commerce.

The following document presents an analysis of the ODM report and subsequent Government actions, along with suggestions for a proper review leading toward corrective actions.

ORIGIN OF ODM STUDY

For many years, the domestic watch manufacturers have claimed that their companies are being injured by imports and that they need additional tariff relief. These firms have made repeated appearances before the Tariff Commission and appropriate congressional committees; but in each instance the President or Congress decided that tariff action was unnecessary in view of the sales and profits records of the domestic producers and would be inappropriate in light of the importance of maintaining good trade relations with the Swiss and other countries.

During the Korean emergency, the domestic watch manufacturers shifted their attack to emphasize their alleged "essentiality" to national defense, arguing that their ability to mass produce precision parts is not duplicated in any other industry. The President asked the National Security Resources Board to look into this matter, and in January 1953, NSRB reported that production and employment in the industry were sufficiently high not to jeopardize its base of skilled workers, and that no Government action was warranted.

A few months later, in July 1953, another similar study was requested by an Interdepartmental Committee on the Jeweled Watch Industry, headed by the Office of Defense Mobilization and consisting also of representatives from the Departments of Defense, Commerce, Labor and, on certain problems, State and Treasury.

WHAT THE ODM REPORT FOUND

At the request of ODM, the Defense Department prepared an exhaustive study of military requirements during a 3-year mobilization period for all types of products which would be produced by the jeweled watch industry during a wartime emergency. The ODM report said this was "one of the most complete studies made of end item full mobilization requirements for a single industry."

While the Defense Department study is classified "Secret," a summary appears on pages 15, 16, and 20 of the ODM report. According to this summary:

"The Department of Defense has found that military requirements for jeweled timepieces are relatively small and that these requirements could be stockpiled if it appeared that the capacity of the industry were to be lost. It regards the facilities of the industry as highly desirable capacity for the manufacture of other military items, but believes that all items other than jeweled movements would be procurable from suppliers outside the jeweled watch industry."

In other words, so far as military production is concerned, the Defense Department concluded that while it would be desirable to have the facilities of the domestic watchmakers available—just as it would be desirable to have virtually any manufacturing establishment where there are skilled workers—

the watch manufacturers are not vital to the military procurement program, since the ordnance items they produce can be obtained from many other plants, or can easily be stockpiled.

The Commerce Department also prepared a study dealing with essential civilian requirements for products supplied by the jeweled watch industry. This study emphasized the shortage of certain watch products which occurred during World War II, and gave such examples as the fact that: nurses were forced to use watches with conventional second hands rather than sweep-second hands; miners were forced to use nonjeweled pocket watches; and many industries were unable to get as many jeweled timers as they desired. The Commerce study estimated that demand for these products would be greater in a future emergency. (These views are found on pages 17-20 of the ODM report.)

The Commerce Department, therefore, concluded that a minimum of 3 million jeweled timepieces per year should be produced in order to assure essential nonmilitary requirements under wartime conditions.

The ODM report, leaning heavily on these Commerce Department recommendations, found that the skills of the jeweled-watch industry were essential to national defense, that it was important to keep about 4,000 production workers employed at the plants of the domestic watch producers, and that, in order to keep these men occupied, the Government should take any steps necessary to maintain domestic jeweled watch output "at not less than an average of 2 million units per year."

The ODM report did not make recommendations concerning the specific types of action which would be most appropriate for the Government to take in support of the domestic watchmakers. It discussed several possibilities—including placement of defense orders, stockpiling, tariff relief, quotas, subsidies, and Government-supported horological research and training—but merely pointed to some of the advantages and disadvantages of each.

SUBSEQUENT GOVERNMENT ACTIONS RESULTING FROM ODM REPORT

Within 7 months following publication of the ODM report, the Government has taken a series of far-reaching and drastic actions against the importers of Swiss watches. These included: (1) a 50 percent boost in watch duties; (2) an antitrust action filed against the Swiss watch industry in which the Justice Department asked, in effect, that imports of Swiss watches be stopped unless the Swiss change their governmental regulations controlling the industry; (3) a proposed change in long-standing customs regulations which would have the effect of virtually tripling the tariffs on certain types of watch imports, and (4) establishment of a new Inter-Agency Advisory Committee, headed by ODM, to see what further steps "should be taken to maintain the domestic watch industry in a healthy condition."

While each of these actions appears unrelated, there is no doubt that they are all motivated, in large part, by a desire to strengthen the competitive position of the domestic manufacturers. The administration, in other words, has adopted the ODM report as overriding policy concerning matters affecting the watch industry.

WHAT IS WRONG WITH THE ODM REPORT?

In view of the fact that the conclusions of the ODM report have been accepted throughout the executive branch, and have become the basis of a series of protectionist actions, it becomes important to examine the true significance and validity of its findings. In this regard, there are several major points which should be kept in mind:

(1) The ODM report concluded that the domestic watch manufacturers are essential to the national security despite a thorough Defense Department study which reached quite different conclusions.

The Defense Department was aware of the fact that, while the four domestic watch manufacturers unquestionably produced great quantities of fuses and other ordnance items during World War II, dozens of other companies—both within and outside the horological industry—produced the same types of military equipment, requiring identical precision, and in at least equal quantities.

Some of the great names in American industry—including Eastman Kodak, Bendix Aviation, Thomas A. Edison Corp., National Cash Register, International Business Machines, Singer Sewing Machine, Underwood Elliott Fisher, and many, many others—were engaged in manufacture of military items of the same character as those obtained from the four jeweled watch firms. These companies, of course, employ tens of thousands of skilled workers who are readily available for defense work and whose records show they are capable of mass-producing the finest, most precise ordnance equipment. The same thing is true of the numerous firms which manufacture nonjeweled watches and clocks—such as the Ingraham Co., New Haven Clock, General Time, General Electric, United States Time, Chelsea Clock, Borg Products, William L. Gilbert Clock, Herschede Hall Clock, Lux Clock Mfg., and Sessions Clock.

Similarly, several watch importer-assembly companies enjoy outstanding records of defense production, having furnished the same types of defense items as the four jeweled watch manufacturers. Benrus Watch Co. and Gruen Watch Co. are notable examples of these military suppliers.

Of course, the Defense Department was also aware of the fact that the type of ordnance equipment needed today is far different from the requirements of World War II. Electronics equipment, for example, is replacing mechanical time fuses in modern weapons, so that the machinery and skills of the domestic watchmakers are not necessarily as directly applicable to military production as was formerly the case.

These considerations underscore the fact that the ODM conclusion was not based on military necessity, but rested largely on the Commerce Department finding that there would be a civilian shortage of watches in event of all-out war. Now, it is undoubtedly true that some nurses were forced to use watches without sweep-second hands and that some miners had to contend with ordinary pocket watches during the height of World War II—and that similar shortages might occur in event of another war. However, this is hardly a great privation in the midst of a national emergency.

Nor does this appear to be adequate grounds for singling out the domestic watch manufacturers as vital to America's national security, and for throwing the full weight of the United States Government behind four companies to the detriment of many other American firms who are their competitors. Yet this is precisely what has occurred.

(2) The ODM report based its conclusions on Commerce Department projections that are highly unrealistic and upon an estimate of mobilization requirements that went far beyond truly essential needs.

Perhaps the best indication of fallacies inherent in the Commerce Department study is found in its conclusion that the Government must assure an output by the 4 domestic firms of not less than 3 million units per year. The fact is that in only 2 years in the entire history of the American watch industry has production reached this level which the Commerce Department says the Government should establish as a minimum.

(3) The ODM report made a serious error when it recommended that the Government should maintain domestic watch production at an average not below 2 million units. There are other equally effective methods of preserving the skills and precision machinery of the domestic manufacturers.

The report states that the objective of Government policy should be to maintain employment at the four domestic watch manufacturers at a level not below 4,000 production workers. It does not follow, however, that stable employment of these workers can be achieved only through maintenance of watch output at an average level not below 2 million units per year. In making this recommendation, the ODM report ignored the possibility that these production workers could be kept occupied, making full use of their skills through placement of defense contracts requiring precision techniques.

While it is true that this would not help the sale of watches by these firms, it would keep them in healthy financial condition and would preserve their skilled work force and precision machines—which would fully meet ODM's objectives.

Even assuming that under this type of Government assistance the domestic watchmakers might cease manufacturing watch movements—which the ODM report, itself, said "does not appear likely" (p. 7)—it should be remembered that the Defense Department has stated that its requirements for jeweled movements during full mobilization would be comparatively small and could be easily stockpiled (pp. 15, 20).

There is no justifiable reason, therefore, why the ODM report went beyond its recommendation that the Government assure employment of 4,000 production workers and added its further recommendation concerning the number of watches that must be produced, supposedly in order to achieve this employment goal. Markets obviously had to be found for the domestic output; thus, the inevitable result of this ODM recommendation was a vigorous and consistent attack on imports. The recommendation that domestic production must be maintained above 2 million units, in effect, converted the ODM report from a document concerned with preserving domestic skills into an instrument for tariff protection.

(4) The ODM report contains strange inconsistencies in its discussion of the possibility of preserving essential skills through placement of defense contracts.

The report avoids specific recommendations concerning the type of Government assistance which should be given the four domestic watchmakers; but in discussing the possibility that these firms might receive preference in the award of defense contracts, the report makes the following rather peculiar comment (p. 25):

"* * * This might result in concentration of procurement on the least efficient producers and would probably result in high average costs. Furthermore, this action would assist the profit and employment levels of the companies but would not, in itself, lead to increased production of jeweled movements and the utilization of watchmaking skills."

This statement seems to conflict sharply with the ODM finding that these companies are essential because they possess unique skills which are vital to the defense effort. If the four domestic manufacturers are the "least efficient producers," it seems strange that other sections of the ODM report would emphasize their talents for mass production of precision items. At any rate, the Defense Department has announced a policy of paying higher costs, in order to broaden the defense-production base.

Moreover, if the same types of skills and the same machines are used in defense production as in manufacturing watches, why wouldn't production of ordnance items "lead to * * * the utilization of watchmaking skills"?

WHY GOVERNMENT ACTIONS BASED ON ODM REPORT ARE UNWARRANTED

Even assuming that ODM was correct in finding that the skills of the 4 domestic manufacturers are essential to national defense, the actions taken by the Government against watch importers during the past 7 months were unnecessary and not in the overall national interest.

In this connection, the following points should be considered.

(A) It is ridiculous for the Government to protect the skills of four companies through techniques which injure the equally skilled workers of other American watch companies.

It must be remembered that while ODM limited its study to four companies—Bulova, Hamilton, Elgin, and Waltham—the report stated clearly (p. 2) that "limitation of this study to jeweled watch manufacture should not be construed to imply that other segments of the horological industry are necessarily any less essential to national security."

The fact is that other branches of the horological industry have records of defense production which compare most favorably with those of the four jeweled watch manufacturers.

For example, many American watch importer assembly firms received the highest commendations for their production of ordnance items during World War II and Korea. Benrus Watch Co.—an American firm which imports Swiss movements but maintains United States plants for manufacture of cases and bracelets and for watch assembly, adjustment, and timing—produced the same types of precision military equipment as the four domestic watchmakers, in similar quantities and with at least equal quality and economy. The same thing is true of Gruen Watch Co. and other importer assembly firms.

The objective of the ODM report was to preserve a production force of 4,000 workers—a large proportion of whom, incidentally, do not possess a high degree of precision skills. At Benrus alone there are approximately 1,000 employees in this country, including hundreds of highly trained men and women who possess virtually the same skills as those of the 4 domestic producers. Scores of other importer-assembling companies also maintain highly skilled work forces which are readily available for defense production.

If it is essential to protect the skills of the four domestic companies, surely this should not be done through techniques which directly injure equally skilled workers employed by other branches of the horological industry, such as the importer-assemblers. Yet this is precisely what the Government has done by using the ODM report as the justification for attacks on Swiss watch importers.

(B) As a result of the ODM report, the administration acted too quickly and in the wrong directions.

During the past 7 months various executive departments have seized upon the ODM recommendation that domestic watch production "should be maintained at not less than an average of 2 million units per year" and have used this to justify a series of important moves against importers. In fact, the Government did not even wait for the average domestic output to drop below 2 million watches. For 7 years prior to 1954 United States production was substantially above this level. Yet, when the industry estimated that 1954 output might be down to 1,700,000 units, the administration eagerly jumped to its rescue and invoked the escape clause in the Swiss Trade Agreement.

This move and subsequent actions, although hurting importers, did not guarantee consumer demand for domestically produced watches. It did not improve the manufacturing efficiency of the four United States producers, nor did it improve their merchandising techniques (which constitute the true source of their competitive difficulties). The principal results of the actions were to engender the deepest resentments against the United States in Switzerland, antagonize many of our friends in other trading nations, and force 160 million Americans to pay higher prices.

(C) The extreme measures which the Government has taken to aid the four domestic manufacturers, and the likelihood of additional actions in the future, are removing the competitive incentive for these companies and might well impair their ability to contribute to the defense effort.

The American watch manufacturers are hard pressed to compete with Swiss imports primarily because they do not have the management skills, the manufacturing know-how, the engineering techniques, and the production efficiency of the Swiss. In the interest of national security, it would seem that the best way to help these companies would be to encourage them to improve their operations, to invest in horological research and in new plants, and equipment capable of competing with Swiss efficiency and design.

After all, many other industries important to national defense—such as electronics, automotive, aircraft—do not seek or require special Government protection because they have had the vision to improve their operations and the courage to invest substantial sums to assure their future efficiency. Through the years, this foresight has been lacking from the four domestic watch manufacturers, and the present plethora of Government assistance will merely perpetuate their lack of competitive drive.

By assuring these companies very healthy profits for their present relatively inefficient operations, the Government is seriously disrupting competitive relationships within the American watch industry, but is certainly not aiding the efficiency or the technical ability of the four watch manufacturers to engage in defense production. Quite the opposite.

(D) Government actions are jeopardizing the willingness of the Swiss to continue furnishing the American watchmakers and other firms with critical machinery and technical know-how that is most valuable to the defense effort.

It should be remembered that a very substantial part of the finest precision machinery employed by the four watchmakers on defense production was furnished to them by the Swiss, who have also made many important contributions in the form of technical assistance and engineering guidance. The willingness of the Swiss to continue this type of help—which has been furnished not only to the American horological industry, but to other precision manufacturers—is being seriously endangered by United States actions against watch imports.

(E) The ODM report considered a very narrow problem—essentiality of four companies—and should not be adopted as overriding national policy without being subjected to broader criteria.

Government actions aimed at curtailing imports strike at the heart of fundamental, long-established United State foreign economic policies. It is a mistake for the Government to assume that a report on the essential skills of four companies must automatically take precedence over these policies.

Yet, that is precisely what has happened. When the problem is discussed with the State Department and other agencies entrusted with preserving United States foreign relations, they, in effect, throw up their hands and say: "There is nothing we can do. The Government's policy on watches is expressed in the ODM report."

It must be remembered that ODM merely considered whether or not the skills of four companies were essential to national defense and whether the Government should take action to preserve these skills. It did not consider questions such as these:

"Is preservation of the skills of the four domestic watchmakers more essential to the United States than the undermining of our foreign economic policy through unilateral action to abrogate a trade treaty?"; or

"Is preservation of these skills more essential than the continued cooperation of the Swiss who have furnished this country with many critical machines and much technical know-how in precision manufacture vital to national defense?" or

"Is preservation of these skills more important to the defense of the western nations than adoption of policies which encourage the Swiss to tighten their trade relations with Iron Curtain countries by curtailing their established markets?"

Before the United States Government decides to nullify a trade agreement these are the types of question that should be considered by highest authorities. Moves involving delicate international relations should not be taken merely on the basis of a narrow report which says that 4,000 workers should be kept employed, particularly when there are excellent alternative actions.

(F) Use of the ODM report as a basis for restrictive actions against Swiss watch imports sets a precedent which is contrary to the best interest of the United States.

The fundamental question of whether to use tariff protection or other trade barriers as a method of keeping essential industries in a healthy condition has been studied by many presidential commissions, including the Bell committee, the Paley commission, and the Randall commission. While cognizant of the importance of maintaining the production base of a critical item or the availability of raw materials for national defense, each of these groups decided that reliance upon trade restrictions was not a sound method of achieving this objective.

There are many disadvantages in resorting to import restrictions to help producers who are considered essential for defense work:

(1) Since nearly every industry can make a claim for its importance to national defense, the United States would be forced to spread the cloak of protectionism over virtually the entire American productive economy. Not only would this have the effect of nullifying the objectives of the reciprocal trade program but it would induce other Governments to use national defense as a justification for restrictions on imports from the United States. Retaliatory steps to safeguard their own vital industries would be quickly adopted by friendly nations, with self-sufficiency the future goal of international relations.

(2) Resort to trade restrictions for national defense purposes penalizes all consumers by raising prices and narrowing the choice of products, thereby constituting a great burden on the entire national economy.

(3) Reliance on protection by American industries producing goods for the military inhibits research and development, and removes an important incentive for adoption of new techniques and improvement of production efficiency—precisely in those fields which can be helped most by the spur of competition from imports.

(4) Acceptance of the concept of United States "self-sufficiency" in the production of needed materials ignores the fact that it is important for our allies to maintain the strength of their industries which can be converted to the production of defense goods.

(5) United States trade policy should be based on the broadest national interest rather than the interests of any small group of producers which comes into competition from imports. It is impossible for the United States to be indifferent to the effects of its trade policy on friendly countries whose strength contributes to common defense and security of the free world.

(G) Rather than attack importers, the Government should have used direct aids to the domestic manufacturers.

The ODM report listed several types of direct governmental assistance to the four domestic watchmakers—including priority in procurement, subsidies, and technical research—which have substantial advantages, from the standpoint of the overall national interest, compared with the attacks on imports which have been launched by the Government.

Preservation of an essential industry through direct assistance has the further merit that the costs are readily visible and can be included in the defense budget and regarded as part of national defense expenditures. By following this route, and avoiding attacks on imports, the Government would have been accepting the advice of specially appointed advisory groups which have studied this problem at the specific request of the President.

CONCLUSIONS

(1) The ODM finding—that the skills of domestic watchmakers are essential to national defense—is not based on military requirements, but on an obscure estimate of essential civilian needs furnished by the Commerce Department. There are indications that the Commerce study greatly exaggerated the needs.

(2) Assuming that these skills are essential, the ODM report was in error in recommending that the only way to preserve them is to produce an average of not less than 2 million domestic watches annually. The skills could be preserved by utilizing the workers and the machines on precision defense production.

(3) The ODM report has been accepted as overriding Government policy on matters affecting the watch industry, although it actually considered only a very narrow segment of a very broad problem.

(*a*) The Government has used the ODM report as justification for a series of attacks on watch importer-assembler firms. Some of these American importing firms have records of defense production which are at least equal to those of the four domestic watchmakers; their workers possess virtually identical skills, and are equally available for military production.

(*b*) While the Government has taken important actions affecting United States foreign economic policy on the basis of the ODM report, this report considered only the essentiality of four American companies and was not concerned with the numerous major problems that are raised by moves to curtail imports. These problems include: possible thwarting of our efforts to encourage mulitlateral trade; loss of overseas markets for United States agriculture and industry; encouragement of the Swiss to trade with Iron Curtain countries since they are deprived of normal markets; injury to the defense of the United States and other western nations through refusal of the Swiss to continue furnishing critical machinery and technical know-how valuable to production of precision ordnance items; interference with competitive relationships within the United States; and higher prices paid by American consumers.

(4) The Government should have used alternative methods of assisting the four domestic watchmakers, involving direct aid, instead of attacking importers. This would have been a more positive method of preserving the essential skills and would have been in accord with recommendations by numerous Government commissions which have studied this matter.

(5) The Government actions which have been taken, and those which apparently are contemplated, are so farreaching as to minimize the incentive of the four domestic watchmakers to improve their operations. Government assistance to essential domestic industries should be carefully weighed against the important role played by competition in encouraging improvement of technical skills and manufacturing efficiency. So far as the four domestic watch manufacturers are concerned, this is the only permanent key to minimizing their economic difficulties and maximizing their ability to aid the defense effort.

(1) The ODM report should be reviewed in light of the fact that its recommendations concerning the necessity of producing an average of 2 million domestic watches per year has converted it into a protectionist instrument. The new evaluation should consider the essentiality, and the potential contribution to defense, of all segments of the American horological industry.

(2) The actions taken by the executive branch against Swiss watch importers should be reviewed against broader criteria than those applied in the ODM report. This review should be conducted at highest governmental levels, perhaps by newly appointed Council on Foreign Economic Policy.

(3) If these reviews verify the points made in this memorandum—that the ODM report contains serious fallacies and that recent Government actions to aid the four domestic watchmakers are not in the overall national best interest—these situations should be corrected promptly and the present Government trend toward restricting watch imports should be reversed.

STATEMENT OF ARTHUR B. SINKLER, PRESIDENT OF AMERICAN WATCH MANUFACTURERS ASSOCIATION

Mr. SINKLER. Mr. Chairman, I shall be pleased to file my statement for the record also.

The CHAIRMAN. Thank you, Mr. Sinkler. The committee appreciates your coming here today and shall be very happy to make your statement a part of the record so that your views may have full consideration.

Mr. SINKLER. Mr. Chairman, my name is Arthur B. Sinkler. I am president of the Hamilton Watch Co., of Lancaster, Pa. I appear today on behalf of the American Watch Manufacturers Association, the members of which are the Elgin National Watch Co., of Elgin, Ill., the Waltham Watch Co., of Waltham, Mass., and my own company, the Hamilton Watch Co., of Lancaster, Pa. We have appeared before this committee many times to support previous extensions of the Reciprocal Trades Act, and we support the current extension of that act now under consideration by this committee.

However, we support this bill with some qualifications. We have proposed three amendments to H. R. 1 which we believe should be adopted to strengthen our trade program. Specifically we recommended (1) the establishment of statutory procedures fixing the responsibility for the difficult problem of reconciling our trade program with the need for maintaining an adequate mobilization base, (2) the authorization for the President to increase duties on specific articles to whatever extent necessary when such an increase is required in the interest of national security, and (3) the deletion from the bill of the authority to make unilateral as distinguished from reciprocal concessions. This last change was incorporated in the bill passed by the House of Representatives but the bill is still deficient in respect to the first two recommendations. Since this committee has requested that previous testimony on the bill not be duplicated we will not discuss them further, but we urge that the committee consider the reasons advanced for our recommendations and that they be embodied in H. R. 1.

It is our view that our trade-agreements program is workable if the fundamental principles of the program can be kept in focus. As it is written the law itself is sound, and if, in its administration, we can adhere to the objectives stated in the law and to the principles upon which the program was sold to the public and to the Congress, there will be tremendous benefit to the United States and the entire free world. The danger is that the excesses of those who enjoy high profits from imports and the lack of moderation on the part of some countries who would ignore the principles of reciprocity and disregard the vital security interests of the United States may do great harm to our trade program by arousing public opposition. These pressures must be resisted by those responsible for administration of the law if the program is to continue.

Let me give you an example. The Swiss Trade Agreement of 1936 is the best illustration of how the trade program can help foreign nations and the United States. I doubt if there is a parallel anywhere. But the recent action under the agreement has been so distorted by organized and concerted propaganda from the importers of Swiss watches, the Swiss-watch cartel, and the Swiss Government, that it has actually been cited as a dangerous precedent instead of being hailed as the fine example of the achievements of our trade program.

The trade agreement with Switzerland was signed in 1936, and was the first agreement made under the Trade Agreements Act. It reduced the duties on watches by an average of about 34 percent. During the year before the agreement the United States had purchased

1,137,000 jeweled watches from Switzerland. In 1936 our imports almost doubled, 2,131,000, and increased until 1953, when the market was flooded with 10,615,000 imported jeweled watches—almost 10 times the 1935 level of imports.

The Swiss watch industry boomed, and with it the Swiss economy. Employment in the Swiss-watch industry rose from about 35,000 in 1935 to a present total of about 75,000, of whom about 65,000 are production workers. They have found it necessary to employ several thousand foreign workers, draw others from the machinery and equipment trades, recruit young workers from the agricultural cantons and retain workers beyond normal retirement age. According to the latest official figures direct from the Swiss Government unemployment in the watch industry is reported to be only 329.

The whole Swiss economy is enjoying a wave of economic prosperity probably unsurpassed in the world today. Unemployment is practically nonexistent, the total for all of Switzerland being listed officially as 6,118, and the labor shortage has become so acute that Switzerland has imported some 180,000 foreign workers from neighboring countries. Total Swiss exports for 1954 hit an alltime high.

This prosperity in the Swiss-watch industry is to a great extent the result of our opening the American markets to Swiss watches, and it had a very helpful effect upon the Swiss economy. Moreover, it was at the direct expense of our own watch industry. The American industry made 1,393,000 watches in 1935, the year before the Swiss trade agreement—or about 50 percent of all the jeweled watches sold in the United States that year. During the trade agreement American production reached a high of 3,161,000, or a little more than 2 times the 1935 level. But, by 1954 domestic production had dropped back to 1,650,000, so that the Swiss had 84 percent of the American market; the domestic producers had but 16 percent. Fewer watches were produced in this country in 1954 than were produced here in 1936. Employment on watch production has dropped from a high of about 10,000 to nearly 4,000.

During 1954 the question of the survival of the American industry was presented to the President in an escape-clause proceeding, as provided by the Trade Agreements Act. Insofar as the United States industry was concerned, the question was not whether a domestic industry was seriously injured, but whether the United States would preserve any jeweled-watch industry at all. Our Government determined that we must maintain our industry, and the rates of duty were increased by an average of $1.10 per watch.

Quite obviously, this action by President Eisenhower was not a departure from the trade-agreements program; it was not a reversal of his trade policy; it was not "a return to the ancient philosophy of economic isolationism." But this decision, although it came almost too late, is proof that the trade-agreements program can work in the way it was intended to work. In any such program there must be a balancing of foreign and domestic interests. Government witnesses appearing before this committee in the past, and most of the other supporters of the trade-agreements program have defended the program on the ground that the escape clause was available to give relief from oppressive imports when, through a mistake in judgment or unforeseen circumstances, too deep a cut was made in a particular tariff rate.

A program of selective tariff reduction would not have been adopted without this safeguard.

If this safeguard is not to be applied in the case of an industry which has been twice found entitled to relief under the escape clause, and 4 times found essential to the national defense, which has only 16 percent of the domestic market, is producing fewer watches in the United States than it was 20 years ago, and which is on the verge of complete extinction at the hands of a foreign cartel, then these witnesses have been fooling this committee and the American public.

There must be some limitation—some moderation—in our trade program in the interest of our national welfare. President Eisenhower had the courage to face this necessity. And what happened?

Immediately the Swiss-watch cartel, the Swiss Government, and the importers of Swiss watches began a concerted assault upon the United States. They ignored the benefits they have obtained under the trade agreement and demanded a right to the remainder of the United States market in the name of free trade. Some spokesmen for the Swiss-watch cartel and the Swiss Government have even had the temerity to question publicly the soundness of the United States Government's own view that an American jeweled-watch industry is essential to American security, when they know full well that the Swiss industry supplied the most intricate timing devices used by the German war machine in World War II. They have assailed the propriety of the 50-percent increase in our watch tariffs as contrary to the principles of expanding world trade notwithstanding the fact that Switzerland itself increased duties on American nylon stockings by about 300 percent in September 1953. These attacks on the United States and the watch-tariff decision are in fact propaganda generated by three American public-relations firms representing the Swiss and the importers.

The trade-agreements program cannot benefit from such tactics. It can go forward only in a spirit of fair play and cooperation such as that recently displayed by two of our South America neighbors in imposing voluntary quotas on tung oil. There is something basically wrong when a foreign nation having a trade agreement with the United States and having obtained 84 percent of our market, insists upon complete monopoly, and disputes the right of the United States to take reasonable actions for its own security. This becomes appalling when it is recognized that the Swiss-watch industry is organized as a cartel and already controls 95 percent of the world market. The "watch case" illustrates the good in our trade program—aside from its adverse effect upon our own American watch industry. I do not see how the program can be administered more favorably to foreign countries or to importers if the interests of the American people are to be preserved. If this good is to be ignored and the United States is to be assailed for this type of administration, then our trade-agreements program is doomed to failure.

The witness for the Benrus Watch Co. has made a point of referring to a recent advertisement printed in the name of the Committee on Foreign Trade Education. This advertisement was, in our opinion, an imposition upon the committee by the importers of Swiss watches. It is one of the biggest frauds perpetrated upon the American public which we have ever seen. We have written the sponsors of this advertisement a letter exposing this fraud and I am submitting a copy for inclusion as a part of my remarks.

(The letter referred to is as follows:)

[Copy of letter sent by Arthur B. Sinkler, president, Hamilton Watch Co.]

LANCASTER, PA., *March 7, 1955.*

COMMITTEE ON FOREIGN TRADE EDUCATION, INC.,
New York City, N. Y.
(Attention: B. A. Rittersporn, Jr., executive director.)

GENTLEMEN: In the New York Times on Friday, March 4, 1955, page 13, a paid advertisement appeared, endorsed by your committee, stating: "Are claims of 'defense essentiality' swamping the President's tariff reform program?"

After reading this advertisement, I came to the conclusion that you and the other members of your committee have been deceived. You could not have been shown the full testimony of those you quoted nor have been familiar with the conclusions reached by the Office of Defense Mobilization and other members of the administration, or you would not have permitted the use of your name.

By using trick wording, the advertisement tries to give the impression that the American jeweled watch industry is opposed to President Eisenhower's foreign trade program. The fact is that the jeweled watch industry is supporting the President's trade agreements program, now before Congress, and it has supported every previous extension of the Trade Agreements Act since 1949.

By using trick statistics, the advertisement tries to hide the true condition of the jeweled watch industry by combining all production and import statistics for jeweled watches with statistics concerning nonjeweled watches and clocks. This was done because the jeweled watch industry is currently operating at a level so low that even the watch importers (who obviously prepared the advertisement) recognize that the danger point has long since been passed.

By referring to recent testimony by Secretary of State Dulles and Secretary of Defense Wilson, the advertisement tries to give the impression that these two key members of President Eisenhower's Cabinet disagree with President Eisenhower's action in the watch case. As a matter of fact both publicly supported that action—and on grounds of national security. You should know further that the President was supported by every member of his Cabinet.

The entire advertisement is designed to raise apprehensions among those who believe in our trade-agreements program, like yourselves, by conveying the overall impression that protection of industries essential to our national security is swamping our trade program. This is not true. Every administration witness who appeared before the Ways and Means Committee in support of H. R. 1 also supported the watch tariff decision.

Let's try to read through the advertisement in an effort to get at the truth. It begins by saying:

"DEFENSE ESSENTIALITY"

"That's what the high tariff lobbies are putting their money on.

"And because every American wants our country to be prepared to meet any emergency it all sounds like a pretty good argument.

"But Secretary of State Dulles and Secretary of Defense Wilson, our two top Government officials responsible for defense, have gone down the line for H. R. 1, the bill to extend and reform our reciprocal trade-agreements program. So now, as the Senate begins to consider the President's tariff bill, we should all take a good hard look at this 'defense essentiality' line and see how much substance there is to it."

Before you were asked to print this statement over your signature, you should have been shown the testimony of Secretary of State Dulles before the House Ways and Means Committee on H. R. 1, page 71, which begins during a discussion of the escape clause as follows:

"Secretary DULLES. Well, our action on Swiss watches helped to preserve a mobilization base in that industry, a sufficient vitality in the industry so that in case war came and we were cut off from the arts and skills of Switzerland, there would still be a residuum that was needed for this country in this country. I do not know any way we can allay their fears in that respect."

Secretary Dulles' testimony continues on page 72:

"Mr. BOGGS. Mr. Secretary, in connection with that increase of 50 percent on Swiss watches, what position did the State Department take in respect to that?

"Secretary DULLES. The State Department pointed out the unfortunate repercussions which that would have in Switzerland, and that was our duty, we felt, to point out the international implications of the action. I did not, myself, oppose the action being taken, because I felt that there were other considerations which in this particular case overweighted the undesirable consequences which we did, however, as a matter of duty, point out to the committee that was working on this matter."

And, you should have been shown the testimony of Secretary of Defense Wilson on the same occasion, beginning on page 198, as follows:

"Mr. CURTIS. * * * Take the case of watches on which, as I understand Secretary Dulles' testimony yesterday, the decision to utilize our escape-clause provision was based to a certain extent on the feeling that the watch industry did affect our national defense, and we should be concerned about it because of that.

"Would you agree with that conclusion, as far as that specific case?

"Secretary WILSON. As a matter of fact, I did.

"Mr. CURTIS. Well, that does modify it, as I thought it must.

"Secretary WILSON. But the fine jewel watch industry in our country has gotten down to 20 percent or less. If the foreign competition had only affected 10 percent or 20 percent, I would have said, 'Just let it alone. Let the fellows get busy and see if they cannot compete a little better and hold their business.' But in this particular thing, the tonnage was not involved in it at all. You can fly I don't know how many watches over from Switzerland in one airplane and the cost per watch to move it is very low. With their long, historical skills and knowledge of watches, watchmaking, they could do a pretty tough competitive job.

"They were getting too big a part of our American market.

"Mr. CURTIS. We would not have had the skills in this country, would we?

"Secretary WILSON. Not if you go down to nothing. Then you are gone. I said to myself, after I carefully went over the whole business, 'This one isn't right. This is a hardship case. It is an unusual one.' "

Even the Director of the Foreign Operations Administration, Harold E. Stassen, supported the decision of the President in the watch case. At page 234 of the record before the Ways and Means Committee, his testimony reads:

"Mr. EBERHARTER. Do you think the result was adverse insofar as their confidence in our trade policy was concerned with the Swiss Government and the people of Switzerland?

"Mr. STASSEN. No. I think what it did was to show clearly that we would not permit the United States watch industry to be completely destroyed, that we wanted a United States watch industry. * * * It is a good thing for America and the world that you have this tremendous skill in the production of watches in Switzerland. But you must limit imports so that you have a United States watch industry also with a chance to stay alive."

The advertisement continues:

"WATCH INDUSTRY STARTED IT ALL

"The four domestic producers of jeweled watches began all of this. And again, just recently, one of their major executives (this 'executive' happens to be General of the Armies Omar Bradley) took an ad to tell how the industry is being driven into 'extinction' by imports from Switzerland. Let's look at a few of the very strange contentions he made.

"(A) Only 4,000 precision watchmakers are left in America.

"The fact is that the United States timing industry employs 21,519 precision workers. The 4 jeweled watch companies are only a small part of the United States horological industry, and yet even they employ 9,754.

"What about that 4,000 figure? The 4 jeweled watch companies employ 4,246 workers in making civilian watches, while 5,508, 50 percent of their labor force, are now in military production. All Government authorities agree that about the same 'precision' skills are used in both civilian and military production.

"Footnote for (A): From U. S. Tariff Commission's report to President of May 21, 1954, the figures given are based on 1954 averages of employment in the 4 jeweled level watch factories and in 14 factories producing pin-lever watches and clocks."

This purports to show that it is of no consequence that there are only 4,000 employees left in production of jeweled watches, because there are other workers doing defense work in the jeweled-watch companies and many more workers in the nonjeweled watch and clock industry. Actually all Government authorities are in agreement on just the opposite—that the low level of employment in the production of jeweled watches is the matter for concern.

For example, look at the testimony of Hon. Arthur S. Flemming, Director, Office of Defense Mobilization, at hearings before Preparedness Subcommittee No. 6 of the Committee on Armed Services of the United States Senate on the Essentiality to the National Defense of the Domestic Horological Industry, page 33:

"Although employment in the jeweled-watch industry has remained relatively high, a progressively smaller percentage of its work force has been engaged in manufacturing jeweled-watch movements. These movements are produced only by the jeweled-watch industry and their manufacture requires the highest degree of skill and tooling of any product manufactured in quantity by the industry. Consequently, even though overall employment in the industry may be sustained by the production of such military items as fuses and rear-fitting devices, the most critical and highly developed skills are maintained only through the continuing manufacture of jeweled-watch movements."

And the testimony of John F. Hilliard, Deputy to the Assistant Director for Manpower, Office of Defense Mobilization, at the same hearings, page 36:

"Insofar as the manufacture of jeweled-watch movements are concerned, there are no alternative facilities or skills available. The only skills available are in this segment of the industry. Insofar as the manufacture of fuses and safety and arming mechanisms are concerned, that is an important facility. But there are other facilities that can manufacture those items. But insofar as the jeweled-watch movements segment is concerned, the skills in this industry are unique in the sense that no other industry produces those with those movements."

And the testimony of Hon. Thomas P. Pike, Assistant Secretary of Defense (Supply and Logistics) at the same hearings, page 39:

"At the request of the Office of Defense Mobilization, my office conducted a study of the essentiality of the jeweled-watch industry. The conclusion of this study indicated that the jeweled-watch industry was uniquely qualified to produce jeweled watches and movements to an extent that could not be demonstrated by any other segment of either the horological industry or any other industry in the country."

Mr. Pike stated further:

"The production of mechanical time fuses does not in all cases involve the same skills as required for watches and timing devices, and therefore, does not necessarily maintain the basic skills of the industry."

And the testimony of Hon. Lothair Teetor, Assistant Secretary for Domestic Affairs, Department of Commerce, at the same hearings, page 45:

"The domestic jeweled-watch manufacturing facilities constitute a small and highly specialized industry composed of four companies: The Bulova Watch Co., the Elgin National Watch Co., the Hamilton Watch Co., and the Waltham Watch Co. The prewar employment level of this industry averaged about 8,000 workers, reaching a World War II peak of 12,000. Current employment levels are about 9,500 workers, less than half of which are engaged in the manufacture of jeweled watches.

"These companies have no counterpart in American industry. Other manufacturing plants occasionally work to tolerances as close as the jeweled-watch manufacturers but do not apply these tolerances to such minute parts on a continual mass production basis. The highly specialized skills of this industry are the product of generations of research and development and cannot be considered as interchangeable with any other industry. * * * The domestic jeweled-watch industry represents the only significant manufacturing facility for production of jeweled watches outside of Switzerland."

And further:

"These skills can be maintained only by making jeweled watches. They cannot be maintained just by making the cases or making other kinds of devices. They have to work on watch movements or they are going to forget how."

The advertisement then continues:

"Is any part of the United States time industry more 'essential for defense' than another?

"Not according to Thomas P. Pike, Assistant Secretary of Defense in Charge of Supply and Logistics, who told the Senate:

"'It is * * * from a Defense Department standpoint nearly impossible to arrive at a determination that any one part of the horological industry is more essential for defense than any other part.'"

This is intended to convey the impression that since the jeweled-watch industry might not be more essential than the nonjeweled-watch and clock manufacturers, it was not necessary to preserve the jeweled-watch manufacturers. This is precisely the opposite of Mr. Pike's view, as you would have seen if you had been shown his testimony. He was actually stating that both industries were essential ,and should be preserved. Special attention has been given to the jeweled-watch industry because of its extremely precarious condition. Moreover, Mr. Pike was not testifying that the two industries were the same. More fully, the quotation from his statement reads, page 39:

"It is, therefore, from a Defense Department standpoint nearly impossible to arrive at a determination that any one part of the horological industry is more essential for defense than any other part.

"At the request of the Office of Defense Mobilization, my office conducted a study on the essentiality of the jeweled-watch industry. The conclusion of this study indicated that the jeweled-watch industry was uniquely qualified to produce jeweled watches and movements to an extent that could not be demonstrated by any other segment of either the horological industry or any other industry in the country."

Your advertisement goes on to say:

"Do they make defense materials that no other companies can make?

"Not according to the Department of Defense which told the Office of Defense Mobilization the following:

" 'There is no item or product which is not being made or procured in some quantity outside of the jeweled-watch industry.

" 'There does not seem to be any part of the manufacture or assembly of mechanical time fuses that is peculiar to the jeweled-watch industry.' "

These two sentences, which are taken out of context and quoted in reverse order, were made solely with respect to the mechanical time fuse program. Yet they are used in advertisement as if the Department of Defense applied them to all defense materials made by the jeweled-watch industry. Anyone of any integrity should condemn this deliberate, malicious, and dishonest misuse of an official statement. The complete paragraphs are found on page 15 of the ODM report dated June 30, 1954, as follows:

"Military fuse requirements: The timing devices used in the ammunition program are produced by the jeweled-watch manufacturers, nonjeweled-watch and clock manufacturers, and others completely outside the horological group. There does not appear to be any part of the manufacture or assembly of mechanical time fuses that is peculiar to the jeweled-watch industry. The bulk of the mobilization requirements for fuses has been scheduled under the production allocation planning program. Under current plans, a relatively small proportion of these requirements is scheduled with the jeweled-watch industry. It is the opinion of the Department of Defense that the requirements now planned with the jeweled-watch industry could be handled by the other firms which manufacture mechanical time fuses and rear fitting safety devices, provided these firms are available at that time.

"Subcontracting in the mechanical time fuse programs (including the rear fitting safety devices) is of considerable magnitude at the present time, and in the event of mobilization would substantially increase. During the period from the outbreak of hostilities in Korea to mid-1953 the jeweled-watch industry provided substantial amounts of defense-related parts to approximately 100 contractors. Surveys of the degree of dependency of other prime contractors on the jeweled-watch industry as a source of supply for military end-item production indicate that there is no item or product which is not being made or procured in some quantity outside of the jeweled-watch industry. However, where parts have been purchased from the jeweled-watch industry, the reasons given in most cases were that the watch companies represented an excellent and dependable existing source with favorable cost relationship. Many contractors have stated that they could produce the parts which they are procuring from the watch industry, if necessary, but since the facilities of the watch manufacturers have been available to date, there has been little incentive for them to attempt to do so."

Your advertisement continues:

"Another important contention is this—

"(B) The Swiss 'already have 85 percent of the United States market.'

"But the fact is that United States watch manufacturers are not confined to 15 percent of the market as they would have you believe, but have 41 percent of the United States watch market, according to the latest official figures.

"Footnote for (B): From the United States Tariff Commission's report to the President, May 1954, giving latest official figures on ratio of United States production to imports. This shows that United States factories produced 8.2 million jeweled-lever and pin-lever watches in competition with 12.2 million imports in both categories in 1953."

Who's talking about pin-lever watches? All the statements and arguments used so far have been aimed at the jeweled-watch industry. The jeweled-watch industry doesn't make and never has made pin-lever watches. But here, the advertisement pulls a quick switch to combined import statistics of all types of timepieces, in order to deceive the public by using a larger figure. The same United States Tariff Commission's report to the President says for jeweled-watch movements:

Domestic production 1953	2,365,000
Imported from Switzerland	10,615,000

The latest figures for 1954 are:

Domestic production	1,650,000
Imported from Switzerland	8,000,000

At this point, the advertisement then says that these "are the facts that disprove basic contentions on the 'defense essentiality' argument used by the four domestic jeweled-watch companies." We find it difficult to believe that the members of your committee, or anyone else, no matter how strongly he believes in the President's trade program, is willing to accept these distortions of fact as "facts" to dispose of the national-defense issue.

After all, the problem of our national defense is not a myth. Some people are misusing a claim of defense essentiality, but at some points the claims are very real. All our efforts should be devoted to distinguishing between real and spurious, and not directed toward dishonest attempts to discredit the serious studies of the Government.

The problem of the jeweled-watch industry was studied intensively for over a year by the—

Office of Defense Mobilization
Department of State
Department of Defense
Department of Treasury
Department of Commerce
Department of Labor

who jointly filed their report with the President on June 30, 1954. The conclusions which they reached can be found on page 28, as follows:

"VI. CONCLUSIONS AND RECOMMENDATIONS

"*Conclusions*

"The committee concludes on the basis of the information and judgment available to it that:

"1. Preservation of the skills of the American jeweled-watch industry is essential to the national security.

"2. Manufacture of jeweled-watch movements should be maintained at levels of production and employment which would enable the industry, in the event of full mobilization, quickly to expand to meet military, defense supporting, and essential civilian requirements for items uniquely produced by workers having watch-manufacturing skills.

"3. It is impossible to determine precisely the exact level of production and employment necessary to assure an adequate mobilization base in the jeweled-watch industry. However, it is the judgment of the committee that it would be detrimental to the national security to permit further impairment of jeweled-watch production in the United States. It appears probable that domestic production of jeweled watches should be maintained at not less than an average of 2 million units per year in order to assure an adequate base from which to expand to meet full mobilization requirements. (It is the opinion of the Department of Commerce that an annual production of not less than 3 million units is necessary to provide an adequate mobilization base.) The committee recognizes that this minimum level for preservation of key skills may not be sufficient to assure that production in the industry will be an economically feasible operation.

"4. The levels of production and employment in jeweled-watch manufacturing are now below the levels which would enable the industry to expand quickly and effectively to meet the requirements of full mobilization.

"5. The downward trends of production and employment in the industry are likely to continue, thereby further impairing the industry's base of critical facilities and skills, unless the Government acts to create conditions favorable to higher levels of production and employment in the industry.

"*Recommendation*

"In the light of the foregoing conclusions, the committee recommends that the Government take actions which will create conditions favorable to the continued manufacture of jeweled-watch movements by the American jeweled-watch industry at a level which will maintain an adequate base of skilled manpower capable of expanding to meet full mobilization requirements."

These conclusions are not new. The Munitions Board studied the problem in 1950 and said the jeweled-watch industry was "vital" to our national defense. The National Security Resources Board made the same findings in 1952. A preparedness subcommittee of the Senate Armed Services Committee, composed of Senators Duff, Cooper, and Stennis, reached the same conclusion in July 1954. It would seem to us improper to question the serious judgment of all these bodies without devoting at least as much time to the problems as they did—which I am sure no members of your committee have done.

We could continue with a point-by-point discussion of the more argumentative parts of the advertisement. We see no point in doing so, for they are all based on the fabrications we have pointed out. The whole matter boils down to the fact that we think you have been grossly misled. If you were, it should be evident by now, and a public retraction of the advertisement would be in order. If you endorsed this advertisement will full knowledge of the nature of its contents, then further discussion would be a waste of time.

If you are interested in obtaining any further facts concerning the real background of the watch-tariff decision, we would, of course, be pleased to talk with you at any time.

We would greatly appreciate your circulating this letter to all the members of your committee.

Sincerely yours,

HAMILTON WATCH CO.,
ARTHUR B. SINKLER, *President*.

Senator CARLSON. The next witness this afternoon is Mr. Sidney A. Swensrud, chairman of the board of the Gulf Oil Corp.

Mr. Swensrud, I just had word from Senator Kerr that he will have to be absent this afternoon, and he would like permission to write you a letter and ask you a few questions and have you answer them, if you will.

I am sure you will have no objection to that.

Mr. SWENSRUD. I can't promise to answer all the questions, but I certainly have no objection.

Senator CARLSON. Mr. Swensrud, we are very happy to have you here this afternoon, and will be glad to have you testify in any way you care to, sir.

STATEMENT OF SIDNEY A. SWENSRUD, CHAIRMAN OF THE BOARD, GULF OIL CORP.

Mr. SWENSRUD. Thank you. I will just read this statement that I have prepared and which I am filing with your committee.

In appearing recently before the House Ways and Means Committee on H. R. 1, I emphasized what I believed to be our country's interest in the general trade objectives of the bill. Both by its specific provisions and its leadership the bill, I believe, will enormously help to promote increased trade with other nations which is the only practical substitute for the huge amounts of free aid we have been extending.

I also commented on the oil import situation pointing out that over the years oil consumption in this country has increased more rapidly than have our proven oil reserves and that oil is becoming steadily more difficult and expensive to find in the United States—that, therefore, if we are, at reasonable prices, to meet the future expected demand for enormous quantities of oil which will be required in the United States, we must look forward to a gradual increase in supplies from other parts of the world where oil is more plentiful relative to demand. It is to be borne in mind that while we account for 60 percent of the free world's oil consumption we have only 21 percent of its discovered reserves and undoubtedly far less than that of the undiscovered reserves.

Despite the long-run need for more oil from other areas it is recognized that at times the date of discovery and development of our remaining domestic reserves may be such as to produce a temporary potential oversupply problem to which the rate of imports must be reasonably adjusted. But I expressed the belief that the importing companies can be relied upon, in the future as in the past, to exercise sufficient judgment and discretion to solve such problems without the need of import quotas or any other legislative restrictions or barriers.

It was pointed out that there is no evidence of any weakening of our domestic oil producing industry whether judged by output, by price, or by the extent of exploratory activity, all of which are at record high levels.

The same bill which passed the House is now before this committee, but an amendment has been proposed which would drastically restrict oil imports. This is so contrary to the general purposes of the bill and, I believe, to the interests of our country that I should like to address myself principally to this amendment.

First let me point out how drastic the proposed limitation would be. It would restrict total oil imports in any quarter to 10 percent of the domestic demand in the same quarter of the previous year and would limit residual fuel to a similar percentage of the previous year's consumption of that product.

It will be noted that the 10 percent limitation would apply to the previous year. This means that if demand increases by 5 percent a year, which is about the average, the effect would be to restrict oil imports not to 10 percent but to approximately 9.5 percent of the current year's demand. Last year, that is, 1954, oil imports were equal to 13.5 percent of domestic demand. To cut from 13.5 percent to 9.5 percent is a reduction of approximately 30 percent. Such a drastic limitation would among other things have an immediate repercussion upon the volume of goods sold by United States manufacturers to to the oil producing countries involved, as well as to other countries.

The President's Advisory Committee on Energy Supplies and Resources Policy in its recent report concluded that for the time being it would be desirable if oil imports could be merely held to approximately the same ratio to domestic production as in 1954 which, as above indicated, would be equivalent to 13.5 percent of domestic demand. The proposed amendment, therefore, would go far beyond what the above-mentioned Cabinet Committee on Energy studying this subject felt was necessary.

But more than this, the Cabinet Committee specifically stated that it did not believe there should be any legislative action at this time.

I have already expressed my belief that importing companies can be relied on to exercise reasonable restraint concerning imports. Our company in the last few years has reduced its import plans on several occasions in view of the increased domestic productivity. Last year, for example, when we had a large increase in our refinery requirements our own United States crude oil production was down. But although we have ample supplies of our own foreign crude oil and products available we increased our total imports by only 2,470 barrels daily 1954 against 1953 while increasing our net purchases of United States crude oil from other producers, at full posted prices, by 37,486 barrels daily. In the present situation, although we do not believe there has been any injury to the domestic situation from imports, in our desire to be cooperative, we intend to conform to the recommendations of the Cabinet Committee by holding our imports to the same ratio as they bore last year to domestic production so long as other importers do likewise.

It seems to me axiomatic that before the Congress would undertake in a general trade bill to legislate the quantities of an individual commodity which can be imported into this country there would have to be an extremely strong case for such action and certainly one which would be convincing to a responsible group of Cabinet members such as constituted the recent Cabinet Advisory Committee on Energy.

So far as the domestic oil producing industry is concerned, there is nothing in the record which would indicate such injury from imports as to warrant the drastic interference with freedom of trade and competition which is proposed in this amendment.

As for the degree of injury, let us look at the facts:

(*a*) In 1954 more oil wells were drilled than ever before.

(*b*) More money was expended in the search for oil than ever before.

(*c*) Oil production in this country is currently at a higher level than at any time in our history.

(*d*) With the exception of a few brief months after World War I the price of crude oil is higher than it has ever been.

The charts and tables accompanying this paper show these various things that I have just mentioned.

Is this the kind of hardship which would warrant an embargo being erected against those who would like to utilize oil from other areas of the world in a way which would unquestionably benefit world trade and the domestic consumer?

As for the national defense aspect which is so often injected into this question, certainly the above record does not indicate that our domestic oil industry is withering on the vine as yet.

Moreover, there are two ways of looking at this question of national defense. A great many thoughtful and patriotic citizens in this country believe it would be more advantageous from the standpoint of national defense to utilize a larger quantity of the oil now available to us from abroad, and thereby conserve and protect our own resources against future possible emergencies, than it would be to cut down imports drastically now and use up our remaining domestic reserves that much more rapidly—with the result that perhaps in 10 or 15 years we would no longer be able to come anywhere near meeting our emergency requirements. We should never forget that we consume three times as much of the world's oil as we have of its proven reserves.

But there are other objections to the proposed amendment. It makes no provision for any means of dividing up the drastically reduced quantity among the various importers. It simply says that in any given quarter total oil imports cannot exceed a certain figure. The only conclusion is that it would be a first-come first-served proposition, with no way for any particular company to determine in advance what quantity it would be allowed to bring in. It could only send its ships out and hope for the best. If a ship arrived before the quota was used up, well and good. If not, the ship would simply stand there until the beginning of the next quarter, or perhaps when it was half unloaded the gong would ring. Intelligent planning would be quite out of the question.

The practical result would be that the lion's share of the quotas would go to those who could bring into play in the early part of each quarter the largest world fleets of tankers and who had the greatest amount of storage capacity on land. Those who had few ships and not much storage or limited foreign operations and sources of supply would soon find themselves in an impossible position. An electric utility or other customer depending entirely on imported fuel, for example, might find its source of supply suddenly cut off with little alternative except to "black out" until the beginning of the next quarter.

Here we have a great and important industry with thousands of businesses and millions of consumers dependent on oil in one form or another and at reasonable prices. To inflict upon them and their suppliers the type of embargo here proposed with the weird and capricious results which would follow is so unthinkable that it is hard to imagine the chaos, disruption, and injustices that would result.

Even if it were legally possible or if there were some mechanism provided to divide up the quota among the importers, the situation would not be much better, for no one that I know of who has given serious thought to this problem has ever been able to figure out any feasible way of doing the job.

As I said at the beginning, I believe our country will need more oil from abroad in future years if it is to meet the oil demand of this country at reasonable prices. The only provision in the amendment, however, for such future import needs is that the quota may be suspended by the President during any period in which he finds that fuel supplies are inadequate to meet current national consumption. It will be noted, however, that the word "fuel" supplies rather than "petroleum" supplies is used. Is it possibly the intention that if some fuel other than petroleum is available to those who want oil they should be forced to use it instead? If this is not the intention, then since the quota restrictions of the proposed amendment apply only to petroleum, it would seem that the occasion for suspension should be whenever the President finds that "petroleum" supplies are inadequate to meet "petroleum" demand. I hope we have not reached the point in this country where we are going to try to force upon the consumer a fuel he does not want rather than giving him a free choice.

That concludes my statement.

Senator CARLSON. Mr. Swensrud, we appreciate very much your statement on a subject that gives this committee and the Congress some real problems with which it is concerned at this time.

I was interested and I would like to get at least my own thinking cleared up on this. I note you state on page 2:

Last year, that is 1954, oil imports were equal to 13.5 percent of domestic demand.

There have been so many figures thrown around, may I ask you if that is the Bureau of Mines figures or where did we get those figures?

Mr. SWENSRUD. Yes, those are the Bureau of Mines figures. I can give you the supporting data for it.

The consumption last year—domestic demand now, and that excludes the export demand, that is just domestic demand. That is the way I understand this proposed amendment, it refers to "10 percent of the total domestic petroleum demand as determined by the United States Bureau of Mines."

Senator CARLSON. This domestic demand that would be the oil produced and consumed in this country and would not include the oil that was exported by domestic companies.

Mr. SWENSRUD. That is my understanding, yes; that is, the consumption in this country of oil products.

Senator CARLSON. It is very helpful to me if we can get that cleared up because there are so many figures used here.

Mr. SWENSRUD. That figure last year, i. e., domestic consumption was 7,752,000 barrels a day. Now the imports last year totaled 1,052,000 barrels a day of crude oil and products.

Senator CARLSON. That is the average for the year?

Mr. SWENSRUD. That is the average for the year, per day. These are both on a per daily basis. Now, if you divide 1,052,000 by 7,752,000, you get 13½ percent.

Senator CARLSON. I have no doubt that some of the confusion with the percentages has arisen from the fact that the total production of the domestic producers has been taken into account in some figures.

Mr. SWENSRUD. Well, there are many comparisons that are made. Some comparisons relate to imports of crude oil to the domestic production of crude oil, some relate these things to the total United States demand including the export demand and so on, so that I was trying to be specific here using the exact language of the proposed amendment and getting the figures that correspond to what I understand to be the standard set up in this proposed amendment, namely, that in any quarter you would be allowed to import into this country total crude petroleum and petroleum products in amount equal to 10 percent of the total domestic petroleum demand, which last year, as I say, was 7,752,000 barrels a day. And so the figure of our actual imports last year were 13½ percent of that quantity. I hope that is clear.

Senator CARLSON. I think it is very helpful. At least, it helps clarify some things in my mind.

Mr. SWENSRUD. The previous witness was asked how the imports last year compared with the year before, 1954 versus 1953, and I believe that the impression might have been gotten that there was a great increase in the imports last year.

The fact is that there was practically no increase in the imports last year for the oil industry as a whole. The figure for 1953 was 1,050,000 barrels per day. The figure last year, 1954, was 1,052,000, so in the whole year there was an increase of 2,000 barrels a day.

Now, it is true that domestic production did not go up last year. It went down slightly, but that was not because consumption didn't go up a little or because imports increased. Imports as I just pointed out did not increase materially. Consumption did increase a little. But we reduced stocks in this country a great deal.

There was an oversupply of stocks at the beginning of last year, and they were cut down during the year, which was a very desirable thing to do. And that is why the domestic production last year was a little bit below the year before, and not because of imports.

Senator CARLSON. Following the same line of thought, how about the increase in the last 6 months of 1954 as compared with the first 6 months and the present indicated imports in 1955? How about these figures?

Mr. SWENSRUD. I am sorry, I don't have the monthly or quarterly figures with me. I only have the yearly figures.

But I would like to say this: that this winter has been a colder winter than we have had for several years. Now, we have a very strong seasonal in oil imports because a large part of imports, especially in the winter, consists of fuel oils.

And in this country today the consumption of oil in the winter months, such as January and February, is as much as 2 million barrels a day greater in this country than it is in the middle of the summer, a tremendously increased quantity of consumption in the winter on account of the heating oil requirements.

Now, then, it is natural that in those months the industry brings in a larger quantity of fuel oil than it would in the summer. So that if you were looking now during these winter months at the fact that the imports are way up above the average for the year, that is a seasonal situation and doesn't prove a thing as to what the average imports for the year will be.

And I call your attention again to the fact that this has been a cold winter relatively speaking.

Senator CARLSON. You are familiar with the President's Commission Report on Energy Supplies and Resources Policy.

Mr. SWENSRUD. Yes, I am.

Senator CARLSON. Is it your thinking that the President's Commission had in mind the 1954 averages based on 13.5 or 16.6?

Mr. SWENSRUD. 13.5, I would say, because here is what they said. They said they believe that oil imports should be held to the same ratio to domestic crude oil production which they bore in 1954.

Senator CARLSON. Well, that is the point, domestic crude oil production.

Mr. SWENSRUD. Yes. Well, if you take the oil imports of last year as a percentage of the domestic production of last year and then take the same percentage and apply it to the production this year, it would mean that under the Cabinet committee theory, it would be all right for oil imports to go up to the same extent percentagewise that crude oil production in this country might go up. Do you agree with that?

Senator CARLSON. Well, personally I have been concerned about trying to get some place where we might at least adjust these imports to domestic production.

Mr. SWENSRUD. Yes.

Senator CARLSON. And I am greatly concerned about it. I have been using a 10 percent figure for no other reason than it just sounded reasonable, and the basis of cost of our industry as a whole and to go into the oil-producing areas and say, "You permit 10 percent of the domestic consumption to be imported," that sounds like it is a great plenty. Now the President's Commission on Energy Supplies and Policy Resources has said 13.5, as you express it.

Mr. SWENSRUD. Yes, that is, that their recommendation works out to the equivalent of about 13.5 percent of total domestic demand.

Senator CARLSON. And of course, that suits me better than 16.6.

Mr. SWENSRUD. What I am saying is that the recommendations of this Government committee is that imports go up or down from here on for a while, at least, to the same extent percentagewise that domestic production goes up or down—if therefore, domestic production in this country should go up 5 percent this year, which is probably in the order of what is likely, then I read this to indicate that they believe that if imports didn't go up any more than that, that would be reasonable.

Senator CARLSON. I note in your statement, Mr. Swensrud, you made this statement:

> We intend to conform to the recommendations of the Cabinet committee by holding our imports to the same level they bore last year to domestic production.

But you didn't put a period there. You say: "So long as other importers do likewise."

Now, what assurance can we have that these imports will be limited?

Mr. SWENSRUD. Well, I can't, of course, give you any assurance as to what other companies will do, but I think that some of the companies have already spoken for themselves.

In the newspapers there was a statement by the Standard Oil of California that it approved this recommendation and intended to abide by it. The Texas Co. made a statement that I interpreted to mean that, also, and I believe Mr. Holman this morning indicated that his company would do at least as well. And now you have our company on record to the same effect.

Senator CARLSON. Which I appreciate greatly. I want to assure you I have not been one that has been anxious to place limitations, but I have been so concerned about it I didn't know how we were handling it.

It was a serious problem and is still a serious problem and one that our committee, I know, is going to give consideration to, so I do appreciate your statement here.

Now, just roughly, how many companies import oil at the present time, would you say? I assume many, but just the larger importations.

Mr. SWENSRUD. I would say there are something like a dozen companies whose imports are reasonably important.

Senator CARLSON. You have a personal feeling that even though you don't enter into an agreement so you could be accused of violating the antitrust laws, that we might expect some limitations, or at least some consideration for a limitation, based on the President's recommendations?

Mr. SWENSRUD. Yes; I think the fact that within a week or so—this report came out on February 26, which is a little over a week ago—but within the time that has elapsed at least four of the largest importers have now expressed themselves that it is their intention to conform to this recommendation. I think that, to me, is very significant.

Senator CARLSON. Well, I certainly appreciate it.

Mr. SWENSRUD. I certainly do want to add that it doesn't represent any agreement or collusion among these companies. I am sure not a one of them would even consider entering into any such agreement in view of the antitrust laws.

Senator CARLSON. I appreciate your problem in that regard.

Mr. SWENSRUD. But I do think we all have a sense of great obligation and responsibility in this matter. Certainly, our company's greatest interests are in the United States, and that goes for every importer I know of.

Senator CARLSON. Senator Malone?

Senator MALONE. You are appearing here, as I understand it, against the quota system of controlling imports.

Mr. SWENSRUD. I am appearing against this proposed amendment that has been proposed; I believe it is referred to as the Neely amendment.

Senator MALONE. Well, what does that do?

Mr. SWENSRUD. That would restrict oil imports. Here is what it would do: It would restrict the total quantity of crude petroleum and petroleum products which could be imported in any calendar quarter to not more than 10 percent of the total domestic petroleum demand for the corresponding quarter of the previous year.

Now, as I pointed out, I believe before you came in, this relates to the previous year, and since there is usually about a 5-percent increase in consumption most years, that would really mean that it would limit such imports to about 9½ percent of the current year's domestic consumption of petroleum.

Last year the actual imports were 13½ percent of such consumption, so it would mean in practical effect about a 30-percent reduction in total imports.

Senator MALONE. I have always been inclined to agree with what you have outlined of a set quota without any certain knowledge that it was even right in the first place. The factors establishing what would necessarily bring about the objective of the quota in the first place, made it an unnatural or just not a realistic way to go about it.

Now, I get into this business of understanding what you might be for. Have you read Mr. Raymond Moley's column from the March 14 issue of Newsweek?

Mr. SWENSRUD. No, sir.

Senator MALONE. There may be some very interesting material here for you. It starts out:

> The proposal of a Commission of the United Nations for fixing the prices of oil produced in the Middle East is now under discussion in Geneva and is attracting wide interest in the European press. It may well provide a valuable lesson in international economics and politics for American oil companies and, in fact, for all of us.

I don't know whether or not you have been familiar with the work of the Geneva General Agreement on Tariffs and Trade for several years. Have you been familiar with that?

Mr. SWENSRUD. Not in any detail, sir.

Senator MALONE. I would just like to say I dislike advising an important executive of an oil company, but if I were you, I would study it.

Now, it goes on to say:

This oil issue has been crystallized in a report of a Commission operating under the vague auspices of the United Nations Economic and Social Council (ECOSOC). It is the Economic Commission for Europe (ECE). There is also a Commission for Latin America (ECLA) and another for Asia and the Far East (ECAFE). Our representatives on these are very loosely responsible to our representative on the ECOSOC, Preston Hotchkiss, an Eisenhower appointee.

This ECE report has been top secret for a long time over here but it has been plentifully leaked to the European press. It is hailed there as a body blow to the "monopolistic" practices of the American oil companies. A copy was obtained by the Wall Street Journal 2 weeks ago in Geneva and another was used to prepare this article. It bears the title "The Price of Oil in Western Europe."

You have not heard of any of these activities?

Mr. SWENSRUD. I have certainly heard of this report, yes.

Senator MALONE. Do you like it?

Mr. SWENSRUD. No, sir.

Senator MALONE. Well, you are going to get more of it if you extend this type of control, this 1934 Trade Agreements Act. Are you aware of that fact, that they operate under this law?

Mr. SWENSRUD. I thought that the Commission, or whatever it is, that got out this report, was acting under the United Nations and not under this bill.

Senator MALONE. But you see, if we withdraw our markets from the pot, there is no game. It is just like any sucker game.

Mr. SWENSRUD. Do you mean if we withdrew our support from the United Nations?

Senator MALONE. If we did not pass this extension of the 1934 Trade Act, any commodity on which there is no trade agreement existing reverts immediately to the Tariff Commission under the 1930 Tariff Act which has one order from Congress, and that is to recommend as a duty the difference between the cost of production of an article in this Nation and the cost of production of that article or a like article in a chief competitive country.

Mr. SWENSRUD. But that wouldn't prevent a bunch of fellows writing a report like the one entitled, "The Price of Oil in Western Europe" would it?

Senator MALONE. But the reports would have no force and effect.

Mr. SWENSRUD. This has no force and effect, has it?

Senator MALONE. That's what you think.

Mr. SWENSRUD. I mean, it has no legal effect as far as I know.

Senator MALONE. Well, it does have the protection of what we are doing now. If we extend this act, they are still operating under the State Department, and the State Department is in sympathy with this thing. Whether you have heard that or not, I don't know.

Mr. SWENSRUD. When you say "this thing" I don't quite know what you mean. Do you mean this report or this general reciprocal trade?

Senator MALONE. The whole general policy of destroying the economy of this Nation. I don't think they think they are destroying it, but they are.

Mr. SWENSRUD. I hope they are not in sympathy with this type of report.

Senator MALONE. Well, they are. There isn't any question about it.

Mr. SWENSRUD. It is gotten up by a bunch of fellows who probably know nothing about the matter.

Senator MALONE. Now, I just want to refer you back. It goes on to say here—and I want to trace this for you so as to give you a lead—I think you, along with Mr. Holman and men like you that are heads of these large companies are very fine people, and you are for this country. You think you are, but some of you maybe don't know exactly what the effect of some of the legislation amounts to that we pass. And you think you are for it because it temporarily helps you:

The ECE report is aimed at 5 American and 3 European companies. They are Standard of New Jersey, Standard of California, Socony-Vacuum, Texas, and Gulf.

You are Gulf, aren't you?

Mr. SWENSRUD. Yes, sir.

Senator MALONE (reading):

Also Royal Dutch-Shell, the British Petroleum, and Compagnie Francaise.

The oil proposal is only the latest of many plans which have been made. This has been made a matter of record in this transcript, so I am only reading what is pertinent to your examination presently.

This oil proposal is only the latest of many which have been made through the U. N. to fuse our economy with those of other nations.

Maybe you haven't thought this thing through. The ebjective of this thing from the beginning is to fuse our economy with those other nations.

And in every case our tradition of freedom was imperiled by the presence among the collaborators of a heavy majority of nations in which communism or socialism is firmly established, or in which economic liberty has never existed or has become only a faded memory, or in which cartels and other restrictions on enterprise have been traditional. Moreover, the Foreign Service officers and professors who have represented us on the many groups for the most part have believed that our freedom and independence must be yielded for international friendship.

All you believe is that we must divide our markets for international friendship. You probably think that is as far as you would go, but you are just starting, friend.

(The article above referred to in its entirety is as follows:)

[Newsweek, March 14, 1955]

PERSPECTIVE—UNITED NATIONS AND THE UNITED STATES OIL INDUSTRY

(By Raymond Moley)

The proposal of a commission of the United Nations for fixing the prices of oil produced in the Middle East is now under discussion in Geneva and is attracting wide interest in the European press. It may well provide a valuable lesson in international economics and politics for American oil companies and, in fact, for all of us.

This oil issue has been crystallized in a report of a commission operating under the vague auspices of the United Nations Economic and Social Council (ECOSOC). It is the Economic Commission for Europe (ECE). There is also a commission for Latin America (ECLA) and another for Asia and the Far East (ECAFE). Our representatives on these are very loosely responsible to our representative on the ECOSOC, Preston Hotchkiss, an Eisenhower appointee.

This ECE report has been top secret for a long time over here, but it has been plentifully leaked to the European press. It is hailed there as a body blow to the "monopolistic" practices of the American oil companies. A copy was obtained by the Wall Street Journal 2 weeks ago in Geneva and another was used to prepare this article. It bears the title "The Price of Oil in Western Europe." It says that the oil companies are getting oil in the Middle East at a very low price and are selling it at an excessively high price. It is suggested that there should be price fixing by international governmental machinery. This control is veiled by the innocent word "stability." Pains were taken to include in the report details of actions by the United States Government against the American oil companies involved. There is also an attack upon the companies in a 1952 report of the Federal Trade Commission.

The ECE report is aimed at 5 American and 3 European companies. They are Standard of New Jersey, Standard of California, Socony-Vacuum, Texas, and Gulf. Also Royal Dutch-Shell, the British Petroleum, and Compagnie Francaise.

It is alleged that most of these companies tend to peg their European prices to the prices in the Western Hemisphere.

The allegations of fact in this ECE report are violently denied by the American companies. One of them says that the report overstates the net received by the various companies from middle eastern crude by 100 percent.

These regional commissions—the ECE, ECLA, and ECAFE—go it pretty much as they choose. The ECAFE, for example, organized studies of the marketing of hides in Pakistan, the relative advantages of electric or hydraulic transmission in diesel locomotives, and the planning of waiting rooms at Indian railway stations.

The oil proposal is not on a par with these trivia. It would provide an opportunity for the Soviet not only to use an international commission to smear American companies but to get its paw into the middle eastern oil situation. For, since the Soviet is on the ECE, it would, in fact, be playing an important part in regulating the industry there and in fixing the prices of American oil companies.

The United States is represented, too, but would be hopelessly outnumbered by Communist and Socialist countries.

This oil proposal is only the latest of many plans which have been made through the U. N. to fuse our economy with those of other nations. And in every case our tradition of freedom was imperiled by the presence among the collaborators of a heavy majority of nations in which communism or socialism is firmly established, or in which economic liberty has never existed or has become only a faded memory, or in which cartels and other restrictions on enterprise have been traditional. Moreover, the Foreign Service officers and professors who have represented us on many groups, for the most part have believed that our freedom and independence must be yielded for international friendship.

Most of this goes back to the commitment of the United States in article 55 of the U. N. Charter, adopted in 1945, which somewhat vaguely pledged us to a large number of international experiments in social and economic affairs. To implement this, the ECOSOC busied itself early in 1946. It had as a guide a document of our State Department entitled "Proposals for Expansion of World Trade and Employment." There was created a "preparatory" committee to make plans. Then there ensued those 4 years of naivete when compromise with Marxism seemed not only inevitable but desirable.

The Havana Charter of 1948 would have committed us to international price-fixing of basic commodities, tariffs, and trade controls, measures for full employment and, strangely enough, trust busting. President Truman sent the Havana Charter to Congress which refused to do anything more than to hold some hearings. But in 1949 we entered the International Wheat Agreement and through the State Department actively participated in many international economic committees and commissions. Prime Minister Attlee came here in December 1950 to plead for international control and allocation of raw materials so that his country could get the things it needed "at the right price." Our State Department complied the next month and created what was known as the International Materials Conference. This had no legal standing but set out to allocate strategic materials and fix prices. This brought forth plans for agreements covering cotton, wool, copper, lead, zinc, sulfur, and other materials.

In 1952 the Paley Commission (President's Materials Policy Commission) made the statement that, regardless of the failure of Congress to act, the United States was bound under a resolution of the ECOSOC to "recognize chapter VI [of the Havana Charter] as a general guide." Despite violent protests in Congress, the collaboration went on in one form or another. In 1953 we entered the International Sugar Agreement and extended the International Wheat Agreement for 3 years.

Thus encouraged, the State Department proposed a tin agreement last year. It was given up by the administration after a hard fight between the State Department on one side and the Interior and Commerce Departments on the other. Meanwhile, the Randall Commission roundly condemned participation by the United States in international commodity agreements and Preston Hotchkiss of ECOSOC has vigorously opposed them. The ECE seems to assume that these objections can be avoided.

It is significant that the current oil report is the product of the Secretariat of the ECE at the head of which is Gunnar Myrdal, a Swedish Socialist. He first appears in American annals as a beneficiary of a Rockefeller fellowship. Next he was employed by the Carnegie Corp. to make a $250,000 survey of the Negro problem in our South. This report in 1944 had some strong things to say about the United States. Our Constitution was "impractical and unsuited to modern conditions" and its adoption was "nearly a plot against the common people." We had "a low degree of respect for law and order" although we "desire to regulate human behavior tyrannically." Our legal culture, moreover, was "anarchistic."

Myrdal in 1946 told a Wall Street Journal reporter that in behalf of Sweden he had made a big deal with Soviet Russia because he believed that the United States was going into a depression. In 1949, as executive secretary of the ECE, he received a grant from the Rockefeller Foundation for scholarships for European students. Last year Columbia University selected Myrdal as one of those to be highly honored at its bicentennial. He was given a degree of Doctor of Humane Letters as one who had made "the world his classroom."

In any event, these many benefits and honors for Myrdal, coupled with the present attack upon the American oil companies, can prove to Americans not only that they are a very generous people but that when oil money is given for cultural purposes it has no strings. This at least can give our oil companies some melancholy comfort.

Mr. SWENSRUD. Well, I think we could have a long discussion of the philosophy of trade. I certainly do not like some of the trends in these commissions of the United Nations that are dealing in a sort of irresponsible vacuum, with so-called social and economic problems. It doesn't seem to me that was a proper purpose of the United Nations, and I hope that someday somebody will do something about that.

But so far as our trade with the rest of the world is concerned, I don't consider that very academic when you consider that our country is exporting something like $13 billion worth of merchandise and 5 or 6 billion dollars' worth of services per year, and the question is, How do we get paid?

Senator MALONE. How are you doing it to start with? Do you have any idea, at all? Tell me.

Mr. SWENSRUD. About what?

Senator MALONE. How are you exporting this 13 billion? Of what does it consist?

Mr. SWENSRUD. Well, it consists of crude materials, crude foodstuffs, manufactured foodstuffs, and beverages; some semimanufactured and some finished manufactured. It is mostly in the manufactured category. For the last 12 months something like $12 billion out of our $15 billion of exports were manufactured products, manufactured in this country and shipped abroad.

Senator MALONE. Paid for by taxpayers' money, a lot of it.

Mr. SWENSRUD. I beg your pardon?

Senator MALONE. A lot of it paid for by taxpayers' money.

Mr. SWENSRUD. Well, you mean that we didn't import enough to enable the people we exported to, to pay for it?

Senator MALONE. No; I mean the Congress of the United States appropriates the money and sends it over there to pay for it.

Mr. SWENSRUD. That's right. There are only two ways you can export things. One is to give them away, and the other is to get paid. I prefer to get paid.

Senator MALONE. Why don't you just prefer to have what you call legitimate trade so you don't insist on sending more than they can pay for with their earning power each year?

Mr. SWENSRUD. You mean restrict the exports to whatever the imports are?

Senator MALONE. Leave it to the fellow selling it. He is not going to sell it if he doesn't get the money. You know that as well as I do, unless the Congress appropriates the money for him to be paid.

Mr. SWENSRUD. I take it what you are suggesting is, we would shrink our exports down to whatever our imports are.

Senator MALONE. I am not suggesting we shrink anything. I am suggesting that we use a little common horse sense in export and import with the people exporting getting their own pay, and when they import we pay them, and not try to force them as we do now, because when you do it you have to furnish the money to pay for it. It is just like if you put one of your gas stations down here, and it isn't doing very well, so you go to the bank and borrow a few thousand dollars to scatter out among people like me to buy gas from you.

Mr. SWENSRUD. If you mean we ought to quit giving aid to other countries to enable them to import our goods, I would agree with you as a principle.

I don't think we could continue for too long to keep giving money away to other people to buy our goods with. We have either got to get paid in goods, or we have to reduce our exports, one or the other.

Senator MALONE. Why don't you? Why aren't you content with legitimate trade just like a store downtown?

If no one comes in to trade, they don't go borrow money and give it to a lot of bystanders to come in and buy stuff. And that is exactly what we are now doing, and what you are advocating.

Mr. SWENSRUD. I agree with you 100 percent that we should not finance our exports by giving them away.

Senator MALONE. I don't see how you can agree with me, because what you want to do now is to divide the trade of the country, to do away with the domestic jobs and to do away with the production here, with lower tariff, to pay for it instead of sending the money. But you are sending the money and the goods both, now.

Mr. SWENSRUD. Well, I think you have got to always look at both sides of these things, the imports and the exports, because they have got to balance in the long run, unless you want to give your goods away.

Senator MALONE. Do you ever know of a period when they didn't balance, unless someone interfered with it and took fresh money and put it over there to buy extra goods?

Mr. SWENSRUD. No; they have got to balance.

Senator MALONE. Why of course they do.

Mr. SWENSRUD. Except if you finance it in some other way than by getting paid.

Senator MALONE. Then the greatest hoax that the world has ever seen is the dollar shortage. I would like to buy more gasoline from you, I would like to have an extra automobile. Why don't I get it? Because I have a dollar shortage.

Mr. SWENSRUD. I have often used that same example, Senator Malone, that the dollar shortage that other nations have is a great deal like the dollar shortage of the average American family.

But I will say this, just speaking as a citizen, as we all are. I believe that in the interests of keeping some of the nations in the orbit of the free world, perhaps we were well warranted in giving them a little catalyst to get started on. Now how far that should continue is a question.

Senator MALONE. Are they in the orbit of the free world? Aren't they trading with Russia, aren't they trading with the Iron Curtain countries? Aren't they trading with China and advocating that China be made a part of the United Nations, every one of them? Are they, or are they not?

Mr. SWENSRUD. Well, all I would say is that to my mind some of the aid we gave away in some countries was perhaps warranted up to a certain point. But in any event, that is passed. We have got to look to the future. We can't expect to finance our exports by continuing to give them away.

Senator MALONE. You are sitting here advocating an extension of an act under which we are giving industries away, giving jobs away.

Mr. SWENSRUD. Well, I always come back to the fact that——

Senator MALONE. Let's have the facts.

Mr. SWENSRUD. That the people who made the $12 billion of manufactured goods that we exported from this country, they have jobs too.

You don't hear much from these people who made these goods that went abroad, because you are always hearing from the fellow who is adversely affected by some particular import. But in the last year we imported $6 billion worth of manufactured products and exported $12 billion worth.

Now, I should think that there were more jobs in this country involved in manufacturing the products we exported than there would have been in manufacturing the products that we would have made, instead of importing them.

Senator MALONE. What we have done is overbuild our production here for our domestic market, and now we must give somebody the right to trade away other production, our regular producing industries in this Nation so we can sell those manufactured products. That is what you are advocating.

Mr. SWENSRUD. No, I am not advocating giving away, I am advocating getting paid, and in the last analysis, in foreign trade, the only way anybody can pay you is with goods or services.

Senator MALONE. That wasn't what I asked you, and I think maybe you understand. If you didn't, I am going to ask you again.

Mr. SWENSRUD. I am sorry.

Senator MALONE. You are advocating, whether you know it or not, that you allow products to come in here that displace the workingmen and the investors' money, to give them some money to pay them for the manufactured products that were overproduced in our own markets.

That is what you are advocating.

Mr. SWENSRUD. If you cut down the manufacture of those products we are exporting, that would cause unemployment too, would it not?

Senator MALONE. Where are you going to stop? Will you advocate doubling this production again?

Mr. SWENSRUD. I think it is a matter of balance. There are certain things we need in this country. One of our big exports is coffee, another is cocoa.

Senator MALONE. Imports, you mean.

Mr. SWENSRUD. Imports, I beg your pardon. We possibly could grow coffee and cocoa and bananas.

Senator MALONE. Of course, that is the silliest thing on record, and you know it.

Mr. SWENSRUD. Sure it is.

Senator MALONE. Bananas. I suppose you would have a tariff on everything. I heard that one time on the television, but I haven't been able to get the fellow back on television that said that. Now you know better than tha just as well as I do. You know it is silly. Now let's get down to bedrock.

Senator GEORGE. May I remind the Senator that "silly" is a bad word. It was discussed over on the floor just a few minutes ago.

Senator MALONE. If I think a word illustrates what I think about it, I will use it.

Senator GEORGE. I just wanted to warn you that that is a bad word.

Senator MALONE. I know it is and I will try to get something that more nearly represents what I mean. I believe I can think of it pretty soon.

Now you know very well that we have never had a tariff on anything unless we have had a material production of that product in this country, so why you bring up—of course I know why you bring it up, because somebody is going to print it.

But let's get down to bedrock and a little horsesense and talk about the 40 percent or the 45 percent of the materials in this country that we have had a protective tariff on for many years.

Mr. SWENSRUD. Right.

Senator MALONE. We had a policy laid down in the Tariff Commission, a principle based upon fair and reasonable competition, so that there is only one factor that they took into consideration, and that still is the law of the land if this particular bill is not extended.

The Tariff Commission doesn't go out and look for some great international or political situation. They are not going to try to save the Albanians from Italy, or something else.

What they are looking at is a fair and reasonable basis to protect American workingmen and American investors, the small investors, not the Gulf Oil Co. or the Standard Oil or somebody else that can go to foreign countries and invest their money and bring it back, but the little people who can't do it.

Now we have changed the policy to a matter of letting one man take all these various considerations, to say whether or not you are going to lower a duty to allow more stuff to come in, and either trim an industry down in this country and ship a part of the job abroad, or whether you are going to ship all of them in any particular industry or any number of industries. Now I understand that you are for the latter principle.

Mr. SWENSRUD. Yes. I believe the reciprocal trade principle is a better principle than the one that you referred to.

Senator MALONE. I just might ask you where you got the reciprocal word. Did you invent it?

Mr. SWENSRUD. No.

Senator MALONE. Well, nobody invented it in the United States, I assure you of that. It is not in the bill, it is not in the title. It was invented by the London bankers to sell free trade to this country, and I guess it made the grade.

Mr. SWENSRUD. I am only using it to identify what you are talking about.

Senator MALONE. Well, I don't even know what you are talking about.

Mr. SWENSRUD. I think you have described very well the situation before we had the present law. I like the present situation better than I do the one that preceded it.

Senator MALONE. What you want then, and I have your answer in the record, which is good enough, is to get away from the principle laid down by the Congress in 1930 with the Tariff Commission on a basis of fair and reasonable competition to give access to American workingmen and small investors to the American markets, and you want one man vested with the power to take any factor into account that he wants, either in the United States or in foreign countries, and trim that protective duty below the fair and reasonable competitive level. That is what you want, is it not?

Mr. SWENSRUD. Well, you are sort of putting words in my mouth.

Senator MALONE. I didn't know that. I want you to tell me.

Mr. SWENSRUD. But I believe that in complicated matters of world trade, it is a good deal like any business. It is a complicated operation.

Senator MALONE. What is complicated about it? You are trading one industry for another.

Mr. SWENSRUD. We are trying to find goods that we can accept for $15 billion worth of stuff we want to export. Somebody has got to have some leeway, it seems to me, to work out trades.

If we want to continue these exports, we have got to be in a trading mood. I believe that that is a better principle to be willing to trade with the other guy than to just erect some kind of an edict and say, "Unless your cost is higher than mine, you can't bring anything in here."

Frankly I don't see how under the principle you are talking about we would have any imports, or very much, if nothing could be imported unless it cost more than the home product.

Senator MALONE. I want you to answer. Did I say that?

Mr. SWENSRUD. Well, it seems to me that is the implication of it.

Senator MALONE. You simply misinterpreted it. Let me tell you what I did say: That they laid down a policy in 1930 on the basis of fair and reasonable competition, and the Tariff Commission in so many words in that act was directed to determine the difference.

Mr. SWENSRUD. Yes.

Senator MALONE. A reasonable production cost in this country and a reasonable production cost of a like and similar article in another country, and that would be the duty, in other words.

In the Middle East on that question you would be given equal access to the American markets. Does that look like you would have to produce it at a lower cost? Now let's look at the thing squarely and say what it means.

Mr. SWENSRUD. Well, there are some things we need completely. I take it you believe it would be silly to use an illustration of bananas, because there is no practical chance of raising those here, so you are talking about things that we do manufacture here.

Senator MALONE. My friend, that is all we have been talking about for 75 years.

Mr. SWENSRUD. Right, but that becomes a matter of degree. I might make a trade with somebody to trade something I have got for something he has got, and even though I could make what he wants to trade me, still it might be a good trade for me.

Senator MALONE. I think it is a good trade for you, that is exactly what I do believe.

Mr. SWENSRUD. I am talking about the United States now.

Senator MALONE. Well, I am talking about the United States and I am talking about the people of the United States.

In other words, we have a higher living standard, we have a greater investment.

It costs us more to do business in the United States, so what I am talking about is that principle that Congress already laid down in the 1930 act where they said, upon our living standard—they didn't say those words but it said the cost of production, assuming our living standard, of course, is higher than the cost of production in the chief competitive nation, and recommend that that be the tariff. And that meant holding our economy intact.

Mr. SWENSRUD. But I believe it is true, Senator, that our living standard has gone up a great deal since that system was changed.

Senator MALONE. It has been going up for 75 years, my friend.

Mr. SWENSRUD. That's right.

Senator MALONE. And it didn't start to go any faster except under inflation.

Mr. SWENSRUD. That is right.

Senator MALONE. After you passed that act. Now you have cheapened the dollar 50 percent.

Mr. SWENSRUD. Yes.

Senator MALONE. And that in itself lowered the tariff.

Mr. SWENSRUD. But the real standard of living has gone up too.

Senator MALONE. At just about the same rate as it has been going up for the last 50 years.

Mr. SWENSRUD. Perhaps so.

Senator MALONE. I guess that is about right. So you don't think this act put the real standard of living any higher, do you?

Mr. SWENSRUD. Yes, I do. I believe that international trade is a little bit like trade within our own country. I don't believe it would be sound for each State to erect trade barriers against other States even though it could make a particular thing instead of importing it from another State, by "importing" meaning shipping from one State to another.

I believe one of the factors that has had a good deal to do with our progress in this country is the fact that it is a great area in which there are no trade barriers. I don't advocate getting rid of all trade barriers in our foreign trade, you understand, because we are dealing not with a theory but with a fact. But I do believe that it is in the interest of our country, in view of its great concern with international problems today and its great interest in exports, that we should be generally on the side of helping to promote more world trade.

Senator MALONE. Well, I guess that part of the Constitution of the United States you must have read. Some people do want to take in outside noncontiguous areas of States. As a matter of fact, some people want to go that far and take in the European countries as States and have one United States of the World.

Mr. SWENSRUD. Yes.

Senator MALONE. And if you have one economic world, you might just as well do that, because if you open these markets to ship in the low-cost labor products there is no difference in the ultimate effect in letting the bars down and bringing the low-cost labor right in here.

So I think you are on your way, and, as a matter of fact, if you will read this article by Dr. Moley, maybe it will stir you up just a little on this business, but I have had the answer I need in the record.

You are for changing the principle from a fair and reasonable competitive basis that is laid down in the act of 1930, where the only criterion is the difference in cost of production, and that only on the articles that we have produced a very great percentage of—we have never had a tariff on anything else that I know of—to the principle that you put these additional political factors in it, the relationship between industries in this country, or the political unrest in Europe, and on any pretext you can lower the duty. We have lowered the duty in many cases below that differential of cost of production, and that is what you are for, and I will ask the question again——

Mr. SWENSRUD. Provided that we get from other nations to whom we made concessions, concessions from them that help us export our goods from this country.

Senator MALONE. Well, you have opened up a very interesting question or proposition. I intended to bring it up.

Do you know of any nation that has ever kept one of these trade agreements? If you would mention 1 or 2, it would be very helpful to this discussion.

Mr. SWENSRUD. That has kept its agreements with us?

Senator MALONE. Yes, kept the spirit of their agreement, that didn't have quotas, permits for exchange, permits for import, and changed the value of their money?

Mr. SWENSRUD. As far as I know, Venezuela has kept its agreement to the letter.

Senator MALONE. Do they have permits on imports?

Mr. SWENSRUD. Into their country?

Senator MALONE. Yes.

Mr. SWENSRUD. They have tariff duties.

Senator MALONE. They are higher than ours in most cases, and they also have permits.

Mr. SWENSRUD. Well, they import more from our country than we import from their country.

Senator MALONE. Answer my question. Do you know whether they have permits?

Mr. SWENSRUD. I do not know their particular rules and regulations as to imports.

Senator MALONE. Well, I do know.

Mr. SWENSRUD. But I do know this, Senator: That they buy an awful lot of stuff from this country, and I am sure you know that, too.

Senator MALONE. Why, certainly. But they do have the permit system——

Mr. SWENSRUD. That may be.

Senator MALONE. On imports, and they do have tariffs in many cases higher than ours.

Mr. SWENSRUD. Yes; I believe that is true. They have copied that from our infant-industry idea to some extent.

Senator MALONE. Copied? Why, they are higher than ours.

Mr. SWENSRUD. Yes; I think that is deplorable.

Senator MALONE. Yes—well, I bet you do. But you still want us to lower ours.

Mr. SWENSRUD. I haven't said anything about lowering tariff rates on oil. I have said that I believe in the principle of this bill of putting our administration in a position where it can do some trading. If somebody else will lower their tariffs, we ought to lower ours, if it will stimulate our trade with them.

Senator MALONE. Now, if you know as a fact—and I think you do—that they don't live up to these agreements at all——

Mr. SWENSRUD. I don't know that as a fact. I want to make that clear.

Senator MALONE. I wish you would check it. You are in the importing business.

Mr. SWENSRUD. Yes.

Senator MALONE. Now let me ask you another question. Do you believe, as Mr. Holman believes, that you ought to be allowed to determine the amounts of imports and balance it against whatever is produced in the United States and be allowed to do that yourselves as importers?

Mr. SWENSRUD. Yes; I do, under the circumstances, because, as I have said on this occasion and on others, I believe that is a satisfactory system that has worked in the past and can be expected to work in the future.

Senator MALONE. It is certainly working all right for you. Now, will you extend that system to all importers of goods to allow them to determine——

Mr. SWENSRUD. I think——

Senator MALONE. Wait a minute until I ask you the question. Would you give the same privilege to determine how much should be produced here in each case and how much should be imported to the importers of textiles, the importers of machine tools, the importers of glass, and of other products?

Mr. SWENSRUD. I believe we should have a minimum of Government control over business, whether it be in telling an American businessman what he can produce, a farmer what he can raise, or an importer what he can import.

Senator MALONE. That is not an answer to my question at all.

Mr. SWENSRUD. That is the best I can give you, sir.

Senator MALONE. I am going to ask it again. I don't think it is as good as you can do.

Mr. SWENSRUD. I am sorry.

Senator MALONE. Are you in favor of allowing any importer of goods that also might produce the same kind of goods here to determine how much will be produced in this Nation and how much will be imported, and balance the market?

Mr. SWENSRUD. Unless there is some compelling reason to the contrary, I would believe that under whatever the tariff rate is, he should be allowed to import whatever he wants to import.

Now, if there is a compelling reason of national defense or some other reason, well then that would be something that the Government should deal with as the circumstances might require. But if it is just a matter of trade and competition, I believe in a good deal of freedom.

Senator MALONE. Well, you believe in the freedom that American companies that are big enough to go abroad and use cheap labor should balance imports against domestic production and have that authority themselves?

Mr. SWENSRUD. Well, now when it comes to this cheap labor, let me read this little paragraph. This is from the testimony given by the head of one of the largest Venezuelan companies.

Senator MALONE. First I want to know if you are going to tell me the labor in Europe is not any cheaper than it is over here?

Mr. SWENSRUD. No, sir; our company is not importing anything from Europe as far as I know.

Senator MALONE. I didn't ask you that. This is a question based on your answer before. If you think you as an importer and local producer should be able to balance the domestic production against the imports, why would you deny it to anybody else wherever it comes from.

Mr. SWENSRUD. I get back to the point that if our country wants to continue its exports, which are very large, it is going to have to import something to enable the people who buy our goods to pay for them.

It is therefore a question of what shall we import, and I think that is a very complicated question.

Senator MALONE. It is very complicated if you start to reach out and put somebody else out of business with the imports so that the dollars go over to buy what you import.

Mr. SWENSRUD. That has got to be weighed, of course. You have got to weigh the injury that might be done by importing a certain thing against the benefit that will come from exporting a certain thing.

The only trouble, as I say, you don't hear much from the exporters because it is usually the importers who come to talk about some particular thing that is affecting them. That is easier to see and understand.

Senator MALONE. You heard of Mr. Reuther?

Mr. SWENSRUD. Yes; I have heard of Mr. Reuther.

Senator MALONE. Well, I guess he is for the same thing you are.

Mr. SWENSRUD. I don't know what Mr. Reuther's views are on a lot of things.

Senator MALONE. I will tell you what they are. It is free trade.

Now, let me ask you something else. You say that somebody has to judge how much to import and how much to export. I have already explained to you the principle so that it gives every area in the United States a chance to develop, and that is what we thought the Constitution provided for. Under your system, it does not.

But under the system that you advocate, you give one man the full authority to rearrange—I'll watch the time, too, if it isn't going to bother you. If you are in a hurry, we may quit this and you may go.

Mr. SWENSRUD. No; I am not.

Senator MALONE. All right.

You give one man the right to rearrange the industrial map of the United States of America; that is what you are advocating and that is what we have done now for 21 years. Do you agree with that?

Mr. SWENSRUD. Well, I think that is an oversimplification.

Senator MALONE. Well, how much is the oversimplification, if you know, for example, where the glass companies in West Virginia are down to about 50 percent of their production, if you know that the crockery firms, from importations of crockery, are down to about 30 percent, many of them out of business, if you know that the textile industry is down, if you know that the mineral industry is down.

Now, how is it an oversimplification when you have very patently increased the imports by lowering the duty so that you can buy something else? Isn't that a rearragnment of the industrial map of the United States?

Mr. SWENSRUD. Well, we are exporting a good deal of metal products from this country. Iron and steel manufactures, $300 million; steel manufactures, $200 million; iron and steel advance manufactures, $300 million——

Senator MALONE. How much do we get paid for out of that?

Mr. SWENSRUD. Nonferrous metals, $200 million——

Senator MALONE. How much do we get paid for, or ask for pay, and how much is the taxpayer of the United States paying for what you just read?

Mr. SWENSRUD. About $2 billion out of about $15 billion, I would say.

Senator MALONE. Well, we appropriate about $5 billion each year, so I know it is more than that.

Mr. SWENSRUD. Well, the military expenditures come in there, too.

Senator MALONE. Yes, and the military is added to that. They give away the military, and I don't know exactly how much that amounts to, but $3 billion or $4 billion.

Mr. SWENSRUD. But our exports do exceed our imports.

Senator MALONE. So there are $7 billion or $8 billion that we give away, and when you subtract what you give away in cash and what you give away in military equipment from your exports, as you have outlined them, you come right back to about 4½ or 5½ percent of legitimate trade in the United States of America, just the same as it has been for that 40 years. Is that about right?

Mr. SWENSRUD. Well, I don't know those figures, but I certainly think we have an abnormal situation now—we have got what we might call an export-import gap. It has got to be cured one way or another. We have either got to reduce our exports or increase our imports.

Senator MALONE. It could be cured by just a little commonsense and not sending stuff you can't get paid for, couldn't it?

Mr. SWENSRUD. That would be reducing our exports.

Senator MALONE. How do you think you would increase export in business when you have more gas to sell than the people have money to pay for, or are willing to pay for? You just quit producing that much, don't you?

Mr. SWENSRUD. I am not saying that isn't the thing to do. I am saying one or the other must be done.

Senator MALONE. Yes, I see what your point is now. Your point is that either you have to utterly destroy some other productive industry here and allow these manufactured products that we have been giving away to be sold and get the money, or else we have to fit our production to the——

Mr. SWENSRUD. It might be better, conceivably, to reduce our exports and make them balance up with our imports.

All I am saying is we have got to balance it up sooner or later if we are not going to keep on giving stuff away.

Senator MALONE. Do you advocate continual appropriations to give to Europe?

Mr. SWENSRUD. No, sir; I do not.

Senator MALONE. I have never been for it, and I spend 2 or 3 days, sometimes, discussing it, but I haven't been very effective thus far.

But the vote of the Senate and the vote of the House determine those things. I never kick about it after it is over. I do all my fighting between bells.

Now, if you will just let the businessmen of America alone and put this trade on the basis of fair and reasonable competition, don't you believe that it will balance itself?

Mr. SWENSRUD. Yes; I think that is the best principle.

Senator MALONE. Thank you.

That is enough, if you think that is the best principle.

Mr. SWENSRUD. I am talking about the principle of competition.

Senator MALONE. Yes; I mean competition.

Now let's go into that a little, as long as you have modified your answer.

In competition between domestic producers, I never heard a fellow kick because he got whipped. He will grumble a little bit, but then he will go home and sleep over it and look for something else.

Mr. SWENSRUD. That's right.

Senator MALONE. Because that was a domestic producer that licked him in the market, paying about the same wages and about the same taxes, and everything else.

But what our discussion is about today is the competition that sends this stuff in at pay wages anywhere from one-tenth up to, say, one-third or one-half of ours, and no taxes at all in some cases. We are paying France's taxes.

Mr. SWENSRUD. Let me say, as far as oil is concerned, we pay about the same taxes in every country where we operate as we pay in the United States, percentagewise. In practically every country where we produce oil the tax is on the order of 50 percent.

Senator MALONE. Yes. Let me finish this other thing, though. It is the difference in wages that we equalize, the difference in wages, the difference in taxes, as affecting wages. Sometimes the labor is not quite so effective.

Mr. SWENSRUD. In Venezuela the common labor gets an annual wage of $4,300.

Senator MALONE. If you don't mind, I will finish this. I was interrupted twice, and I am going to let you finish when you finally start.

The purpose of the duty has never been any more, although sometimes mistakes are made, than to balance the difference in cost of doing business here and in the chief competitive nation on each product. That has been the theory of it, and while sometimes mistakes are made, they are generally corrected.

And there is plenty of machinery in that 1930 Tariff Act to correct any mistakes that are made. If you will read it, you will know that.

Now, what you fellows are advocating—and that is what this bill does—is to allow exceptions to be made by the decision of one man to destroy or injure one industry to theoretically build up another.

That is exactly what the theory does. Also, if you will refer to the entire article that I have put in there, you will have some idea of what is going on here. If we extend this act, we continue to put our markets in the pot, and that means General Agreement on Trade and Tariffs at Geneva can continue to move on this thing, it means the United Nations, the Assembly, and all the other trick world trade organizations set up, are continually dividing all the markets of the world, with our markets in the pot.

Now, if we don't extend it, immediately we go back to the principle of the 1934 Tariff Act, and our markets come out of the pot. I will guarantee you there is no game when our markets come out of the pot. That is a sucker game, and I expect you have heard of those kind of games where, if the man with the money doesn't sit down, the game doesn't go on.

Mr. SWENSRUD. Yes; I have heard of that.

Senator MALONE. The trade agreements, all the commodities on which trade agreements have been made, remain in full force and effect until the President himself cancels those agreements.

And as he does, they revert to the Tariff Commission on the same basis.

And finally, you have exactly what you just said you wanted a minute ago, and then modified it, and that is a trade on the basis of fair and reasonable competition, and that doesn't seem so far out of line, does it?

Mr. SWENSRUD. Well, I think I have already answered the question you have asked me.

Senator MALONE. I think you have. You said you felt that was all right.

Mr. SWENSRUD. I said that I believed that our present system of being able to do some trading with other countries was a better system than the one that preceded it.

Senator MALONE. And, of course, all I have told you is that the way you have increased the trade is to give the stuff away, and I hope you have some of your technicians check that statement. I think I am entitled to have you do that.

Mr. SWENSRUD. I will be very glad to do that, and I would certainly not disagree with you that there have been some poor administrators in the past on many of these things. I hope it is going to be improved.

Senator MALONE. Well, could I say something to you in closing: That no human being in the world and no group of human beings can tell by what move or how to cause a more correct measuring of all the economic factors even in the domestic field or even on one business. If they could, they would all be rich.

So who do you get down here? You get the second and third echelons down here in the State Department, and they are the same ones that have been there, generally speaking, for 20 years, until they have died or retired for old age. They are the same ones that are over there at Geneva.

They are not going to change. One reason is you can't change them. They are all under civil service.

So you have a President in the White House, one of the finest men it has ever been my pleasure to know, and he is the victim of these people. The way they advise him, he thinks that he is doing no damage to anybody, and the damage is already done. So now he asks for authority to utterly destroy them, and doesn't even realize it.

I am finished, Mr. Chairman.

Senator CARLSON. If there are no further questions, we thank you, Mr. Swensrud, for your appearance before the committee.

The next witness is Mr. Philip Cortney, the United States counsel of the International Chamber of Commerce. Mr. Cortney.

Mr. CORTNEY. Mr. Chairman——

Senator CARLSON. We are very happy to have you before our committee, and will be glad to have you proceed in any way you care to, either by an oral statement or whichever way you want to have it.

STATEMENT OF PHILIP CORTNEY, MEMBER OF THE EXECUTIVE COMMITTEE, THE UNITED STATES COUNCIL OF THE INTERNATIONAL CHAMBER OF COMMERCE

Mr. CORTNEY. With your permission, Mr. Chairman, I shall start with an oral statement.

My name is Philip Cortney. I am a trustee and member of the executive committee of the United States Council of the International Chamber of Commerce. I am appearing here today on behalf of the United States council to urge enactment of H. R. 1 without weakening amendments.

I am also president of Coty, Inc., an American corporation. Practically everything my company sells is manufactured in the United States.

Competition in my industry is extremely keen. A lowering of tariffs can only increase imports from Europe, and therefore would hurt the immediate selfish interests of my company. Yet I favor a lowering of trade barriers because everything I learned teaches me that international trade is a factor making for peace and fosters both employment and the standard of living in our country.

The United States council is an association of private business enterprises and trade associations which represent the interests of the American business community in the International Chamber of Commerce. A similar organization represents the business interests of 30 different nations.

In view of the United States council's international affiliations, I wish to make clear before expressing opinions on the legislation you have under consideration that the views I present are those of American executives exclusively. Before I read to you the prepared statement——

Senator MALONE. Mr. Chairman, it is a little hard to understand this gentleman. I wonder if he would talk a little louder.

Mr. CORTNEY. Yes; I will.

Senator CARLSON. I think it would be well, too, if we could have a little more order and less confusion in the hearing room.

You may proceed.

Mr. CORTNEY. Before I read to you the prepared statement, I wish to point out by a complete example the spirit in which the United States council——

Senator MALONE. What page are you on now of your statement?

Mr. CORTNEY. Is it loud enough?

Senator MALONE. What page are you on of your statement?

Mr. CORTNEY. I am not on my statement.

I wish to point out the spirit in which the United States council and the international chamber approach the question of international trade.

As you know, those in our country who oppose a liberalization of trade were also opposed to the ITO Charter. Yet both the United States council and the International Chamber of Commerce joined with those who favor tariffs and other trade barriers in the fight against the ITO.

Senator MALONE. Mr. Chairman, I dislike to interrupt the gentleman while he is reading his statement, but this apparently is not included in his statement.

Did you ever hear anybody talk about a high tariff? Did you ever hear of one of us that are for this equalization of the cost of production in the foreign countries and in the United States, talking of a high tariff?

Mr. CORTNEY. Senator Malone, I didn't finish my statement.

Senator MALONE. I know you didn't, and I am going to ask you this question now.

Mr. CORTNEY. Yes, sir.

Senator MALONE. Did you ever hear of any of us advocating a high tariff?

Mr. CORTNEY. I heard industries advocating high tariffs.

Senator MALONE. Wasn't it a tariff—you asked the question—that would make up the differential of that cost of production represented mostly by the difference in American standard of living wages, taxes, and the cost of doing busines as compared with the cheap competitive country on each product?

Wasn't it the differential? You never read that in the tariff law. The tariff law of 1930 doesn't advocate a high tariff. It advocates the differential that evens the cost of production.

Mr. CORTNEY. Senator Malone, if the cost of production were equalized, there would be no international trade. International trade is made up of differences in costs per unit of making goods.

Further, may I draw your attention——

Senator MALONE. Yes; you are very interesting.

Mr. CORTNEY. If you would try to equalize the cost of goods, you would run into some very serious trouble. Now, I will take one example right in our country.

Senator MALONE. What country is this you are talking of?

Mr. CORTNEY. In the United States.

Senator MALONE. Good.

Mr. CORTNEY. There is a company called the Cleveland Electric Co., manufacturing electric welding machines, the same kind of machines as those manufactured by, for example, Westinghouse Co.

Now, the wages paid by Cleveland Electric Co. are about twice as high as the wages paid by Westinghouse Electric Co., and yet the Cleveland Electric Co. maintains and boasts and publishes the fact that they are able to produce welding machines, electrical welding machines, comparable in quality and even of better quality than those produced by Westinghouse, while paying wages twice as high as Westinghouse.

Senator MALONE. Well, now, that is very good.

Mr. CORTNEY. I beg your pardon, Senator?

Senator MALONE. Yes; that is very good, and that is domestic competition.

Mr. CORTNEY. If we stand for competition, then domestic competition is not different from international competition.

Senator MALONE. That's right. So then, when we go to France——

Mr. CORTNEY. With whom will you compare the cost of production, with Westinghouse or with Cleveland Electric Co.?

Senator MALONE. The Tariff Commission is entitled to set up a reasonable cost of production, and they determine what they use by comparison, and they know how to do it.

So I say there is more difference, I think you will admit that, in your former country of France, and that is what we are trying to equalize. If Westinghouse or the Cleveland company can beat each other out, we have no interest in it.

Mr. CORTNEY. Why? Suppose a manufacturer in France making a welding machine wants to export machines here; with whom are you going to compare your cost of production—with Cleveland Electric Co. or with Westinghouse?

Senator MALONE. Let the Tariff Commission determine that on the basis of fair competition.

Mr. CORTNEY. What kind of guidance are you going to give the Tariff Commission?

Senator MALONE. They know how to do it.

Mr. CORTNEY. I can assure you nothing is more difficult than to establish the cost of production.

Senator MALONE. Of course it is difficult, but if you do it on a principle, you know what you are doing, and I think you will admit if you compare the wages in one of the European countries with either the Westinghouse or the Cleveland companies, there is where the difference really exists.

Mr. CORTNEY. You can't compare them with both because if you compare them with Cleveland, you may find no difference in cost of production, and if you compare them with Westinghouse, you might find a colossal difference in cost of production.

Senator MALONE. Look, my friend, all we are talking about is a principle.

Mr. CORTNEY. But the principle is wrong, Senator Malone.

Senator MALONE. If you think it is wrong, that is all right. I just want to have that in the record. You have got it in the record.

But when you said anybody was for a high tariff, I want to tell you that I have no friends or acquaintances that understand anything about it at all that are advocating a high tariff.

Mr. CORTNEY. I am glad to hear that. I am extremely happy to hear that for the American Nation, because, for me——

Senator MALONE. I don't know where you got it.

Mr. CORTNEY. For me, when the foreigners want to send us goods for nothing, I would be quite willing to help them.

Senator MALONE. I wouldn't.

Mr. CORTNEY. If the Europeans would send us ties and we wouldn't have to pay for ties, you and I would have money to spend for something else and to give more work to our workers.

Senator MALONE. It just happens to be the principle that I am not for and you are, and it is in the record. But I wanted to set you straight that it is from the newspaper columnists of the country, and the radio and television commentators to whom you have been listening, that you get the high tariff idea. There is nobody that I know of that wants a high or a low tariff.

Mr. CORTNEY. The American Tariff League stands completely for high tariff.

Senator MALONE. No; they don't want a high tariff; they want an evener, so as to give the foreigner equal access to our market.

Mr. CORTNEY. I stand for expansion of international trade, Senator Malone.

Senator MALONE. As though just exactly what you have said, and that is enough. I just wanted to set you right, but I am glad you are on the record that you want everything produced lower by lower wages if you can get it.

Mr. CORTNEY. No; I didn't say that.

Senator MALONE. Well, I understood that you did.

Mr. CORTNEY. No, Senator; I didn't say that.

Senator MALONE. Well, say it again.

Mr. CORTNEY. I said before that Cleveland Electric Co. is paying twice the wages of Westinghouse——

Senator MALONE. I understood you.

Mr. CORTNEY (continuing). And yet producing goods at a lower price than Westinghouse, which only proves——

Senator MALONE. I understood what you said.

Mr. CORTNEY (continuing). That the notion of the costs of production is a very complicated notion, and, Senator Malone, I respectfully submit to you that if you consult industrialists, they will all tell you that nothing is more difficult than to establish a cost of manufacturing.

Senator MALONE. But we have a Tariff Commission that knows how to do it. Now, in the mines, we pay different wages.

Mr. CORTNEY. They don't know more than the manufacturers, with all respect to the Tariff Commission. I doubt that they know more then the manufacturers do about calculating costs.

Senator MALONE. Well, the Tariff Commission has a definite principle laid down by Congress to carry out. They are not concerned with trying to give some foreign nation an advantage over domestic producers.

I understand exactly what you say. I have been in the engineering business 30 years.

Mr. CORTNEY. I am glad to hear that. I am an engineer myself, Senator.

Senator MALONE. All right. No engineer would make a statement like that, then, that you couldn't determine a reasonable cost of production.

Mr. CORTNEY. When a company makes a multitude of products, it is very difficult. I have this problem all the time in my company.

Senator MALONE. Just let me ask you this question: If you tried to determine the cost of production and the differential as a duty, it would be better than not attempting it at all; wouldn't it?

Mr. CORTNEY. I wouldn't attempt it at all because it doesn't make sense, Senator Malone. The principle is wrong, and when a principle is wrong, it should be discarded. That is the best thing which can happen to that principle.

Senator MALONE. I think you are very plain in the record, and you are entitled to your opinion. I say, in my opinion, that the principle to even the costs of production with a low-cost producing nation, having low wages and no taxes is right. France doesn't even pay the taxes.

Mr. CORTNEY. I wouldn't like to get into an argument with you on that point.

Senator MALONE. I have been there twice now, once in 1917.

We pay your taxes over there.

Mr. CORTNEY. I am an American taxpayer myself, Senator.

Senator MALONE. I know you are, but I know where you are from, too. So the thing is, I want to tell you that when we are taking taxpayers' money, paying the taxes for expenses of a nation, building their industries above their own ability to consume, and then we have someone like you come here and say that we ought to bring the products in, regardless of what they cost, and displace production here—you go ahead; I have got everything in the record I want right at the moment.

Mr. CORTNEY. All right, Senator. With your permission, I will read the statement.

Senator CARLSON. Proceed, Mr. Cortney.

Mr. CORTNEY. Our views have been set forth in the statement presented to the Committee on Ways and Means of the House. We wish to reaffirm that position and state that the progress of the debate on H. R. 1 has served to reenforce our belief that enactment of this bill in its present form is in the best interest of the United States. There are two points on which I wish to speak because of their particular importance.

The first point I should like to make is the great and growing benefits which the United States has obtained from the program of trade leberalization made possible by the Trade Agreements Act. I wish to draw your attention specifically to the dollar and cents benefits resulting from increased opportunities to sell our goods abroad.

It is well to keep in mind the importance of exports to our economic life. In 1953, the United States exported goods and services of $16.7 billion. Exports accounted for 4.6 percent of our gross national product as compared with such highly important items as 3.2 percent for nonfarm residential construction and 8.1 percent for consumer purchases of durable goods. A comparison of the size of these components reveals that exports, considered by some as frosting on the cake, play an indispensable role in the maintenance of our overall economic health.

As a direct result of the bargaining authority in the Trade Agreements Act the United States has obtained the reduction or binding of well over 50,000 foreign tariff rates. There are, of course, other barriers to trade which I will speak about in a moment. Virtually all of our important trading partners have made notable reductions and bindings of their tariff rates and almost all United States products which seek foreign markets have benefited. To date the United States has obtained tariff reductions from other nations affecting over 50 percent of our exports with a value in 1953 of $8 billion. Numerous examples can be cited of specific exports which have profited from these reductions. A listing would include such products as wheat and wheat flour, corn, cotton, tobacco, lard and other meat products, dried, canned and fresh fruit, many chemical and related products, machinery of practically all kinds, textiles, all types of electrical equipment and apparatus, agricultural implements, et cetera.

We have not, however, confined ourselves under this program to tariff barriers. We have acted directly to safeguard tariff concessions and to reduce other, nontariff, obstacles to trade, by negotiating provisions in our trade agreements relating to the application of governmental trade regulations of all kinds including quantitative restrictions, State trade operations, et cetera. Agreement on these matters has been an integral part of our tariff negotiations for many years and has only been possible as part of these negotiations.

In spite of this record of tariff reductions, however, our exports have been hindered through the use of quantitative exchange and trade controls, which many other nations have felt impelled to use to protect their limited supply of dollars. Happily, the shortage of dollars in many countries has now eased, in part at least, because of the wise policy we have pursued in encouraging the expansion of international trade. Other nations in recognition of their improved dollar situation and the demand of their peoples for American goods have made great strides in recent months in the liberalization of their quantitative, exchange, and other restrictions. The Federal Reserve Bank of New York in its monthly review for February of this year reports that relaxation of exchange and trade controls were probably more substantial and more extensive in 1954 than in any other year since World War II. It further stated that discrimination against purchases of dollar-area products was sharply reduced in Western Europe where the bulk of the improvement of dollar reserves was concentrated.

The Netherlands virtually ended discrimination against dollar goods during the last year thus bringing its policy into line with Belguim-Luxembourg. The United Kingdom, Italy, Sweden, Denmark, and Western Germany all liberalized their restrictions on dollar imports significantly during the year.

There was also progress outside of Europe. The Union of South Africa ended all discrimination again dollar goods. India, Pakistan, and the Federation of Rhodesia and Nyasaland also took definite steps in this direction.

Many of the actions listed above took place so late in the year that their effect on United States exports has not been seen in our trade statistics yet, but in the case of Western Germany and the Netherlands, both of whom acted early in the year, our exports were up 36 percent and 74 percent, respectively, in the first 9 months of 1954 over the first 9 months of 1953.

Although restrictions against dollar goods are still being maintained by many foreign countries the recent relaxation and in some cases elimination of quantitative restrictions on United States exports demonstrates the willingness of other countries to increase their purchases of our products as they have the means to do so.

The reduction of quantitative restrictions also means that commitments regarding reduced or bound tariffs assume increased importance since the tariff becomes more significant as a barrier as other forms of trade controls are relaxed. Indeed it is probably only now that we are about to obtain the full benefits of the efforts we have made over many years to lower tariffs throughout the world.

These facts demonstrate that the trade agreements program has resulted in substantial dollar benefits both to our exporters and our consumers. I would like to emphasize that these benefits are growing. The trade agreements program, which helps to expand world trade, is clearly good business for the United States. These benefits could be lost quickly, however, if other nations were given reason to fear that the United States was about to adopt a restrictive commercial policy. If they see us setting out to restrict their exports, they will probably move promply to restrict our exports in simple self-defense.

In the course of the debate on this bill a great deal has been said about the threat to employment in the United States if this bill is enacted. If we thought that expanding international trade—imports and exports, since the two go together—would create unemployment in the United States we would not support this bill. We are convinced that the expansion of international trade to which enactment of H. R. 1 will contribute will increase employment opportunities in this country. The most important reason for believing this is that every dollar's worth of American exports must be made by Americans whereas there is no such immediate relationship between imports and the effect on employment in this country. The failure of imports to create unemployment is clearly shown by the fact that in the past 10 years imports have risen from $3.9 billion in 1944 to $10.2 billion in 1954.

Although we have had business fluctuations during this period including the recent slight downturn, employment is now high and expected to remain so. As we pointed out before the Board of Governors of the Federal Reserve System in its October bulletin gave credit to our high and stable level of exports as one of the factors helping to end that recent downturn. We can and do absorb imports in many ways without displacing American workers. As national income goes up we buy more from everyone; many imports do not compete directly with American goods; American enterprise can usually match foreign competition and so forth. If we cut imports, however, we cut exports and that means an automatic cut in American employment.

Our thinking about Japan and the great necessity for taking action to assist her in expanding her trade with the non-Communist world rests on a few simple facts.

First, it is vital for Japan to remain a democratic nation, able to determine its own destiny. It would be a great tragedy if 88 million more people lost their freedom. The interest of the United States demands that Japan not fall prey to the Communists. As the great industrial workshop of Asia, Japan is a key to the military and political balance of power in the Far East. The Russians have recognized this by making Japan a main target.

Second, we know that Japan must engage in international trade to live. Eighty-eight million people are crowded there on a land area no larger than our State of California. Only 14 percent of that total land area is arable. As a result Japan must import a quarter of its food and must export manufactured goods in order to be able to buy this food. In turn Japan must import virtually all its industrial raw materials to manufacture its exports as well as to supply the industrial needs of its own people. Incidentally, Japan is a great market for many of our goods. In 1954, for example, she bought more from us than any country in the world except Canada.

Third, we know that since World War II the prewar pattern and composition of Japanese trade has been distorted, intensifying her difficulties in exporting. Competition from European and United States producers has increased in Asian markets. In addition, Japan must now import raw material from high-cost areas, whereas prior to World War II she obtained these from the Asian mainland. This makes her costs of production high and lessens her competitive position to export. The average price level of Japanese exports of capital, consumer, and semimanufactured goods increased between 1938 and 1951 from 100 to 500. The average price level of United States exports during this same period increased from 100 to 178. In addition the United States has developed synthetic materials so successfully that the demand for Japanese raw silk is practically nonexistent. In 1934–36, raw silk made up 11 percent of total Japanese exports, and the decline in raw silk exports is a major factor in the dollar import excess of Japan.

Fourth, we know that Japan at present cannot export sufficient amounts to enable her to buy the vital minimum of imports. In 1953 imports exceeded exports by over $1 billion and despite extraordinary earnings from United States procurement and aid, Japan lost reserves of $380 million. The 1954 trade deficit, although smaller than 1953, exceeded $800 million. The smaller trade deficit was achieved through a drastic curtailment of imports during the last 8 months of 1954. This deficit was offset, largely by United States military and economic-aid expenditures, so that no reserves were lost. No one would suggest that this should become the regular pattern for financing the Japanese trade deficit.

We cannot afford to have Japan become heavily dependent upon Russia and Red China for her raw materials and her markets. It is all too evident that these nations will use any weapon to subvert and control other nations. For a country as dependent on international trade as Japan, political penetration would readily follow close economic ties with the Communists.

Fifth, we know that a significant cause for this present inability of Japan to earn her own way in international trade stems from the fact that she faces special disadvantages in trading with the other non-Communist nations. The United States have never had a trade negotiation with Japan and even though that country benefits from the tariff reductions we have made to other nations under the most-favored-nation clause, the duties on many items of which Japan is chief supplier remain at the high Smoot-Hawley tariff levels. Many of these duties exceed 50 percent. Other non-Communist nations likewise place special barriers in the way of Japanese exports.

These facts drive us to the conclusion that the United States must do what it can in its own interest to assist the Japanese in expanding their exports. H. R. 1 would renew the authority which the President now has to take action to broaden Japanese markets both in the United States and in other countries through the process of multilateral bargaining.

For these two reasons, as well as the reasons set forth in our earlier statement, we strongly recommend that this committee and the Senate act favorably on H. R. 1 and avoid amendments which would weaken the bill.

Senator CARLSON. Mr. Cortney, we appreciate very much your statement.

Senator Malone?

Senator MALONE. Mr. Cortney, how many nations do you represent in the United States Council of the International Chamber of Commerce?

Mr. CORTNEY. There are about 34 nations.

Senator MALONE. Do you have a list?

Mr. CORTNEY. I haven't a list with me.

Senator MALONE. Can you name them, as many of them as you can?

Mr. CORTNEY. Yes. Besides the United States there is Canada, Mexico, Great Britain, Sweden, and all the nations belonging to NATO and Spain as members of the International Chamber of Commerce. All of the nations in NATO are in the International Chamber of Commerce.

Recently we also got some nations in Asia, like Pakistan, like India, like Thailand. Japan is a member of the International Chamber of Commerce.

Senator MALONE. In other words, your statement represents what you would call an average opinion of what those nations you have named, the complete membership of your organization, could get together on to advocate?

Mr. CORTNEY. No, Senator Malone. I am here expressing simply the views of the American section of the International Chamber, which is made up of American businessmen exclusively.

Senator MALONE. Well, now, you are not then today representing all of these nations?

Mr. CORTNEY. No. I am simply representing the United States Council of the International Chamber of Commerce, which is the American section of that Chamber.

Now, the United States Council is an association of private business and trade associations, practically all trade associations.

Senator MALONE. Do you have a list of the trade associations?

Mr. CORTNEY. Yes. I know some of them.

Senator MALONE. The membership?

Mr. CORTNEY. The United States Chamber of Commerce, the National Association of Manufacturers, National Council of American Importers, Inc., and American Bankers Association.

Senator MALONE. Do you have an official list?

Mr. CORTNEY. I haven't got it with me, but I can assure you that the names which I have just mentioned are members of the United States Council.

Senator MALONE. Will you get us a list?

Mr. CORTNEY. We can provide you with a list.

Senator MALONE. Doesn't someone with you have a list?

Mr. CORTNEY. I have someone here.

Mr. MOYNIHAN. We do not have a list, sir.

Senator MALONE. Where do we get that list?

Mr. MOYNIHAN. Our membership list is not widely circulated, but we will be glad to send you one on request.

Senator MALONE. Do you have it in Washington?

Mr. MOYNIHAN. We have our headquarters in New York, sir.

Mr. CORTNEY. Headquarters are in New York.

Senator CARLSON. Will it be satisfactory, Senator, if it is submitted for the record?

Senator MALONE. Yes. Could you have it mailed down tomorrow?

Mr. CORTNEY. Surely, Senator Malone; we will be delighted.

(The following letter was subsequently received for the record:)

UNITED STATES COUNCIL OF
THE INTERNATIONAL CHAMBER OF COMMERCE, INC.,
New York, N. Y., March 15, 1955.

The Honorable HARRY F. BYRD,
Chairman, Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: Senator Malone, in questioning Mr. Philip Cortney, who testified for the United States Council at the hearings on H. R. 1 on March 11, requested Mr. Cortney to forward to the committee by mail (*a*) a list of the members of the United States Council; (*b*) a copy of a book written by Mr. Cortney opposing the Havana Charter proposals; and (*c*) information about foreign tariffs on American exports.

In compliance with this request, which we presume was made on behalf of the Senate Finance Committee, I submit herewith a list of the members of the United States Council. Mr. Cortney's book, The Economic Munich, has been forwarded under separate cover. For dependable information on foreign tariff rates we respectfully refer to the staff papers of the Commission on Foreign Economic Policy, pages 366–372.

Unless the procedures of the committee require that this material be published as part of the official record of the hearings, the United States Council prefers that it shall not be included as a formal submission of testimony.

Sincerely yours,

LLOYD K. NEIDLINGER, *Executive Director.*

LIST OF MEMBERS OF UNITED STATES COUNCIL

Aircraft-Marine Products, Inc., Harrisburg, Pa.
Allied Chemical & Dye Corp., New York 6, N. Y.
Alvord & Alvord, Washington, D. C.
The American Bankers Association, New York 16, N. Y.
American Brake Shoe Co., New York, N. Y.
American Can Co., New York, N. Y.
American Chamber of Commerce in France, Paris VIII, France
American Chamber of Commerce in Germany, Berlin W 15, Germany
American Chamber of Commerce for Italy, New York 6, N. Y.
American Chamber of Commerce in Japan, Tokyo, Japan
American Chamber of Commerce in London, London, England
American Export Lines, Inc., New York 6, N. Y.
American Exporter, New York 16, N. Y.
American Express Co., New York, N. Y.
American International Underwriters Corp., New York, N. Y.
American Machine & Foundry Co., New York 17, N. Y.
American Merchant Marine Institute, New York, N. Y.
The American Metal Co., Ltd., New York 6, N. Y.
American Motors Corp., Detroit, Mich.
American Steel Foundries, Chicago, Ill.
American Trust Co. (New York), New York 5, N. Y.
Anaconda Copper Mining Co., New York 4, N. Y.
Anderson, Clayton & Co., Houston 1, Tex.
Arabian American Oil Co., New York 22, N. Y.

The Armco International Corp., Middletown, Ohio
Armour & Co., Chicago 9, Ill.
Armstrong Cork Co., Lancaster, Pa.
Asiatic Petroleum Corp., New York 20, N. Y.
The Association of Marine Underwriters of the United States, New York, N. Y.
Associated Dry Goods Corporation of New York, New York, N. Y.
Automatic Electric Co., Chicago 4, Ill.
Bank of America, San Francisco 20, Calif.
Bank of the Manhattan Co., New York 15, N. Y.
Bankers Trust Co., New York 15, N. Y.
Barber Oil Corp., New York, N. Y.
Bechtel International Corp., San Francisco 11, Calif.
The Belgian Chamber of Commerce in the United States, Inc., New York 20, N. Y.
Berkshire Knitting Mills, Reading, Pa. (membership in name of Cooperative Service of Wyomissing, Pa.)
Bethlehem Steel Co., Bethlehem, Pa.
Biddle Purchasing Co., New York 7, N. Y.
Blake, Moffitt & Towne, San Francisco 3, Calif.
Blaw-Knox Co., Pittsburgh, Pa.
Sidney Blumenthal & Co., Inc., New York 16, N. Y.
Borg-Warner Corp., Chicago 4, Ill.
Braniff International Airways, Dallas 9, Tex.
Bristol-Myers Co., New York 20, N. Y.
Brown Bros., Harriman & Co., New York, N. Y.
Brown & Sharpe Manufacturing Co., Providence 1, R. I.
Bunge Corp., New York 4, N. Y.
Burroughs Corp., Detroit 32, Mich.
Cahill, Gordon, Zachry & Reindel, New York, N. Y.
California Texas Oil Co., Ltd., New York 17, N. Y.
Carbon Black Export, Inc., New York, N. Y.
Cartier, Inc., New York, N. Y.
The Central Trust Co., Cincinnati 1, Ohio
Mr. William M. Chadbourne, New York 5, N. Y.
Chamber of Commerce of the State of New York, New York 5, N. Y.
Chamber of Commerce of the United States of America, Washington, D. C.
Chamber of Commerce of the United States of America in the Argentine Republic, Buenos Aires, Argentina
Champion Spark Plug Co., Toledo 1, Ohio
The Chase National Bank, New York 15, N. Y.
Chemical Corn Exchange Bank, New York 15, N. Y.
City National Bank & Trust Co., Chicago 90, Ill.
The Cleveland Twist Drill Co., Cleveland 14, Ohio
Cluett, Peabody & Co., Inc., New York 16, N. Y.
The Coca-Cola Co., Atlanta, Ga.
Commerce Co., Houston 1, Tex.
Commonwealth Sales Corp., Eddystone, Pa.
Continental Can Co., Inc., New York 17, N. Y.
Continental Illinois National Bank & Trust Co., Chicago 90, Ill.
Cooperative Service, Wyomissing, Pa.
Corning Glass Works, Corning, N. Y.
Coty, Inc., New York 19, N. Y.
Cowles Magazines, New York 17, N. Y.
Crocker First National Bank of San Francisco, San Francisco 20, Calif.
Crown Zellerbach Corp., San Francisco 19, Calif.
The Crocker Investment Co., San Francisco, Calif.
Davis-Noland-Merrill Grain Co., Kansas City 6, Mo.
Daystrom, Inc., Elizabeth, N. J.
Deere & Co., Moline, Ill.
The Detroit Bank, Detroit 31, Mich.
Detroit Board of Commerce, Detroit 26, Mich.
The A. B. Dick Co., Chicago 31, Ill.
Dictaphone Corp., New York 17, N. Y.
Dillon, Read & Co., New York 5, N. Y.
Discount Corp. of New York, New York 5, N. Y.
Dixie Cup Co., Easton, Pa.
The Robert Dollar Co., San Francisco, Calif.
Dresser Industries, Inc., Dallas 1, Tex.
Dun & Bradstreet, Inc., New York 8, N. Y.

Eastman Kodak Co., Rochester, N. Y.
Erie Railroad Co., Cleveland 15, Ohio
Ethyl Corp., New York 16, N. Y.
Export Managers Club of New York, Inc., New York 7, N. Y.
Farrell Lines, Inc., New York 4, N. Y.
Federal-Mogul Corp., Detroit 13, Mich.
Federated Department Stores, Inc., Cincinnati 2, Ohio
Firestone Tire & Rubber Co., Akron, Ohio
First National Bank of Baltimore, Baltimore 3, Md.
The First National Bank of Boston, Boston 6, Mass.
The First National Bank of Chicago, Chicago, Ill.
First Trust & Deposit Co., Syracuse 1, N. Y.
Ford International, New York, N. Y.
The Fort Worth National Bank, Fort Worth 1, Tex.
Foster Wheeler Corp., New York 6, N. Y.
J. S. Frelinghuysen Corp., New York N. Y.
French Chamber of Commerce of the United States, Inc., New York 19, N. Y.
Fuller Brush Co., Hartford, Conn.
General Dynamics Corp., New York 22, N. Y.
General Electric Co., New York 22, N. Y.
General Foods Corp., New York 17, N. Y.
General Mills, Inc., Minneapolis, Minn.
General Motors Overseas Operations, New York, N. Y.
General Shoe Corp., Nashville 3, Tenn.
General Tire & Rubber Co., Akron, Ohio
The Gillette Co., Boston 6, Mass.
Goldman, Sachs & Co., New York 5, N. Y.
B. F. Goodrich Co., Akron, Ohio
The Goodyear Tire & Rubber Co., Akron 16, Ohio
W. R. Grace & Co., New York 5, N. Y.
Mr. Benjamin Graham, New York 17, N. Y.
Graham, James & Rolph, San Francisco, Calif.
Gruen Watch Co., Cincinnati 6, Ohio
Guaranty Trust Co. of New York, New York, N. Y.
Gulf Oil Corp., Pittsburgh 30, Pa.
Mrs. Claire Prince Hanks, Boston, Mass.
The M. A. Hanna Co., Cleveland, Ohio
The Hanover Bank, New York 15, N. Y.
Harnischfeger Corp., Milwaukee 14, Wis.
Harris Trust & Savings Bank, Chicago 90, Ill.
Haskins & Sells, New York, N. Y.
H. J. Heinz Co., Pittsburgh 30, Pa.
Hilton Hotels Corp., Chicago 5, Ill.
Hoffman-LaRoche, Inc., Nutley 10, N. J.
Hooker Electrochemical Co., Niagara Falls, N. Y.
Illinois Manufacturers Association, Chicago 3, Ill.
Ingersoll Milling Machine Co., Rockford, Ill.
Inland Steel Co., Chicago 3, Ill.
International Business Machines Corp., New York 22, N. Y.
International Correspondence Schools World Limited, Inc., Scranton, Pa.
International Harvester Co., Chicago, Ill.
International House, New Orleans, La.
International Nickel Co., Inc., New York 5, N. Y.
International Packers, Ltd., Chicago 3, Ill.
International Telephone & Telegraph Corp., New York, N. Y.
The Inter-State National Bank, Kansas City 15, Mo.
Intertype Corp., Brooklyn, N. Y.
Irving Trust Co., New York, N. Y.
S. C. Johnson & Son, Inc., Racine, Wis.
Johnson & Higgins, New York, N. Y.
Karlen-Davis Co., Tacoma 1, Wash.
Kennecott Copper Corp., New York, N. Y.
Kraft Foods Co., Chicago, Ill.
S. H. Kress & Co., New York 11, N. Y.
Kuhn, Loeb & Co., New York 5, N. Y.
Langner, Parry, Card & Langner, New York, N. Y.
Lazard Freres & Co., New York, N. Y.
Lily-Tulip Cup Corp., New York 17, N. Y.

Thomas J. Lipton, Inc., Hoboken, N. J.
Lockheed Aircraft Corp., Burbank, Calif.
Lone Star Cement Corp., New York 17, N. Y.
Loomis, Suffern & Fernald, New York 4, N. Y.
Ludlow Typograph Co., Chicago 14, Ill.
Lumbermen's Mutual Casualty Co., Chicago 40, Ill.
Mack Printing Co., Inc., Easton, Pa.
Magee Carpet Co., Bloomsburg, Pa.
P. R. Mallory & Co., Inc., Indianapolis 6, Ind.
Manufacturers Trust Co., New York 15, N. Y.
The Marine Midland Trust Co., New York 15, N. Y.
Mathieson Chemical Corp., Baltimore 3, Md.
Matson Navigation Co., San Francisco 5, Calif.
Oscar Mayer Foundation, Inc., Chicago 10, Ill.
The Maytag Co., Newton, Iowa
McCall Corp., New York 17, N. Y.
McCann-Erickson, Inc., New York 20, N. Y.
McCormick & Co., Inc., Baltimore, Md.
McCrory Stores Corp., New York 10, N. Y.
McGraw-Hill International Corp., New York 18, N. Y.
The Mead Corp., Dayton, Ohio
Mellon National Bank & Trust Co., Pittsburgh 30, Pa.
Mercantile National Bank, Dallas 1, Tex.
Mercantile Trust Co., St. Louis 1, Mo.
The Merchants National Bank, Mobile 7, Ala.
Merck-Sharp & Dohme International, New York 13, N. Y.
Meredith Publishing Co., Des Moines, Iowa
Metropolitan Life Insurance Co., New York 10, N. Y.
The Minneapolis Star & Tribune Co., Minneapolis 15, Minn.
Mississippi Shipping Co., Inc., New Orleans, La.
Montgomery Ward & Co., Chicago 7, Ill.
Moore-McCormack Lines, Inc., New York, N. Y.
J. P. Morgan & Co., Inc., New York 5, N. Y.
Morgan, Stanley & Co., New York 5, N. Y.
Mr. Sterling Morton, Chicago, Ill.
Morton Salt Co., Chicago 3, Ill.
Morrison-Knudson Co., Inc., Boise, Idaho
Mullins Manufacturing Corp., Salem, Ohio
Narrow Fabric Co. (membership in name of Cooperative Service of Wyomis-sing, Pa.)
National Association of Manufacturers of the United States of America, New York 20, N. Y.
National Bank of Detroit, Detroit 32, Mich.
National Biscuit Co., New York, N. Y.
National Cash Register Co., Dayton, Ohio
The National City Bank of Cleveland, Cleveland 1, Ohio
The National City Bank of New York, New York 15, N. Y.
National Council of American Importers, Inc., New York 3, N. Y.
New Orleans Public Service, Inc., New Orleans 9, La.
Newport News Shipbuilding & Dry Dock Co., Newport News, Va.
Newsweek, New York 18, N. Y.
A. C. Nielson Co., Chicago 45, Ill.
Northern States Power Co., Minneapolis 2, Minn.
The Northern Trust Co., Chicago 90, Ill.
Northwest Airlines, Inc., St. Paul, Minn.
The Okonite Co., Passaic, N. J.
Olympia Canning Co., Olympia, Wash.
Otis Elevator Co., New York 1, N. Y.
Owens-Illinois Glass Co., Toledo 1, Ohio
Pacific Car & Foundry Co., Renton, Wash.
Pacific Gas & Electric Co., San Francisco 6, Calif.
Pan American World Airways, Inc., New York 17, N. Y.
Parke, Davis & Co., Detroit 7, Mich.
Peat, Marwick, Mitchell & Co., New York 5, N. Y.
F. H. Peavey & Co., Minneapolis 15, Minn.
The Pennsylvania Co. for Banking & Trusts, Philadelphia 1, Pa.
Mr. Milo Perkins, Washington, D. C. (Moving to Tuscon, Ariz., in April.)

Pfizer International Service Co., Inc., New York 7, N. Y.
The Philadelphia National Bank, Philadelphia, Pa.
Philip Morris Co., Ltd., Inc., New York 17, N. Y.
Picklands Mather & Co., Cleveland 14, Ohio
Pitney-Bowes, Inc., Stamford, Conn.
Pittsburgh Forgings Co., Pittsburgh, Pa.
Pressed Steel Car Co., New York 17, N. Y.
Price, Waterhouse & Co., New York 5, N. Y.
Procter & Gamble Co., Cincinnati, Ohio
Radio Corporation of America, New York, N. Y.
Raymond Concrete Pile Co., New York 6, N. Y.
The Reader's Digest Association, Inc., Pleasantville, N. Y.
The Register & Tribune, Des Moines 4, Iowa
Remington Rand, Inc., New York, N. Y.
Republic National Bank of Dallas, Dallas 2, Tex.
San Diego Gas & Electric Co., San Diego, Calif.
Sapt, Inc., New York 21, N. Y.
Joseph Schlitz Brewing Co., Milwaukee 1, Wis.
J. Henry Schroder Banking Corp., New York 5, N. Y.
Scott Paper Co., Chester, Pa.
Sears, Roebuck & Co., Chicago 7, Ill.
Shell Oil Co., New York 20, N. Y.
SKF Industries, Inc., Philadelphia 32, Pa.
Mr. George A. Sloan, New York 17, N. Y.
Socony-Vacuum Oil Co., Inc., New York 4, N. Y.
Sperry Gyroscope Co., Great Neck, Long Island, N. Y.
E. R. Squibb & Sons, New York 22, N. Y.
Stackpole Carbon Co., St. Marys, Pa.
Standard Brands International, New York 22, N. Y.
Standard Oil Co. of California, San Francisco 20, Calif.
Standard Oil Co. of Indiana, Chicago 80, Ill.
Standard Oil Co. (New Jersey), New York 20, N. Y.
Standard-Vacuum Oil Co., New York, N. Y.
Stein, Hall & Co., Inc., New York, N. Y.
Sterling Drug, Inc., New York 18, N. Y.
Stokely-Van Camp, Inc., Indianapolis 7, Ind.
Mr. Ralph I. Strauss, New York 17, N. Y.
Studebaker-Packard Corp., South Bend, Ind.
The Swedish Chamber of Commerce of the United States of America, New York 20, N. Y.
Swift & Co., Chicago 9, Ill.
Swiss Bank Corp., New York Agency, New York 5, N. Y.
Sylvania Electric Products, Inc., New York 18, N. Y.
The Symington-Gould Corp., New York 17, N. Y.
The Texas Co., New York 17, N. Y.
Textile Machine Works (membership in name of Cooperative Service of Wyomissing, Pa.)
Thompson Products, Inc., Cleveland 17, Ohio
Time, Inc. (Life and Fortune), New York 20, N. Y.
Trans World Airlines, Inc., New York 20, N. Y.
Trust Co. of Georgia, Atlanta 2, Ga.
Union Carbide & Carbon Corp., New York 17, N. Y.
United Air Lines, Inc., Chicago 38, Ill.
United Fruit Co., Boston, Mass.
United Shoe Machinery Corp., Boston, Mass.
United States Steel Export Co., New York 8, N. Y.
Mr. Ethelbert Warfield, New York 5, N. Y.
Wesson Oil & Snowdrift Co., Inc., New Orleans 12, La.
Western Electric Co., Inc., New York 7, N. Y.
Weston Electric Instrument Corp., Newark 7, N. J.
Westrex Corp., New York 11, N. Y.
White & Case, New York 5, N. Y.
White, Weld & Co., New York 5, N. Y.
Whitney National Bank, New Orleans 10, La.
The J. B. Williams Co., Glastonbury, Conn.
Wilson Bros., Inc., New York 16, N. Y.
Worthington Corp., New York 16, N. Y.

Yale & Towne Manufacturing Co., New York 17, N. Y.
Yarnall-Waring Co., Philadelphia 18, Pa.
Arthur Young & Co., New York, N. Y.
Young & Rubicam, New York 17, N. Y.

Senator MALONE. We would appreciate it.

What I am trying to establish is just what sector of the American economy you represent here today. I was misunderstanding you somewhat because I thought you represented the International Chamber of Commerce.

Mr. CORTNEY. No. I stated specifically at the beginning that I am representing only the views of the American businessmen.

Senator MALONE. Now, the United States Chamber of Commerce agrees thoroughly with what you have said today?

Mr. CORTNEY. I believe that, in general, their views are similar to ours.

Senator MALONE. They do believe in the principle of allowing one man to determine on the basis of the greatest good to the Nation in his judgment and to the solution of the political problems that we have with Europe, to arrange the duties in the best manner that he sees fit?

Mr. CORTNEY. Senator Malone, I did not make such a statement, neither in my own name nor on behalf of the United States Council.

Senator MALONE. But if you are for this bill, you are for that because that is what the bill says.

Mr. CORTNEY. That is your interpretation of the bill, but it is not my interpretation.

Senator MALONE. If necessary, I will get it and read it to you, but it really shouldn't be read. We have read it once here. The 1934 Trade Agreements Act allows the President of the United States to consider any rearrangement for the best interests of this country between agriculture, mining, industry, and all of these economic problems.

So if for that reason alone he believes that lowering the duty on one product or a set of products to allow more imports, would be helpful, he can do that.

Now, if he thinks for the betterment of an international situation it is necessary or advisable to lower these duties, he can do that. Do you understand that the act permits that action?

Mr. CORTNEY. Senator Malone, I believe, really, I am very respectful, first, of the Office of the President of the United States, and particularly respectful of Eisenhower.

Senator MALONE. I didn't ask you that.

Mr. CORTNEY. Now, I want to say something further.

Senator MALONE. And I am respectful of it.

Mr. CORTNEY. You know as well as I do that it is not President himself who is going to decide which tariffs are to be lowered—he has a commission, he takes the advice of experts of industry, and he acts in a way, in fact similar to that of the Tariff Commission.

Senator MALONE. I have long been suspectful of that fact, and I think you are exactly right, that it is not the President but the State Department.

Mr. CORTNEY. I didn't say that, Senator Malone. You make me say things I didn't say.

Senator MALONE. I didn't say you said it. I said it. Is that all right?

Mr. CORTNEY. That is your opinion. You are perfectly entitled to it.

Senator MALONE. Now, since I have described to you what is in the act, and that is that the President can take into consideration any political situation in the world today in the readjustment of the duties, and since he can take into consideration a rearrangement of the relationship between the industries in this Nation in allowing concessions, do you then believe that this act allows him to take those things into consideration and away entirely from the basis of what we have described as a fair and reasonable competitive method on principle?

Then you do understand the 1934 Trade Agreements Act allows him to do that?

Mr. CORTNEY. Senator Malone, it seems to me that H. R. 1——

Senator MALONE. I am not talking about H. R. 1; I am talking about the 1934 Trade Agreements Act, allowing him that latitude.

Mr. CORTNEY. To bargain.

Senator MALONE. Do you know that it does?

Mr. CORTNEY. It does allow him to bargain.

Senator MALONE. It allows him, though, to lower a duty on any product in this country that he thinks is good for the national economy or good for the international situation, doesn't it?

Mr. CORTNEY. He and his experts.

Senator MALONE. Well, I have been corrected so many times for saying it is the State Department and the experts who do it for him, and they always bring me back that it is the President that does it, so I have been trained to say it is the President, knowing full well that you are right, that it is the State Department.

Mr. CORTNEY. I didn't say that, Senator.

Senator MALONE. Now I am glad you have corrected me, because I was right in the first place. So you are for that principle?

Mr. CORTNEY. I am for bargaining. I believe that in a complicated world——

Senator MALONE. I wish you would answer this question.

Mr. CORTNEY. I am going to tell you why I am in favor of it, Senator.

Senator MALONE. You heard what I said, so you go ahead and make a speech.

Mr. CORTNEY. I believe that any lowering of trade barriers is good for our Nation. That is why I am in favor of bargaining for lower tariffs.

Senator MALONE. I didn't ask you why. I asked you if you understood that the President of the United States can consider any situation in economics in this country and can take in any consideration of economics and political situations in Europe or any other place and, upon that fact alone, base his reason for lowering a tariff.

Mr. CORTNEY. You say on that fact alone, and I say that the President takes the advice of industry and of his experts in order to know what kind of a bargain he should make.

Senator MALONE. I am glad you are making that point so many times.

Mr. CORTNEY. That is at least how I understood the President actually decides in these matters.

Senator MALONE. But whenever this great body of experts, led by the State Department—and I guess you will say that they are led by the State Department, they are the head of the committee; are they not?

Mr. CORTNEY. I believe that they are led by them.

Senator MALONE. I am glad you have changed the record here so that we can get right back to the facts in the case.

Now, whenever this great body of experts advise the President to make this trade because it will keep somebody away from communism or it will make a better relation between agriculture, mining, and industry as it so states in the act, then they can make a concession; is that right?

Mr. CORTNEY. I think that the President is following an overriding principle. The overriding principle is a trend to lower tariffs. To this effect, he bargains. I can't see what other practical way you have to bargain. Will you explain to me what other practical way you would have to bargain?

Senator MALONE. I rather think it must be me who has made the error in the question, so I am going to try and I am going to try until midnight, unless you answer my question.

Mr. CORTNEY. I beg your pardon, Senator, I can't hear you.

Senator MALONE. You will sit right in that chair until midnight unless you refuse to answer the question. Answer this one. Listen closer.

Mr. CORTNEY. Maybe I don't understand your question, Senator.

Senator MALONE. I am afraid you don't, so listen carefully.

In the 1934 Trade Agreements Act, the President of the United States—and I agree with you that he doesn't do it at all, but I have been corrected so many times I am glad you have cleared the record up for me—when his advisers advise him, and he so decides, he can lower that tariff on any product that is imported into the United States for any economic reason in the United States, or any economic or political reason in Europe, and if he is advised that that is for the good of this Nation, he can do it, can't he, under this act?

Mr. CORTNEY. That's right.

Senator MALONE. Now, under the 1930 Tariff Act—I suppose you have read that act—there was only one principle upon which a tariff or a duty is established, and that is on the basis of fair and reasonable competition.

That is about right, isn't it, if you remember the 1930 Tariff Act?

Mr. CORTNEY. Yes.

Senator MALONE. Now, you are for the principle of the 1934 Trade Agreements Act. You are for that?

Mr. CORTNEY. I am for the Trade Agreements Act because I don't see any——

Senator MALONE. You don't need to tell me why. I just asked you a simple question.

Mr. CORTNEY. I am in favor of the Trade Agreements Act. I believe it is a practical way of horse trading with the other nations.

Senator MALONE. I hope I don't have to go back and ask that question again. I will ask it once more. You are in favor of the act as we have described it, and agreed that it gave the President or his advisors the opportunity and the right?

Mr. CORTNEY. Yes, Senator.

Senator MALONE. To lower a duty?

Mr. CORTNEY. Yes, Senator Malone.

Senator MALONE. You are in favor of it. All right, now if you will let it go at that, we can pass to something else. You are also in favor of the International Trade Organization that was turned down by Congress?

Mr. CORTNEY. Senator Malone, I am the author of a book against the international trade organization. I was at the heart of the battle against the International Trade Organization, and so was the United States Council and the International Chamber of Commerce.

Your obedient servant is the author of a book which I believe has played quite a role in the fight—you may not know it—against the ITO charter. I was opposed to it, but I was opposed to it for two reasons, Senator Malone, one is that many of its provisions were hampering the expansion of international trade in which I believe, and second, many of its provisions were discriminatory against American trade. And those two objections were so strong in my mind that I really fought tooth and nail against it.

Senator MALONE. You are right, I did everything I could to bring about its defeat too, and it was defeated. Now will you send me a copy of the book?

Mr. CORTNEY. I shall be delighted to.

Senator MALONE. I will appreciate it. Maybe there are some reasons there that I hadn't thought of.

Mr. CORTNEY. I shall be delighted, Senator Malone.

Senator MALONE. Now you said that if we decided to go on a basis of fair and reasonable competitive regulation of foreign trade and did not extend this act, that other nations would retaliate.

They would then repel or do whatever is necessary to restrict more than they do now, even any imports from this country into their nation. That is what I understood was the purport of what you said.

Mr. CORTNEY. The reason is very simple, Senator Malone. It is not going to be done by spite or by revenge. It is a matter of being able to maintain imports from dollar countries and maintain what we call the international liquidity.

Senator MALONE. What was that last one?

Mr. CORTNEY. I don't know whether you are in favor of the gold standard. I am called an old dodo because I am in favor of the gold standard.

Senator MALONE. Would you mind running for Congress down there where you live?

Mr. CORTNEY. I don't know; it is too difficult a job for me. I have enough trouble with my own job.

Senator MALONE. I would like to have a little help. We are for the gold standard, too. That is to say, I am.

Mr. CORTNEY. I am happy to hear that.

Now, what the world is suffering from at the present time is a lack of international liquidity. No country wants to put quotas on imports or things of that sort, but they have to limit imports as long as they cannot get the currencies necessary to buy the amount of imports people wish to buy. Look what happens right now in Great Britain.

Senator MALONE. Yes, I know a lot of things that are happening in Great Britain, if you want to go into it. They have quotas on everything that they produce or have almost prohibitive tariffs.

I want to ask you a simple question. Do you know of any product that any of these nations allow to be imported into their country in any quantity that they themselves produce?

I wish you would just name me one.

Mr. CORTNEY. That allow the free importation?

Senator MALONE. Yes.

Mr. CORTNEY. No, I believe they all have—if we are talking about industrialized countries, I believe they all have—tariffs and quotas.

Senator MALONE. Do you know of any that don't have a higher tariff than we do on anything that they import, relatively higher than their wages? Just name me a product or two where they have a lower tariff than we do in relation to the wages on an article that they produce in considerable quantity.

Mr. CORTNEY. Senator, I hate to give figures which are not correct, but you are faced with one fact and this is, that our own country is exporting to Europe manufactured goods, despite high wages.

Senator MALONE. Will you allow me to bring you back to this question. You are faced with a question. And then we will go to what you have to say.

Mr. CORTNEY. I haven't got the statistics.

Senator MALONE. Then you can't answer it.

Mr. CORTNEY. I really don't know by heart all these figures.

Senator MALONE. Will you just send us down in this same mail a list of any nation that allows imports into their nation of any considerable quantity of a product that they themselves produce?

In other words, just name a few products where they do not have exchange controls or permit controls, or a tariff that is higher than our tariff relative to their wages.

(The following letter and enclosure were subsequently received for the record:)

COTY,
New York, N. Y., March 28, 1955

MISS ELIZABETH B. SPRINGER,
Clerk, United States Committee on Finance,
United States Senate, Washington, D. C.

DEAR MISS SPRINGER: During my testimony before the Senate Finance Committee Senator Malone asked me whether I knew of any countries manufacturing goods similar to those manufactured in the United States and which had lower duties than those of the United States. I have been able to secure the enclosed document which I hope answers the question Senator Malone addressed to me.

Sincerely,

P. L. CORTNEY, *President.*

American duty rates which are higher than the average duty rates from the 11 following countries: Austria, Benelux, Canada, France, Germany, Italy, Norway, Sweden, United Kingdom, according to the standard international trade classification (SITC) from the United Nations

Group No.	Item No.		United States	Average
		DIVISION 00. LIVE ANIMALS		
001		Live animals, chiefly for food:		
	001-04	Poultry	10	7, 8
		DIVISION 02. DAIRY PRODUCTS, EGGS AND HONEY		
024		Cheese:		
	024-01	Cheese	19	15, 1
025		Eggs:		
	025-01	Eggs in the shell	12	9, 0
	025-02	Eggs not in the shell, liquid, frozen or dried	32	12, 1
		DIVISION 03. FISH AND FISH PREPARATIONS		
032		Fish canned and fish preparations:		
	032-01	Fish and fish products, crustacea and molluscs in airtight containers	17	16, 1
		DIVISION 04. CEREALS AND CEREAL PREPARATIONS		
044		Maize (corn) unmilled:		
	044-01	Maize (corn) unmilled	6	5, 3
048		Cereal preparations:		
	048-09	Cereal preparations for food, n. e. s	30	25
		DIVISION 05. FRUITS AND VEGETABLES		
051		Fruits and nuts, fresh (not including oil nuts):		
	051-01	Oranges, tangerines, and mandarines	19	12, 0
	051-02	Citrus fruits other than oranges, tangerines, and mandarines	43	13, 7
	051-07	Edible nuts (including fresh coconuts), other than nuts chiefly used for the extracting of oil	18	7, 4
052		Dried fruits:		
	052-01	Dried fruits, not including artificially dehydrated	14	8, 7
053		Fruits preserved and fruit preparations		
	053-02	Fruit, fruit peel, parts of plants, drained, glaced or crystallized, flavored or not	24	23, 6
	053-04	Fruit juices, unfermented, whether frozen or not (including sirups and natural fruit flavors)	40	19, 0
054		Fresh and dry vegetables, roots and tubers, not including artificially dehydrated:		
	054-01	Potatoes,[1] not including sweetpotatoes	35	12, 6
	054-02	Beans, peas, lentils, and other legumes (pulses) dry, including split[2]	14	8, 4
	054-03	Crude vegetable products used chiefly as materials for human food (e. g. manioc, arrowroot, sugar beets, sugarcane)	19	9, 3
	054-09	Vegetables chiefly for human food, n. e s (including sweetpotatoes)	22	19, 1
055		Vegetables preserved and vegetable preparations:		
	055-02	Vegetables preserved or prepared (except dehydrated), in airtight containers (including all soups and vegetable juices)	20	20, 0
	055-03	Vegetables preserved or prepared (except frozen, dehydrated, or in brine), not in airtight containers	28	24, 3
		DIVISION 07. COFFEE, TEA, COCOA, SPICES, AND MANUFACTURES THEREOF		
072		Cacao:		
	072-03	Cocoa butter and cocoa paste	14	13, 1
		DIVISION 08. FEEDING STUFF FOR ANIMALS (NOT INCLUDING UNMILLED CEREALS)		
081		Feeding stuff for animals (not including unmilled Cereals):		
	081-01	Hay and fodder, green and dry (including carobs)	5	4, 6
	081-03	Oilseed cake and meal and other vegetable oil residues	9	3, 4
		DIVISION 09. MISCELLANEOUS FOOD PREPARATIONS		
091		Margarine and shortenings:		
	091-01	Margarine: animal, vegetable or mixed	27	16, 8
	091-02	Shortenings, lard or lard substitutes, and similar edible fats	28	16, 3
099		Food preparations, n. e. s.:		
	099-09	Food preparations, n. e. s	21	20, 0

[1] Including seed potatoes.
[2] Dry pulses used as food for animals should be included here.

American duty rates which are higher than the average duty rates from the 11 following countries: Austria, Benelux, Canada, France, Germany, Italy, Norway, Sweden, United Kingdom, according to the standard international trade classification (SITC) from the United Nations—Continued

Group No.	Item No.		United States	Average
		SECTION 1—Continued		
		DIVISION 12. TOBACCO AND TOBACCO MANUFACTURES		
121		Tobacco unmanufactured:		
	121-01	Tobacco unmanufactured (including scrap tobacco and tobacco stems)	21	20,0
122		Tobacco manufactured:		
	122-01	Cigars and cheroots	36	19,7
		SECTION 2		
		DIVISION 21. HIDES, SKINS, AND FUR SKINS, UNDRESSED		
211		Hides and skins (except fur skins), undressed:		
	211-01	Hides of cattle, including buffalo, and hides of horses, mules, and asses, undressed	2	0,9
	211-02	Calfskins and kip skins, undressed	5	0,7
		DIVISION 22. OILSEEDS, OIL NUTS, AND OIL KERNELS		
221		Oilseeds, oil nuts and oil kernels:		
	221-04	Soybeans	31	6,1
	221-05	Linseed (flaxseed)	11	4,2
	221-06	Cottonseed	23	5,3
	221-07	Castorseed	4	3,4
		DIVISION 23. CRUDE RUBBER, INCLUDING SYNTHETIC AND RECLAIMED		
231		Crude rubber, including synthetic and reclaimed:		
	231-02	Synthetic rubbers and rubber substitutes (Factis)	10	5,3
		DIVISION 26. TEXTILE FIBERS, NOT MANUFACTURED INTO YARN, THREAD OR FABRICS, AND WASTE		
261		Silk:		
	261-02	Unreelable cocoons and cocoon wastes, frisons, silk thread waste, and silk noils	18	4,9
262		Wool and other animal hair:		
	262-01	Sheep's and lamb's wool, greasy or back washed	15	1,6
	262-02	Sheep's and lamb's wool, scoured, whether or not bleached or dyed	25	2,5
	262-03	Fine animal hair (including angora rabbit hair), suitable for spinning, other than wool	15	1,4
	262-06	Wool shoddy	34	5,2
	262-07	Wool or fine hair, carded or combed, including tops	25	4,4
	262-08	Waste of wool and of other animal hair	20	2,7
263		Cotton:		
	263-01	Raw cotton, other than linters	11	1,7
	263-04	Cotton, carded or combed	5	4,8
264		Jute:		
	264-01	Jute, including jute cuttings and waste	3	0,8
265		Vegetable fibers, except cotton and jute:		
	265-01	Flax and flax tow and waste	4	1,8
	265-02	Hemp and hemp tow and waste (cannabis sativa and crotalaria juncea)	4	0,9
	265-09	Vegetable textile fibres, n. e. s., and waste of such fibers	3	0,8
266		Synthetic fibers:		
	266-01	Synthetic fibers in staple lengths suitable for spinning, and waste	21	11,6
267		Waste materials from textile fabrics:		
	267-01	Waste materials from textile fabrics, including rags	7	1,4
		DIVISION 27. CRUDE FERTILIZERS AND CRUDE MINERALS, EXCLUDING COAL, PETROLEUM, AND PRECIOUS STONES		
272		Crude minerals, excluding coal, petroleum, fertilizer materials, and precious stones:		
	272-02	Sand	8	2,7
	272-03	Gravel and crushed stone	4	2,3
	272-04	Clay	8	2,1
	272-08	Building and monumental (dimension) stone, not worked	9	4,9
	272-11	Stone for industrial uses, except dimension (gypsum, limestone)	4	2,3
	272-13	Mica, uncut or unmanufactured, in sheets or blocks, films and splittings; scrap mica, unground or ground	21	2,9
	272-14	Feldspar, fluorspar and cryolite	12	2,7
	272-15	Magnesite	28	3,2
	272-16	Graphite	8	3,2
	272-19	Nonmetallic minerals, crude, n. e. s	4	3,7

American duty rates which are higher than the average duty rates from the 11 following countries: Austria, Benelux, Canada, France, Germany, Italy, Norway, Sweden, United Kingdom, according to the standard international trade classification (SITC) from the United Nations—Continued

Group No.	Item No.		United States	Average
		SECTION 2—Continued		
		DIVISION 28. METALLIFEROUS ORES AND METAL SCRAP		
282	--------	Iron and steel scrap:		
	282-01	Scrap iron and steel	3	0,3
283	--------	Ores of nonferrous base metals and concentrates [3]:		
	283-01	Copper ore and concentrates	5	0,5
	283-03	Bauxite (aluminum ore) and concentrates	8	1,6
	283-04	Lead ore and concentrates	7	1,4
	283-05	Zinc ore and concentrates	15	2,2
	283-07	Manganese ore and concentrates	12	1,2
	283-11	Tungsten ore and concentrates	52	4,7
284	--------	Nonferrous metal scrap:		
	284-01	Scrap of nonferrous metals	4	3,2
		DIVISION 29. ANIMAL AND VEGETABLE CRUDE MATERIALS, N. E. S.		
292	--------	Crude vegetable materials, inedible, n. e. s.:		
	292-03	Vegetable materials for plaiting (e. g. for baskets and plaited rugs), including bamboo	7	2,7
	292-04	Plants, seeds, flowers and parts of plants, n. e. s., mainly for use in medicines or perfumery	2	1,7
	292-05	Seeds for planting	7	4,1
	292-07	Cut flowers and foliage	26	20,0
	292-09	Vegetable saps, juices and extracts, n. e. s., except dyeing and tanning extracts, and vegetable materials, n. e. s	8	5,1
		SECTION 3		
		DIVISION 31. MINERAL FUELS, LUBRICANTS, AND RELATED MATERIALS		
311	--------	Coal, coke and briquettes:		
	311-01	Coal (anthracite, bituminous, subbituminous, lignite)	26	4,8
	211-02	Coke of coal and of lignite	17	3,2
	311-03	Briquettes of coal, of lignite, of coke and of peat	70	8,4
313	--------	Petroleum products.		
	313-03	Gas oil, diesel oil, and other fuel oils	5	3,9
		SECTION 4		
		DIVISION 41. ANIMAL AND VEGETABLE OILS (NOT ESSENTIAL OILS) FATS, GREASES, AND DERIVATIVES		
411	--------	Animal oils and fats:		
	411-01	Oils from fish and marine animals	10	8,1
	411-02	Animal oils, fats and greases, excluding lard [4]	23	8,2
412	--------	Vegetable oils:		
	412-01	Linseed oil	24	9,7
	412-02	Soybean oil	37	11,0
	412-05	Olive oil	10	7,6
	412-07	Coconut (copra) oil	18	9,2
	412-11	Castor oil	12	7,7
413	--------	Oils, and fats processed,[4] and waxes of animal or vegetable origin:		
	413-01	Oils, oxidized, blown or boiled	20	11,4
		SECTION 5		
		DIVISION 51. CHEMICAL ELEMENTS AND COMPOUNDS		
511	--------	Inorganic chemicals:		
	511-04	Sodium carbonate (soda ash)	12	11,0
	511-09	Inorganic compounds and chemical elements, n. e. s	14	9,2
512	--------	Organic chemicals:		
	512-01	Aliphatic organic acids and anhydrides (e. g. acetic acid, tartaric acid, citric acid)	14	13,5
	512-03	Glycerine	10	6,1
	512-04	Alcohols, n. e. s	25	21,0

[3] The weight and value of each metal contained herein should be specified.
[4] Margarine, lard, lard substitutes, shortenings and similar edible fats are classified in group 091 (items 091-01 and 091-02).

American duty rates which are higher than the average duty rates from the 11 following countries: Austria, Benelux, Canada, France, Germany, Italy, Norway, Sweden, United Kingdom, according to the standard international trade classification (SITC) from the United Nations—Continued

Group No.	Item No.		United States	Aver-age
		SECTION 5—continued		
		DIVISION 53. DYEING, TANNING AND COLORING MATERIALS		
531	--------	Coal-tar dyes:		
	531–01	Coal-tar dyestuffs and natural indigo	45	13,1
532	--------	Dyeing and tanning extracts, and synthetic tanning materials:		
	532–01	Dyeing extracts (vegetable and animal [5])	9	4,5
	532–02	Tanning extracts, except synthetic tanning materials	8	6,3
533	--------	Pigments, paints, varnishes, and related materials:		
	533–01	Coloring materials, including distempers, other than of coal-tar origin	12	10,4
	533–03	Prepared paints, enamels, lacquers, varnishes, artists' colors, siccatives (paint driers) and mastics	25	16,3
		DIVISION 54. MEDICINAL AND PHARMACEUTICAL PRODUCTS		
541	--------	Medicinal and pharmaceutical products:		
	541–01	Vitamins and vitamin preparations	13	8,6
	541–09	Medicinal and pharmaceutical products, n. e. s	18	12,1
		DIVISION 55. ESSENTIAL OILS AND PERFUME MATERIALS: TOILET POLISHING AND CLEANSING PREPARATIONS		
551	--------	Essential oils, perfume and flavour materials:		
	551–02	Synthetic perfume and flavor materials and concentrates, and enfleurage greases and mixtures of alcohol and essential oils	26	13,6
552	--------	Perfumery, cosmetics, soaps, and cleansing and polishing preparations:		
	552–02	Soaps and cleansing preparations	16	14,5
		DIVISION 59. EXPLOSIVES AND MISCELLANEOUS CHEMICAL MATERIALS AND PRODUCTS		
591	--------	Explosives:		
	591–01	Propellent, powders, prepared explosives and sporting ammunition	23	14,3
	591–03	Pyrotechnical articles	58	25,3
599	--------	Miscellaneous chemical materials and products:		
	599–01	Synthetic plastics materials in blocks, sheets, rods, tubes, powder, and other primary forms	27	15,5
	599–04	Casein, albumen, gelatin, glue, and dressings	16	13,3
	599–09	Chemical materials and products, n. e. s	29	13,7
		SECTION 6		
		DIVISION 61. LEATHER, LEATHER MANUFACTURES, N. E. S., AND DRESSED FURS		
611	--------	Leather:		
	611–01	Leather	11	8,4
612	--------	Manufactures of leather, n. e. s.:		
	612–02	Saddlery and other harnessmakers goods	15	14,7
	612–09	Manufacture of leather, n. e. s	17	14,4
		DIVISION 62. RUBBER MANUFACTURES, N. E. S.		
629	--------	Rubber fabricated materials:		
	629–09	Manufactures of soft and hard rubber, n. e. s	21	16,8
		DIVISION 63. WOOD AND CORK MANUFACTURES (EXCLUDING FURNITURE)[6]		
631	--------	Veneers, plywood, boards, artificial or reconstituted wood and other wood, worked, n. e. s.:		
	631–02	Plywood, including wood faced with veneer sheets	25	16,6
632	--------	Wood manufactures, n. e. s.:		
	632–03	Builders' woodwork (including doors, sash, blocks, and strips for parquet and other flooring, and ready-cut wooden parts of buildings, with or without fittings and accessories)[6]	18	17,0
	632–09	Manufactures of wood, n. e. s	21	14,4
633	--------	Cork manufactures:		
	633–01	Agglomerated cork materials	14	13,0
	633–09	Articles made of natural or agglomerated cork, n. e. s	28	15,8

[5] Including all vegetable and animal dyes except indigo.

[6] Prefabricated buildings and panels, of all materials, are classified in group 811 (item 811-01) and wood furniture in group 821 (item 821-01).

American duty rates which are higher than the average duty rates from the 11 following countries: Austria, Benelux, Canada, France, Germany, Italy, Norway, Sweden, United Kingdom, according to the standard international trade classification (SITC) from the United Nations—Continued

Group No.	Item No.		United States	Average
		SECTION 6—Continued		
		DIVISION 64. PAPER, PAPERBOARD AND MANUFACTURES THEREOF		
	641-04	Paperboard (cardboard), including corrugated cardboard but not including building board	17	13,7
	641-07	Paper and paperboard, coated, impregnated, vulcanized, etc., other than bituminized or asphalted	16	13,5
	641-11	Cigarette paper	23	14,4
	641-12	Blotting paper and filter paper	15	13,7
	641-19	Paper and paperboard, n. e. s.	17	13,7
642	--------	Articles made of pulp, of paper and of paperboard:		
	642-02	Envelopes, paper in boxes, packets, etc.	21	19,8
	642-09	Articles of pulp, of paper and of paperboard, n. e. s.	24	17,8
		DIVISION 65. TEXTILE YARN, FABRICS, AND MADE-UP ARTICLES AND RELATED PRODUCTS		
651	--------	Textile yard and thread:		
	651-01	Thrown silk and other silk yarn and thread (including schappe and bourette)	28	11,4
	651-02	Yarn of wool and hair	43	10,0
	651-05	Yarn and thread of flax, hemp, and ramie	20	8,4
	651-06	Yarn and thread of synthetic fibres and spun glass	37	20,5
	651-09	Yarn of textile fibres, n. e. s. (including paper yarn)	17	12,5
652	--------	Cotton fabrics of standard type (not including narrow and special fabrics:		
	652-01	Cotton fabrics, gray (unbleached)	22	16,3
	652-02	Cotton fabrics, other than gray (bleached, dyed, mercerized, printed or otherwise finished)	24	18
653	--------	Textile fabrics of standard type (not including narrow and special fabrics), other than cotton fabrics:		
	653-01	Silk fabrics	35	22,0
	653-02	Woolen and worsted fabrics (including fabrics of fine hair)	40	19,0
	653-03	Linen, hemp, and ramie fabrics	19	15,7
	653-05	Fabrics of synthetic fibres and spun glass	27	24,4
	653-06	Fabrics of textile fibres mixed with metal	20	18,1
	653-07	Knitted fabrics (piece goods of all textile fibers)	31	20,2
	653-09	Fabrics, n. e. s. (including fabrics made of coarse hair and of paper yarn)	22	17,6
654	--------	Tulle, lace, embroidery, ribbons, trimmings and other small wares:		
	654-01	Tulle, lace, and lace fabrics of all fibres (including net and netting)	43	23,2
	654-02	Ribbons of silk and of synthetic fibers	26	22,0
	654-03	Ribbons (other than of silk and of synthetic fibers); trimmings, tapes, and bindings of all fibers, except elastic	34	17,7
	654-04	Embroidery, in the piece, in strips, or in motifs, not including embroidered clothing and other embroidered made-up articles	63	22,6
655	--------	Special textile fabrics and related products:		
	655-01	Felts and felt articles, except hats and hoods for hats (hat bodies)	23	13,5
	655-02	Hat bodies of wool felt and fur felt	89	21,8
	655-03	Hat bodies, n. e. s.	18	12,0
	655-05	Elastic fabrics, webbing and other small wares of elastic	25	19,1
	655-06	Cordage, cables, ropes, twines, and manufactures thereof (fishing nets, ropemarkers' wares)	15	10,9
	655-09	Special products of textile materials and of related materials, n. e. s.	30	12,9
656	--------	Made-up articles wholly or chiefly of textile materials n. e. s. (other than clothing and footwear):		
	656-03	Blankets, traveling rugs and coverlets of all materials	45	22,1
	656-04	Bed linen, table linen, toilet linen, and kitchen linen	29	24,4
	656-05	Made-up curtains, draperies, and made-up household articles of textile materials, n. e. s.	73	35,8
	656-09	Made-up articles of textile materials, n. e. s.	46	23,7
657	--------	Floor coverings and tapestries:		
	657-02	Carpets, carpeting, floor rugs, mats, matting and tapestries of textile fibres, other than wool and fine hair	28	23,7

American duty rates which are higher than the average duty rates from the 11 following countries: Austria, Benelux, Canada, France, Germany, Italy, Norway, Sweden, United Kingdom, according to the standard international trade classification (SITC) from the United Nations—Continued

Group No.	Item No.		United States	Average
		SECTION 6—Continued		
		DIVISION 66. NONMETALLIC MINERAL MANUFACTURES, N. E. S.		
661		Lime, cement, and fabricated building materials except glass and clay materials:		
	661-03	Building and monumental (dimension) stone, worked	14	10,6
	661-09	Building materials of asbestos, cement, and of baked or unfired nonmetallic minerals, n. e. s	13	12,3
662		Clay construction materials and refractory construction materials:		
	662-02	Wall tiles, floor tiles, pipes and other clay construction materials, except those of brick earth or of ordinary baked clay	32	17,8
		Refractory bricks and other refractory construction materials	14	7,9
663		Mineral manufactures, n. e. s., not including clay and glass:		
	663-01	Grinding and polishing wheels, stones, and sized grains	18	8,5
	663-02	Abrasive cloths and papers, and similar articles	10	9,8
	663-04	Manufactures of mica (built-up mica products, and articles made from sheet mica and built-up mica)	30	9,4
	663-05	Carbon and graphite products, except crucibles (including lighting carbons, electrodes, carbon brushes and brush stock, and battery carbons)	15	13,4
	663-06	Nonmetallic minerals, worked or manufactured, n. e. s	16	15,2
	663-07	Refractory products other than refractory construction materials (e. g. retorts, crucibles, muffles, nozzles, plugs, supports, tubes, pipes, sheets, rods)	24	11,3
	663-09	Articles of ceramic materials, n. e. s	43	17,4
664		Glass:		
	664-02	Optical glass and spectacle glass, unworked	50	11,3
	664-03	Sheet (window) glass, unworked	18	17,7
	664-06	Bricks, tiles, and other construction materials of cast or pressed glass	20	18,6
	664-08	Sheet and plate glass, tinned, silvered, or coated with platinum, not further worked	30	20,4
	664-09	Glass, n. e. s	29	17,5
665		Glassware:		
	665-01	Bottles, flasks, and other containers, stoppers, and closures of common glass; blown, pressed, or molded, but not otherwise worked	25	21,6
	665-02	Glass tableware and other articles of glass for household, hotel, and restaurant use	30	21,4
	665-09	Articles made of glass, n. e. s	38	17,8
666		Pottery:		
	666-02	Table and other household (including hotel and restaurant) and art articles of faience or fine earthenware	60	24,1
	666-03	Table and other household (including hotel and restaurant) and art articles of chinaware or porcelain	47	22,4
		DIVISION 67 SILVER, PLATINUM, GEMS, AND JEWELRY		
672		Precious and semiprecious stones and pearls, unworked and worked:		
	672-01	Precious and semiprecious stones (including synthetic) uncut	17	2,2
	672-02	Precious and semiprecious stones (including synthetic), cut but not set	8	5,1
	672-03	Natural and cultured pearls, unworked	8	1,3
673		Jewelry, and goldsmiths' and silversmiths' wares:		
	673-01	Jewelry of gold, silver, and patinum group metals, and goldsmiths' and silversmiths' wares (except watches)	49	16,4
	673-02	Imitation jewelry (jewelry not of precious or semiprecious materials)	57	24,7
		DIVISION 68. BASE METALS		
681		Iron and steel: [7]		
	681-02	Ferroalloys	17	7,6
	681-03	Ingots, blooms, slabs, billets, sheet bars and tinplate bars, and equivalent promary forms	13	9,0
	681-04	Joists, girders, angles, shapes, sections, bars, and concrete reinforcement rounds, including tube rounds and squares	13	12,0
	681-13	Steel tubes and fittings, welded or drawn	15	14,8
	681-14	Pipes and fittings, cast, whether gray iron or malleable iron	14	13,5
682		Copper:		
	682-01	Copper and alloys, not refined and refined, unwrought	6	2,2
	682-02	Copper and alloys of copper, wrought (bars, rods, plates, sheets, wire, pipes, tubes, castings, and forgings)	16	9,9
683		Nickel:		
	683-02	Nickel and nickel alloys, wrought (bars, rods, plates, sheets, wire, pipes, tubes, castings, and forgings)	15	8,5

[7] Including allow steel throughout.

American duty rates which are higher than the average duty rates from the 11 following countries: Austria, Benelux, Canada, France, Germany, Italy, Norway, Sweden, United Kingdom, according to the standard international trade classification (SITC) from the United Nations—Continued

Group No.	Item No.		United States	Average
		SECTION 6—Continued		
		DIVISION 68. BASE METALS—continued		
684	--------	Aluminum:		
	684-01	Aluminum and aluminum alloys, unwrought	11	10,0
	684-02	Aluminum and aluminum alloys, wrought (bars, rods, plates, sheets, wire, pipes, tubes, castings, and forgings)	14	13,7
687	--------	Tin:		
	687-02	Tin and tin alloys, wrought (bars, rods, sheets, wire, pipes, tubes, castings, and forgings)	22	8,2
689	--------	Miscellaneous nonferrous base metals employed in metallurgy:		
	689-01	Nonferrous base metals employed in metallurgy and their alloys, n. e. s., unwrought	20	6,8
	689-02	Nonferrous base metals employed in metallurgy and their alloys, n. e. s., wrought	25	11,7
		DIVISION 69. MANUFACTURES OF METALS		
691	--------	Ordnance:		
	691-02	Firearms other than firearms of war (but including revolvers and pistols); sidearms	40	20,5
699	--------	Manufactures of metals, n. e. s.:		
	699-05	Wire netting, wire fencing, wire grills, wire mesh, and expanded metal of iron and steel, including barbed wire	23	16,7
	699-06	Wire netting, wire fencing, wire grills, wire mesh, and expanded metal of aluminum, copper, and other nonferrous base metals	23	15,3
	699-07	Nails, bolts, nuts, washers, rivets, screws, and similar articles of all base metals	15	14,2
	699-08	Needles and pins of all base metals	35	15,8
	699-12	Hand tools (including sets of hand tools), tools for machines, and hand implements, including agricultural	17	13,5
	699-13	Household utensils of iron and steel (whether enameled or not)	16	16,3
	699-14	Household utensils of aluminum	25	19,6
	699-15	Household utensils of base metals except iron, steel, aluminum	20	17,7
	699-16	Table and kitchen knives, forks, and spoons of base metals, including plated	23	15,1
	699-17	Cutlery, n. e. s	42	15,9
	699-18	Hardware of metal (locks, padlocks, safety bolts, keys, fittings for doors, windows, furniture, vehicles, trunks, saddlery, etc.)	25	17,4
	699-22	Stoves, furnaces (not for central heating), grates and ranges made of metal (not electric)	18	15,0
	699-29	Manufactures of metals, n. e. s	34	16,6
		SECTION 7		
		DIVISION 71. MACHINERY OTHER THAN ELECTRIC		
711	--------	Power generating (except electric) machinery:		
	711-04	Aircraft engines, including jet propulsion engine	15	14,6
714	--------	Office machinery:		
	714-01	Typewriters	15	13,5
	714-02	Accounting, bookkeeping, calculating, and other office machines, and cash registers	13	11,5
715	--------	Metalworking machinery:		
	715-01	Machine tools for working metals (e. g., boring, drilling, milling, planning, grinding, gear-cutting machinery)	17	11,6
716	--------	Mining, construction and other industrial machinery:		
	716-06	Paper mill and pulp mill machinery, and machinery for paper manufactures	23	15,9
	716-07	Printing and bookbinding machinery (including printing type, printing plates, and other printing accessories; photogravure and similar apparatus, except photographic apparatus)	12	9,5
	716-08	Textile machinery and accessories	19	12,8
	716-11	Sewing machines, industrial and household	13	11,4
	716-14	Ball bearings and roller bearings, and parts	19	15,2
	716-15	Machine parts and accessories (except electrical) not included in item 716-13 and not assignable to a particular class of machinery	15	13,6

American duty rates which are higher than the average duty rates from the 11 following countries: Austria, Benelux, Canada, France, Germany, Italy, Norway, Sweden, United Kingdom, according to the standard international trade classification (SITC) from the United Nations—Continued

Group No.	Item No.		United States	Average
		SECTION 7—Continued		
		DIVISION 72. ELECTRIC MACHINERY, APPARATUS AND APPLIANCES		
721		Electric machinery, apparatus, and appliances:		
	721-02	Electric batteries (accumulators included in 721-19)	19	15,5
	721-03	Bulbs and tubes for electric lighting, complete	23	16,5
	721-05	Apparatus (other than radio) for telegraphy and telephony	18	13,2
	721-06	Electrothermic apparatus, including domestic appliances	18	14,
	721-08	Apparatus for measuring and controlling electric energy; electric signalling and safety apparatus; electric bells	57	18,2
	721-11	Electric apparatus for medical purposes and radio-logical apparatus (not including tools and instruments merely actuated by electric motors)	12	11,5
	721-19	Electrical machinery, apparatus and appliances, n. e. s., and parts of accessories not assignable to a particular class of electrical machinery	18	16,0
		DIVISION 73. TRANSPORT EQUIPMENT		
731		Railway vehicles:		
	731-05	Railway and tramway passenger cars (coaches) without power equipment (to include all cars (coaches) of passenger service such as luggage vans and traveling post offices)	23	19,5
733		Road vehicles other than motor vehicles:		
	733-02	Parts of bicycles and of other cycles, not motorized (not including tires and electric parts)	23	17,4
735		Ships and boats:		
	735-09	Ships and boats, n. e. s	11	8,5
		SECTION 8		
		DIVISION 81. PREFABRICATED BUILDINGS, SANITARY, PLUMBING, HEATING AND LIGHTING FIXTURES AND FITTINGS		
811		Prefabricated buildings and their assembled parts:		
	811-01	Prefabricated buildings and their assembled panels and parts of all materials	15	13,1
812		Sanitary, plumbing, heating, and lighting fixtures and fittings:		
	812-02	Sinks, washbasins, bidets, baths, and other sanitary and plumbing fixtures and fittings of ceramic and other materials, except metal	35	25,9
	812-04	Lighting fixtures of all materials (gaslight and electric light fixtures and fittings and parts thereof, lamps and lanterns)	23	14,9
		DIVISION 82. FURNITURE AND FIXTURES		
821		Furniture and fixtures:		
	821-01	Wood furniture and fixtures	17	15,7
	821-09	Furniture and fixtures, n. e. s. [8]	30	21,0
		DIVISION 83. TRAVEL GOODS AND HANDBAGS, AND SIMILAR ARTICLES		
831		Travel goods and handbags, and similar articles:		
	831-01	Travel goods (trunks, suitcases, traveling bags, dressing cases, shopping bags, haversacks, packs, and similar articles [9]) of all materials	21	16,5
	831-02	Handbags, wallets, purses, pocketbooks, and similar articles of all materials	39	20,1
		DIVISION 84. CLOTHING		
841		Clothing except fur clothing:		
	841-01	Stockings and hose	38	22,6
	841-02	Underwear and nightwear, knit or made of knitted fabrics	33	20,2
	841-03	Outerwear, knit or made of knitted fabrics	40	20,5
	841-04	Underwear and nightwear, other than knitted	43	25,4
	841-05	Outerwear, other than knitted [10]	43	22,7
	841-06	Leather coats and other leather clothing	28	17,0
	841-08	Hats, caps, and other headgear of wool felt and fur felt	47	18,7
	841-11	Hats, caps, and other headgear of other materials than wool felt and fur felt	62	21,9
	841-12	Gloves and mittens of all materials (except rubber gloves) [11]	53	28,6

[8] Furniture of bamboo, of coir, of reed, of rattan, or the like (wickerwork); furniture of plastics; other furniture not included in the items 821-01 and 821-02. Accessory materials such as padding or upholstery to be disregarded in classifying all furniture.
[9] See also 642-01 and 656-01.
[10] Not including items classified under items 841-06 and 841-07.
[11] Rubber gloves are classified in item 629-09.

American duty rates which are higher than the average duty rates from the 11 following countries: Austria, Benelux, Canada, France, Germany, Italy, Norway, Sweden, United Kingdom, according to the standard international trade classification (SITC) from the United Nations—Continued

Group No.	Item No.		United States	Average
		SECTION 8—Continued		
		DIVISION 85. FOOTWEAR		
851	--------	Footwear:		
	851-09	Footwear, n. e. s., and parts including gaiters, spats, leggings, puttees)	25	19,1
		DIVISION 86. PROFESSIONAL, SCIENTIFIC, AND CONTROLLING INSTRUMENTS: PHOTOGRAPHIC AND OPTICAL GOODS, WATCHES AND CLOCKS		
861	--------	Scientific, medical, optical, measuring and controlling instruments and apparatus:		
	861-01	Optical instruments and appliances and parts thereof except photographic and cinematographic	34	15,3
	861-02	Photographic and cinematographic apparatus and appliances	22	15,1
	861-03	Surgical, medical and dental instruments and appliances, except electric (but including those merely activated by electrical motor)	37	15,1
	861-09	Measuring, controlling and scientific instruments, n. e. s	31	15,8
862	--------	Photographic and cinematographic supplies		
	862-02	Cinematographic films, not exposed	35	14,4
	862-03	Chemical products for use in photography put up for retail sale	46	18,5
864	--------	Watches and clocks		
	864-01	Watches, watch movements, cases, and other parts of watches	37	14,7
	864-02	Clocks, clock movements	51	18,3
		DIVISION 89. MISCELLANEOUS MANUFACTURED ARTICLES, N. E S.		
891	--------	Musical instruments, phonographs and phonograph records:		
	891-01	Phonographs (gramophones), including record players [12]	29	16,0
	891-09	Musical instruments, n e. s	21	15,5
892	--------	Printed matter.		
	892-01	Books and pamphlets, printed	5	3,5
	892-02	Newspapers and periodicals	10	1,9
	892-03	Music printed, engraved or in manuscript, unbound or bound	8	1,6
	892-04	Pictures and designs, printed or otherwise reproduced on paper or cardboard	19	12,1
	892-09	Printed matter on paper or cardboard, n. e. s. (including labels of all kinds, whether or not printed or gummed, commercial publicity material, greeting cards, printed cards for statistical machines, stamps, banknotes, calendars of all kinds)	15	10,0
899	--------	Manufactured articles. n. e. s.:		
	899-01	Candles, tapers, and articles of inflammable materials, n. e. s. (e. g., solidified alcohol, sulfured wicks)	21	15,6
	899-02	Matches	18	13,9
	899-03	Umbrellas, parasols, walking sticks, and similar articles	34	19,3
	899-04	Prepared ornamental feathers and articles made of feathers; artificial flowers, foliage of fruit; article of human hair, ornamented fans	29	23,1
	899-05	Buttons and studs of all materials except those of precious metals	31	20,2
	899-11	Articles made of plastics, n e. s	35	21,8
	899-12	Articles of basketware or of wickerwork, n. e. s	23	15,5
	899-13	Brooms and brushes of all materials	37	17,7
	899-14	Sports goods (not including arms and ammunition)	23	14,4
	899-15	Toys and games (including baby carriages, playing cards)	44	22,9
	899-16	Fountain pens, propelling pencils, penholders and pencilholders of all materials	26	15,1
	899-18	Pipes, cigarholders, and cigarette holders	37	18,1
	899-21	Works of art and articles for collections	4	2,0
	899-99	Manufactured articles, n. e. s	26	16,5
		SECTION 9		
		DIVISION 92. LIVE ANIMALS OTHER THAN FOR FOOD		
921	--------	Live animals other than for food:		
	921-09	Live animals (not for food) n. e. s	5	2,1
		DIVISION 93. RETURNED GOODS AND SPECIAL TRANSACTIONS		
931	--------	Returned goods and special transactions:		
	931-02	Special transactions (personal effects of travelers and immigrants, samples and articles temporarily imported or exported, and other special cases)	12	------

[12] Motion-picture recording and reproducing sound equipment and parts are classified in item 861-02; radio-gramophones in item 721-04.

Mr. CORTNEY. I shall investigate the matter, but I want to go on record immediately that if they have such a situation, they are as wrong as we are when we have too high tariffs.

I have no hesitation in saying that anyone who favors trade barriers stands against peace and hampers all the efforts our country is making for the maintenance of peace.

Senator MALONE. In other words, you still think that this act has brought about peace in the world? We have only had two wars since we passed it.

Mr. CORTNEY. There is not one single act which will bring about peace, but I know that international trade is an important factor making for peace.

Senator MALONE. I think if you will investigate international trade, it is a thing that brings about the wars in Europe. The are trade wars, they are not anything else. European countries are overpopulated. You couldn't make a living there; that is the reason you left and my ancestors left, maybe 150 years ago.

Mr. CORTNEY. I want them to get united.

Senator MALONE. You can't because there are too many of them.

Mr. CORTNEY. They will be united eventually. Look what has happened between Belgium and Holland right now. They are doing away with all trade barriers. And by the way, there was lots of discussion between Belgium and Holland about differences in wages there. Now they have given up. All the discussions about differences in wages have evaporated.

Senator MALONE. There wasn't very much difference, was there?

Mr. CORTNEY. Oh, yes.

Senator MALONE. How much?

Mr. CORTNEY. About 50 percent.

Senator MALONE. That is not as much difference as there is between our country and theirs.

Mr. CORTNEY. Keep in mind all conditions were not equal.

Senator MALONE. Many have said there should be a United States of Europe. I would like to see that and maybe they could trade with each other. Italians can't even trade with England, and vice versa.

Mr. CORTNEY. I am in favor of that, Senator Malone.

Senator MALONE. All right, there might be some trade between those little states. Most of them are smaller than our States. Half the area there and twice the population of the United States.

Mr. CORTNEY. Sure.

Senator MALONE. So that is what is the matter with them.

Mr. CORTNEY. They are just silly, Senator Malone.

Senator MALONE. What is that?

Mr. CORTNEY. They are just silly not to form a United Europe. This is my opinion, my frank opinion about it.

Senator MALONE. Well, now, how are we going to get them to do that, by supporting them and paying their taxes?

Mr. CORTNEY. No. That is exactly what we should not do.

Senator MALONE. Well, we are doing it.

Mr. CORTNEY. We are wrong.

Senator MALONE. That is what I say.

Mr. CORTNEY. If we do that, we prevent them from restoring their balance, from restoring monetary stability, and we prevent even the formation of Europe.

Senator MALONE. You speak of Japan. Japan was not doing so badly until we insisted on her leaving China and Manchuria, was she?

Mr. CORTNEY. I agree with you, Senator.

Senator MALONE. And neither was China.

Mr. CORTNEY. I agree with you, Senator.

Senator MALONE. We ran her out of China and destroyed her utterly, didn't we?

Mr. CORTNEY. I am afraid we did.

Senator MALONE. Now she is on our payroll, and it is only an opinion such as you expressed. She must trade with Manchuria and China. It doesn't matter who controls China and Manchuria, and she will trade with them. Not such a long time ago she was doing it, and she may be doing it yet. We were financing it. She was getting ore out of Lovelock, Nev., shipping it 10,000 miles. So you know she is not going to continue to do that.

I think you will agree with that, that she is going to trade with China, and it doesn't make any difference who controls China.

Mr. CORTNEY. Senator Malone, may I answer this queer question by pointing to a similar situation. For instance, trade between Germany and Russia would probably be the most natural thing as far as economic trends are concerned; the natural propensities of trade would go that way. And yet, that doesn't happen.

And unless something happens in Russia, which I hope might happen, unless it be wishful thinking, I doubt that you will see abundant trade between them, and yet trade between Russia and Germany would be most natural.

Senator MALONE. Don't you think East Germany is doing all right with them?

Mr. CORTNEY. With whom?

Senator MALONE. Russia, trading with Russia.

Mr. CORTNEY. East Germany is part of Russia.

Senator MALONE. And do you know—and if you don't I will give you confirmation—that all of Europe is trading with Russia without stint, and they are trading with Communist China and they want Communist China in the U. N. and, in my opinion, are going to get them in there and have two Chinas.

Mr. CORTNEY. Get whom?

Senator MALONE. China, Communist China into the U. N. Half our people in Washington are committed to it now, to have 2 Chinas just like you have 2 Koreas, you have 2 Indochinas, you have 4 Germanys, you have 2 Indias. The precedent is well set.

And what you say about us supporting Japan from now on, of course, if we pass this cockeyed thing, we will probably have to have a special session of the United States Congress to do away with it because it will ruin every trader in the United States in the articles we import from them under free trade.

Mr. CORTNEY. Senator, you pushed me into a territory which is very difficult.

Senator MALONE. Yes, it is very difficult.

Mr. CORTNEY. But I will express one thought, Senator Malone. You may find that the responsibility of politicians is colossal, the Far Eastern situation.

Senator MALONE. What?

Mr. CORTNEY. That the responsibility of politicians is colossal there; much more than that of the average citizen.

Senator MALONE. I know about it. There are 90 million people there and every time a baby is born, somebody has to jump off the wharf. That is their trouble. Now we can't support 90 million people. They have to do it in the area where they are located.

Mr. CORTNEY. But nobody proposes that we should support them.

Senator MALONE. That is what you are proposing in doing away with the tariff.

Mr. CORTNEY. Oh, no, I propose we should trade, because if we trade we increase the standard of living of our people and increase employment.

Senator MALONE. We do?

Mr. CORTNEY. And we keep Japan in the free world.

Senator MALONE. It all looks very nice, doesn't it? What are you going to do with the textile producers in this country and the machine-tool producers and microscope and field glass producers in this country?

What are you going to do with them?

Mr. CORTNEY. I believe that our manufacturers here have advantages which manufacturers in other countries haven't got. Let me give you an example.

Senator MALONE. I would like for you to give me one.

Mr. CORTNEY. I hear very often, for instance, my French friends tell me, "How do you wish us to compete with the United States?" Believe it or not, that is what they say, exactly the reverse of your argument.

I asked them, "Why can't you compete with the United States?"

Their answer is usually about the following, "You have a very broad market in the United States of America. Therefore you can have mass production. You have more standardized tastes than we have. Your coal is cheaper, your electricity is cheaper, your capital is cheaper, the machines to produce goods can be bought cheaper in your country because of the broad market."

I don't accept their way of reasoning, which is just the reverse of your own. You insist on wages which, I respectfully submit, is completely fallacious from an economic point of view.

But they also take a wrong position, so that you are both wrong, that is, both my European friends and you, Senator Malone. It is the unit cost of production which matters, and we should be in favor of the exchange of goods produced most efficiently in various countries. That is what we should stand for.

Senator MALONE. When you say "efficiently," of course, you mean the cost of production.

Mr. CORTNEY. That's right.

Senator MALONE. And regardless of the cost of labor—I know what you mean, and that many of these products can be produced cheaper in many nations than we can produce them.

Our Americans are going to these nations and taking our machinery, and our taxpayers are paying for a lot of it, and have for 6 or 7 years paid for building these textile and other plants right where you are talking about.

Mr. CORTNEY. I don't object to their buying our machines. I strongly object to their using our money for that purpose.

Senator MALONE. It doesn't make any difference what you object to. They have been doing it.

Mr. CORTNEY. No; they have not been doing it. We have been doing it.

Senator MALONE. Well, all right. Now you are advocating a lower duty so you can bring products in, produced from our machinery, and many of our American producers are going abroad to produce.

Mr. CORTNEY. If I can buy cheaper it is all right for the American Nation, we can be better off, and we shall have more employment.

Senator MALONE. What do you manufacture in your business?

Mr. CORTNEY. Face powders, all kinds of powders, creams, perfumes. Our main product is face powder. Some of our products, by the way, Senator Malone, we can produce them cheaper in the United States than we can produce them in France.

Senator MALONE. You can produce them cheaper here?

Mr. CORTNEY. Yes, sir; and we do.

Senator MALONE. I have been kind of familiar with other kinds of products. I don't know much about face powder. I don't even use it after I shave.

Mr. CORTNEY. You are wrong, Senator Malone. It is very good. You try it.

Senator MALONE. I am a little more familiar with the products that we have been discussing here like minerals and textiles and machine tools and other things than I am with face powder, so I can't argue that with you.

I think, Mr. Chairman, that that is enough. I think we have the policy of this man and of the International Chamber of Commerce, all members of an international ring that want to bring about this very thing that these people who are manufacturing products in this country are against, bringing in these cheap products, cheap because of low wages. And I understand that this witness is for it and I think that is sufficient.

Senator CARLSON. Mr. Cortney, we appreciate very much your appearance before the committee this afternoon.

The next witness is Mr. Stuart F. Louchheim, chairman of the Philadephia Committee for a National Trade Policy. You may present your statement or read it or you may care to speak orally and have it made a part of the record.

STATEMENT OF STUART F. LOUCHHEIM, CHAIRMAN, PHILADELPHIA COMMITTEE FOR A NATIONAL TRADE POLICY

Mr. LOUCHHEIM. I would like to have it made a part of the record. I will read it all, if I may.

Senator CARLSON. You may, sir, and it will be made a part of the record. You may proceed.

Mr. LOUCHHEIM. While I am chairman of the Philadelphia Committee for a National Trade Policy, I would like to testify today both as chairman of this committee and as president of the Stuart F. Louchheim Co.

The Philadelphia Committee for a National Trade Policy consists of a group of industrialists, bankers, et cetera, who believe that the national interests are best served by supporting bill H. R. 1.

I would like to inject that we are not a free-trade organization but believe that a more liberalized trade is in the national interest, a gradual reduction of tariffs.

To help arrive at some program for a wise foreign trade policy and give it the grassroots support that it should have, we in Philadelphia felt that facts are stronger than arguments so we decided to make a world-trade survey of the five counties surrounding Philadelphia. This survey was started over a year ago and was completed within the past few weeks. It was carried on under the direction of our very excellent Wharton School of the University of Pennsylvania.

The survey indicates that 341,000 workers are employed in plants engaging in foreign trade of one sort or another. That comprises 60 percent of the workers in manufacturing plants and about 1 out of every 4 workers in the area. It does not take into consideration the very considerable number of people engaged in collateral activities that might be affected by foreign trade. I refer to those most important areas of transportation, distributing, financing, insurance, et cetera. This certainly indicates the tremendous impact foreign trade has on the economy of the Philadelphia area and, inasmuch as Philadelphia is typical of industrial areas in other parts of the country, it is evident to me, at least, that increased foreign trade is certainly in the national interest.

So much for the trade survey. It is in evidence before your committee and speaks adequately for itself.

Senator MILLIKIN. Mr. Chairman, might I suggest that the witness is from a port and many of the communities are not ports.

Mr. LOUCHHEIM. Yes, that is true.

Senator MILLIKIN. I am in Denver. We don't ship by water. Hence, we don't have the same line that the port cities have.

Mr. LOUCHHEIM. That is true, Senator Millikin.

Senator MILLIKIN. If you are a warehouseman, if you are a broker, if you are an insurance company that insures cargoes, if you are a bank that deals in shipping, you are not thinking about the economic repercussions of that shipping. You are thinking about getting your fee for banking or for brokerage or for insurance, or for whatever it may be that you have in a port city.

Mr. LOUCHHEIM. Well, that is true, sir, and those are the collateral industries. But the manufacturing industries that I speak of comprise 11 different categories of industry, so that it is a pretty widely spread industrial area covering almost every facet of manufacturing.

Senator MILLIKIN. And being in a port city, I assume that you do quite a little exporting.

Mr. LOUCHHEIM. They do quite a little exporting, although they do a great deal of importing, too, but it is the second largest port.

Senator MILLIKIN. I just wanted to draw your attention to the fact there may be some analogy between a port city and an interior city, but there are facts in a port city which may influence one toward import and export policies, which are different from an interior city.

Mr. LOUCHHEIM. That is true, sir. I recognize that as a fact. So much for the trade survey. It is in evidence before your committee and speaks adequately for itself.

I would rather testify as to my own business experience with the subject of tariff. In 1912 I started in my grandfather's worsted-yarn spinning business—established in the middle 1800's—and when I came out of the Army after World War I, I became active in the executive management of the business. During those years a prominent member of a Pennsylvania organization representing manufacturers in general, but largely a political and propaganda organization, would come to me each year for contributions which were for the sole purpose of lobbying for high tariff and supporting candidates for Congress who were favorable to high tariff. We gave large sums each year for this purpose and so did our competitors.

I was also active on the board of the National Association of Worsted and Woolen Spinners and for several years was president of the National Hand-Knitting Yarn Association, and thus had ample opportunity to observe the activities of the industry—methods, mental viewpoints, and physical facilities.

It is my definite conviction that the entire industry was softened and weakened by the pampering and coddling it received from high-tariff subsidies—protection against foreign competition. Had this industry been obliged to meet competition, had they put the money they paid for protection into research, new products, new production methods, and more modern plants, they would have overcome a lot of the so-called competitive disadvantages that they claim today. American ingenuity and know-how come more quickly and abundantly under periods of stress.

It is my guess that a high percentage of the spinning mills—worsted, woolen, and cotton—were built in the 1800's. We read recently about one of the largest woolen companies in the United States which is at present merging with two other companies. The statement was made by one of the executives of the company with which it is merging that 19 of their 21 plants are obsolete. This couldn't happen in an industry that had to meet and beat foreign competition over many decades.

I am today a distributor of radio, television, and household appliances as well as a manufacturer of electronic devices. As such, I have had many and ample opportunities to observe management and facilities in the heavy industry and electronic industry. In these industries you see fortunes spent for research and development and you witness the development of automation and pushbutton plants to overcome the very things that highly protected industries are fearful of.

We hear protectionists complaining of the lower labor costs in foreign countries but they don't speak of lower productivity per man-hour or of less advanced production methods. Granted that production methods are improving in some countries, and in many instances with our help, but so are we in this country where management is alert rather than sitting back and crying for Government help.

Let me assure you that competition from abroad is no worse than some of the competition we encounter within our own country. I would like to give you an example of this. One of the largest appliances and electronic corporations in this country who are actively opposed to H. R. 1, and who want protection because they say that they have been unable to meet the price of foreign competition on large power generators because of lower labor costs abroad, is the very company that did the following: In October a year ago—October of 1953—this concern found themselves tremendously overstocked on television sets. For your information, October is just the beginning of the peak season for selling television—a time when manufacturers', distributors', and retailers' stocks are at their highest point. This concern, without warning, dumped several hundred thousands of their television sets on the market at 50 to 60 percent of their former value. This threw the entire industry into a tailspin, ruined the Christmas business on television sets, and even caused a comparatively small company such as mine an inventory loss of well over $100,000. Had they waited until January they could probably have accomplished the same purpose without as much harm and loss to the industry. No foreign competition could have been more devastating than this. I am convinced, therefore, that when it comes to the selfish interest as opposed to the national interest, it is only a question of whose ox is gored.

For many years I have been actively interested in international affairs and have been an active exponent of international cooperation. When one realizes that the whole free world today is smaller than the State of Pennsylvania was 50 years ago, we must also realize that if restraint of trade was considered harmful within our borders, it is equally harmful today within the borders of the whole free world.

I am convinced that the Smoot-Hawley tariff bill of 1930 was a contributing factor to World War II, and I am equally convinced that if we make the same mistake again we will be planting the seeds of world war three.

If H. R. 1 is defeated or emasculated we may well be throwing Japan into the arms of Red China and Europe into the arms of Soviet Russia. One develops friendships with customers and trade with Communist countries will develop such friendship, which means eventual absorption, and that means real trouble for us.

I feel, therefore, that we should subordinate our selfish interests and the interests of selfish constituents for the national good. It takes statesmanship on the part of our legislators rather than political expedience and it takes enlightened self-interest on the part of industry rather than unintelligent and narrowgaged selfish interest. Any industry will prefer foreign competition to Soviet domination and regulation of their business and that could be the alternative to a more liberal trade policy.

I therefore urge that you support H. R. 1.

Senator CARLSON. Mr. Louchheim, we appreciate very much your appearance before the committee.

Senator Malone?

Senator MALONE. I judge after following your testimony all the way through you are no longer in the worsted yarn business?

Mr. LOUCHHEIM. No, sir. I told you I was in the electronics and appliance distributing business today.

Senator MALONE. What do you mean by "liberalized trade"?

Mr. LOUCHHEIM. I mean liberalized trade, gradual reductions in tariffs so that there can be a freer exchange of goods between this country and foreign countries.

Senator MALONE. Where would the end be? I mean, your gradual liberalization, what is your final objective?

Mr. LOUCHHEIM. As free trade as is possible, and as liberal a trade as is possible, taking into consideration certain cases where there may be undue injury where certain specific considerations should be given.

Senator MALONE. How would you decide about this business of injury, or how would you determine a basis upon which an investigator could look around and select an industry that he thought should have a reasonable protection between the higher standard of living here and that in the chief competing country? How would you approach it?

Mr. LOUCHHEIM. I would first approach it from the standpoint of the national good and the national interest.

Senator MALONE. Who would judge that national good?

Mr. LOUCHHEIM. Well, I would think that the President and the administration would be well able to judge that.

Senator MALONE. Then I understand that the reason you are for this is because you approve of a gradual rearrangement of our industrial setup in this country to bring about this liberalized trade you believe that any research made, if it will help our national economy or save those countries from communism would be justified?

Mr. LOUCHHEIM. I certainly do, because I think there are many things involved in the question of tariffs, and so forth.

Senator MALONE. I have no doubt there are several things tied up with it. If you want to go further into that you have full time here.

Mr. LOUCHHEIM. No.

Senator MALONE. Then you are not in favor of the principle laid down by Congress in 1930 directing its agent, the Tariff Commission to determine a fair and reasonable competitive balance for trade based upon the difference of reasonable cost of production here of an article, and the reasonable cost in the chief competitive nation, and recommend the difference as the tariff?

Mr. LOUCHHEIM. That is quite an involved question, Senator Malone.

Senator MALONE. I will simplify it for you, in other words, a tariff was never anything more than an evener.

Mr. LOUCHHEIM. That is right.

Senator MALONE. It was intended to make up the difference so that there would be fair and reasonable competition, is that right?

Mr. LOUCHHEIM. Well, I would imagine we have no tariff here for revenue only, so I suppose that is right, Senator.

Senator MALONE. Now, certain mistakes were made, but generally they were corrected, and when Congress passed the 1930 act they had finally arrived at a principle where the committees of Congress did not bother with the tariff at all. At your request if you are in business, at the President's request, or at the request of either House of Congress, or on their own motion, the Tariff Commission could take up immediately the study of the tariff on any product upon which they thought adjustment was due or overdue, and on hearing the full evidence, if they thought the tariff ought to be lowered or raised to make up the differential of cost of production on the basis of fair and reasonable competition, they could do it.

Now, that is the Smoot-Hawley tariff bill that you are talking about, isn't it?

Mr. LOUCHHEIM. That is right.

Senator MALONE. Now, if the tariffs were too high, if they had not been taken out of the way by the passage of this act, do you suppose that is about what they could have done, Mr. Louchheim?

Mr. LOUCHHEIM. I think they would have kept the tariff as high as possible under the Smoot-Hawley Tariff Act.

Senator MALONE. Why do you say that?

Mr. LOUCHHEIM. Because I think that was a protectionist Congress and protectionist administration.

Senator MALONE. That is exactly what they didn't say. Now, you talk about a high tariff, and people being for a high tariff—I don't know anybody for a high tariff. All the people I know are interested in doing just exactly what the Congress instructed the Tariff Commission to do, and that was to determine the differential of reasonable cost in each case and recommend that as the evener, so that you would give the American workman and the investor equal access to their own market.

Now, that is what you object to, isn't it?

Mr. LOUCHHEIM. No, I feel that every industry today has to be able to stand up to foreign competition.

Senator MALONE. Competition?

Mr. LOUCHHEIM. Or domestic competition, I don't think your foreign competition is any worse in many instances than what we run into here, I think we have to be able to take it; that is the American way.

Senator MALONE. Of course, you are like Mr. Hoffman and Mr. Holman. I understand what you are doing. And I just want to get the record straight.

I never heard anybody kick on domestic competition. If I am in the engineering business and somebody can do it better and cheaper than I can, and does do it, I don't object to it.

Mr. LOUCHHEIM. The only reason they don't kick about the domestic competition is that there is nobody to kick to. They can kick about the foreign competition.

Senator MALONE. No, that is not the reason. It is because under the Constitution of the United States if they have a business in Nevada, California, or Maine, but could do business cheaper in Pennsylvania than they could in Nevada, then they would go to Pennsylvania, and there was no kick about it.

They read the Constitution and they lived by it. Isn't that about right?

Mr. LOUCHHEIM. Yes. But I think the whole free world today is pretty much in our orbit and pretty much our concern, just as the States were 50 years ago.

Senator MALONE. You would advocate taking them in as States?

Mr. LOUCHHEIM. I didn't say that at all. I think that where economics and things affect them materially, then that affects us.

Senator MALONE. I think so, too, and I think they are materially affecting us right now. So let's get into this just a little bit deeper. What you believe now is departing from the Constitution of the United States and leaving that basis of fair and reasonable competition that the Congress laid down in 1930, and you believe that any industry in the United States should be subjected to a gradual decrease of the protection, regardless of that differential of cost of production between this Nation and any competitive nation. That is what you believe?

Mr. LOUCHHEIM. I think with certain exceptions that is right.

Senator MALONE. What are the exceptions, your business?

Mr. LOCHHEIM. Not at all.

Senator MALONE. What are they?

Mr. LOUCHHEIM. I think there may be occasions where there is distinct injury of some kind that should be provided for. In those cases——

Senator MALONE. Would you name one or two of those for me, just to give me an idea?

Mr. LOUCHHEIM. I don't know that I can name them offhand. But there are some. And I would make that provision.

Senator MALONE. What is the nature of them?

Mr. LOUCHHEIM. I don't think it can be defined, I just said, as a provision, to provide for any that might come in that category. I don't know which ones will.

Senator MALONE. Well, there are only two categories that anyone has discussed at length, and that is on the economic structure of the Nation, or for national defense.

Would you say only for national defense, or to preserve the economic structure?

Mr. LOUCHHEIM. I think we have to do both.

Senator MALONE. But under which category do these industries come that you say could be sacrificed?

Mr. LOUCHHEIM. I don't think you can tell what category they come under. I merely make it as a safety provision, if there is a case where obviously an industry is being done an injustice that it could not recover from in some way and not contrary to the national good, I say that would be justified.

Senator MALONE. Do you think it would be contrary to the national good to take one of the textile products that the Governor testified this morning is being obliterated? Would they be something that you would make an exception of?

Mr. LOUCHHEIM. No, they would not. But I think the textile industry could do a great deal to help themselves.

Senator MALONE. Don't you think they are doing something?

Mr. LOUCHHEIM. I think they are doing something, but I think they could do a great deal more. I think there are a lot of things such as new synthetic fibers that affect the textile business other than tariffs.

Senator MALONE. Then, if I understand you, somebody has to have the sole authority under the law now effective, and which will be effective if we extend this act, for whatever time it is extended. Someone must determine in his own judgment, not on a principle at all, but in his own judgment, whether the meshing of these industries of the United States would be better brought about through the sacrifice of a part or all of a certain industry or whether some international situation that might be threatened would be saved. Then he can, of his own accord or at his own order, sacrifice a part of that industry or all of it if he wants to.

Mr. LOUCHHEIM. You said not on a principle. I don't think that that would not be on a principle, I think it would be very much on a principle.

Senator MALONE. It goes on a principle that is laid down in the act, it is not on any one definite principle. He can consider any one factor that he wants to consider, that he thinks would be to the benefit of the industries in this Nation as a whole, or any political situation he finds in Europe.

And now, that is what he can do, and you are in favor of it?

Mr. LOUCHHEIM. I feel, if I may answer, that the Chief Executive and his Cabinet, the administration, should be in the best possible position to judge all of the various facets that would make any move on the tariff advisable or inadvisable.

Senator MALONE. You want to leave it there?

Mr. LOUCHHEIM. I think it has to be left there. I can't imagine anyone better able to take into consideration all those facets than the administration.

Senator MALONE. Then you think that is what should be done?

Mr. LOUCHHEIM. I do.

Senator MALONE. You think we should not have any idea of reverting to the principle of fair and reasonable competition that is set down in the 1930 act?

Mr. LOUCHHEIM. Well, I think that that is too broad a question as to what is fair and reasonable. I think that is too much a matter of opinion.

Senator MALONE. That has nothing to do with what is fair and reasonable. If you say to a Tariff Commission that they are to do a job on the basis of principle, they are not looking around to save Switzerland or Ireland or England, or Russia, or some other nation, they are looking around to preserve the economy of the United States of America on the basis of a fair and reasonable competitive situation, and to give the American producer and workingman equal access to the American markets. That is what they are directed to do.

Now, you are not for that principle, you are for the principle of leaving it to the judgment of the President and his Cabinet, or the Cabinet and the President, whichever should be mentioned first, to determine in his opinion what advantageous trade can be made to further the overall economy of the United States, or to cure a political situation he finds somewhere else in the world?

Mr. LOUCHHEIM. I think there is much more than economics involved; yes, sir.

Senator MALONE. You are in favor of that principle, you are in favor of that method?

Mr. LOUCHHEIM. That is right.

Senator MALONE. You are no longer in the worsted yarn business?

Mr. LOUCHHEIM. No, sir. But I can be equally affected in the business that I am now in.

Senator MALONE. When did you leave the worsted-yarn business?

Mr. LOUCHHEIM. I left the worsted yarn business in 1930, Senator.

Senator MALONE. Probably about the right time. They passed this law then.

I want to say something to you that I mentioned to you before. Most all of the special writers, and the radio and television people keep at you about the high tariff. But I want you to know that no one that I know of who wants to protect the American worker and investor is for a high tariff or a low tariff. They are for that principle of making the American workman and the American investor competitive in his own market, not in the foreign markets, because we know that is impossible.

I think that you know it is too.

In other words, when you make a trade agreement, 98 percent of the time the effect of that trade agreement (and it is not a trade agreement anyhow—it is an agreement to lower tariffs) is defeated through a manipulation of their currency, the price in terms of the dollar, or through an exchange permit, or an import permit. And if you don't know that, of course, there is no reason for us to have a conversation about it. But do you?

Mr. LOUCHHEIM. I believe that by more exporting, which can only be obtained by more importing, that there will be many more people engaged, and there will be many more jobs, and many better jobs, for the American workingman than there will be if you restrict it.

Senator MALONE. Do you have any idea how we have increased the imports? Do you think it has been done through trick trading?

I will tell you how it is done. And when you go home—I think you have a pretty good organization, from your description of it—when you go home, get someone to work on this and see if you subtract over the last 10 years, since World War II, the amount of money each year that we have appropriated for foreign nations, and the amount of goods that we have given to foreign nations, both in national defense and in other ways. If you have someone do this come right back to the 4½ to 5½ percent of the trade you have had for years.

Do you think I am wrong on that?

Mr. LOUCHHEIM. I wouldn't want to say.

Senator MALONE. Will you get one of your young men to do that and drop me a note and see what it comes to?

Mr. LOUCHHEIM. Yes.

Senator MALONE. I would appreciate that.

Now, you talk about a small world. I have seen every nation in the world except Russia and the Iron Curtain countries, and a couple of the low countries. I made it a point to, because an engineer has a peculiar mind. If he is going to build a bridge across a river he thinks he ought to see it first, and if he is going to deal with the economy of a country, he thinks he has to see it.

So I am going to say something that may be surprising until you think about it, that everything is relative.

If you are traveling just as fast as the other fellow—maybe you can travel a little faster if you have that ingenuity that you and I think we have, the world is relatively about the same size.

If you have an airplane that will go eight or nine hundred miles an hour (and that is what we need, and a lot of them, in the matter of bombers—and we have to have the metal to make them, and we haven't got it right now) and the other fellow has them going the same speed or a little faster, then the first fellow has one of those second-rate poker hands.

Now, if you have a guided missile that can hit anything moving, that goes 3 times or 10 times as fast as any one of them, then you are just about as well off as you were several years ago when the world was a little larger. Everything is relative.

I am not a military strategist, but I have talked with a lot of them. They don't all agree. In Senate Report 1627—which I will send you if you write me—you will find some things that might surprise you.

You can defend the Western Hemisphere, and it can become self-sufficient for everything you need to fight a war, or live in peace, and your trade future is in South America, not in Europe.

What surprises me is to force trade between two manufacturing areas. When we ship them something they produce that much less, and when they ship us something we produce that much less.

In South America they don't produce things like radios and television, but they produce a lot of things we can use and need. And it may be that is an idea for your business.

Mr. Chairman, those are the only questions I have.

Senator CARLSON. We appreciate your appearance before the committee, Mr. Louchheim.

The next witness is Richard H. Anthony of the American Tariff League.

STATEMENT OF RICHARD H. ANTHONY, EXECUTIVE SECRETARY, THE AMERICAN TARIFF LEAGUE, INC.

Mr. Anthony, we are happy to have you before the committee. You may proceed in your own way.

Mr. ANTHONY. Mr. Chairman, I have a brief statement which I would like to read if you don't mind.

Senator CARLSON. You may proceed.

Mr. ANTHONY. H. R. 1 comes to the Senate somewhat improved, on balance, by the House amendments, but basically unchanged. The league's testimony before the House Ways and Means Committee is still largely pertinent. It need not be repeated here.

The producers and labor groups who appeared before the Ways and Means Committee demonstrated the widespread fear that injury would follow the wholesale tariff cutting permitted under H. R. 1. To allay their apprehensions Government officials have offered assurances here that H. R. 1 would not be administered in a harmful way.

It is axiomatic that the language of a bill is the most eloquent witness of its intent. H. R. 1 is so drafted as to permit every United States tariff rate to be reduced by one means or another. If enacted in its form the bill would express, on its face, congressional intent that any or all rates be cut, all assurances to the contrary notwithstanding.

The press reports special proposals being considered that would safeguard industries producing items declared essential to national defense. Such proposals are more alarming than comforting because they presuppose that injury to some industries would follow the tariff-cutting permitted under H. R. 1. The implication in the proposals is that essentiality to defense is the only reason for remedying or avoiding such injury in any particular case.

It hardly seems debatable that we should maintain our defense industries. What we want to emphasize is that there is more to the tariff question than whether, at one precise instant of time, a particular item of American growth or manufacture is essential to the national-defense plans. Tariffs were intended to foster and safeguard living, growing industries, which, out of the managerial, research, and productive skills of their people, can fashion and turn out in proper quantities whatever end products are needed to meet the wide-ranging and ever-changing technological demands of the American people, whether for national security and defense or for their ordinary, peacetime enjoyment of life.

The underlying purposes of the tariff are set forth in the preamble to the current basic tariff law, the Act of 1930, as follows:

> To provide revenue, to regulate commerce with foreign countries, to encourage the industries of the United States, to protect American labor, and for other purposes.

Those purposes are thwarted whenever, in the administration of section 350 of the act, which is the trade-agreements section, American industries are injured and American labor loses jobs. When Congress delegated to the executive branch a role in the setting of tariffs it did not authorize the administrators of the delegated powers to trade away American industries and jobs. And to make doubly certain that such damage would not be done to the American economy Congress later wrote into the basic law the peril-point and escape-clause provisions.

The peril-point provision has yet to be tested in a multilateral agreement. The escape clause has been tested many times but it is not working as we suppose Congress intended. The United States Tariff Commission's findings of injury in escape-clause cases are not being accepted as the considered judgment of an authoritative body of experts, responsible to Congress as well as to the President. They are being disputed. Relief to escape-clause applicants has been denied, not for overriding reasons in the national interest, but because the findings of injury by the Commission have been contradicted. The prestige and importance of the Tariff Commission can only deteriorate under such conditions.

We believe the Congress should strengthen the language of the escape clause so as to underscore the intent of present law that any domestic injury which inadvertently follows from the workings of the trade agreements program will be remedied unless there are exceptional, compelling, and overriding reasons for failing to do so.

Criticism by another country of our withdrawal or modification of a tariff concession is not, of itself, such a reason. Our defensive attitude, in the rare instances in which we have acted to safeguard our own producers and workers, ill becomes us. For 20 years we have reduced our tariffs, generalizing the lowered rates to all friendly nations. They have not always been able, and sometimes not willing, to respond in the same degree. Their borders bristle with restrictions against our goods.

The General Agreement on Tariffs and Trade encourages recrimination and retaliation by other members when one country withdraws a concession. It makes no difference how generous has been that country or how large its share of world trade. The whole machinery of consultation, counterclaim, and retaliation is directed at the isolated instances at issue.

This feature of GATT is a source of irritation to the United States. We, as a major trading country, highly developed, and with a sound currency, cannot resort to all the escapes open to underdeveloped countries and those in balance of payment difficulties. The only escape permitted us is when domestic injury occurs. Yet we appear ashamed to invoke this safeguarding clause.

Switzerland, which is in much the same category as we are, refused to join GATT under these one-sided rules. She told the GATT members that she would have to be free to protect her own economy when it seemed to her interest to do so. They would not waive the rules and she would not join.

The escape-clause rules and procedures are covered in the substantive provisions of GATT, now undergoing revision at Geneva. Congress has many times repeated the caveat that passage of a particular trade-agreement extension was not to be construed as approval or disapproval of GATT. H. R. 1 not only contains words that authorize the President to commit the United States to the substantive provisions of GATT, but the caveat inserted by the House, by limiting its warning to the organizational provisions of GATT, appears to express congressional intent that the commitment be made to the substantive provisions.

The substantive provisions of GATT are its heart. They are being revised, but we do not know how. It seems to us that there is a greater than usual need of repeating the previous caveat, instead of the limited one inserted by the House.

To summarize our position:

1. We fear that the use of the extended tariff-cutting powers as proposed in H. R. 1, will endanger American industries and employment. We believe the present limits of reduction are ample, as evidenced by the pending negotiations with and for the benefit of Japan within those limits.

2. Because of repeated refusal by the executive branch to honor the findings of the United States Tariff Commission in escape-clause cases, we believe Congress should underline its intent to prevent or remedy injury due to the workings of the trade-agreements program, by strengthening the escape-clause procedures.

3. The Senate should delete from H. R. 1 the language which permits the President to commit this country to the main body of GATT rules and exceptions, and should substitute the previous GATT caveat language for the clause inserted by the House.

Senator CARLSON. Mr. Anthony, we appreciate very much your statement.

Senator MALONE. What labor groups have appeared here against the extension of the Trade Agreements Acts? And I presume from your testimony that you are opposed to such extension, are you not?

Mr. ANTHONY. Yes. We said before the House Ways and Means Committee that we did not see any need for extending the act.

Senator MALONE. You oppose the extension?

Mr. ANTHONY. Yes; we do, sir.

Senator MALONE. One of the things about witnesses who appear here—and I can understand after 20 years they may have reached that frame of mind—they are timid, they don't indicate what they are for, they just seem to think that everything will go against them anyway, and all they try to get is something to enable them to carry on for a few more months. I think everybody should come out and say what they are for.

So you are against the extension of the act, definitely?

Mr. ANTHONY. Yes.

Senator MALONE. What labor groups have appeared here against the extension of the act?

Mr. ANTHONY. I don't know. I have only followed these hearings through the press.

Senator MALONE. I think I can name two. And that was the union in the coalfields, represented by Mr. Kennedy and then the unions that encompass the crockery industry. Those are the two labor groups I remember coming here that are definitely against the extension.

Have you ever made any investigation, or have you decided in your mind any reason why labor groups like the CIO favor free trade, are in favor of workers in the United States of America shipping their jobs to a foreign country? How can a labor union be for it?

Mr. ANTHONY. We have never been able to understand why they take that attitude. That is, of course, perhaps a simplification. The national organizations representing both CIO and A. F. of L. generally take an attitude in favor of the trage-agreements program. Certain of their units, their autonomous units, have taken the contrary position. And there may be some that come here later, I don't know.

Senator MALONE. There are some that have made themselves felt, haven't they?

Mr. ANTHONY. I think they have appeared at the public hearings; I think there were some at the House.

Senator MALONE. Could you get a list of them for us?

Mr. ANTHONY. I will try to do that, Senator.

Senator MALONE. And send it to me.

Mr. ANTHONY. Yes, sir.

Senator MALONE. I think you have made a very good statement. And when you state that you can be protected from all injury because you are necessary to the national defense, would you give us an example? If they can's use you for national defense, they may sacrifice you in these trades?

Mr. ANTHONY. Yes.

Senator MALONE. And they are actually doing it. I think some of us made that point about national defense, that we are becoming dependent upon foreign shores for critical materials that we can't fight without. And I think that in defense of this act to reassure the general public that they were not destroying their national defense potentiality, they came out and gave a lot of publicity to the effect that if the industry was important to the national defense it wouldn't be injured.

Now, you didn't say anything about it, but you do understand what happens if you do not extend this act; you know what the procedure is then, do you not?

Mr. ANTHONY. I believe so, Senator; yes.

Senator MALONE. Any product that is not now under a trade agreement is subject to examination by our Tariff Commission in accord with the 1930 provision in the Tariff Act on the basis of fair and reasonable competition, is it not?

Mr. ANTHONY. I don't know that it would be automatically. In fact, we have thought that we ought to remove the prohibition against the use of section 336 on items that are subject to trade agreement. That prohibition is on now.

Senator MALONE. Well, I don't know that the prohibition is on. If it is just under consideration in the trade agreements, that may be true. But if there has been a trade agreement made it is no longer subject to adjustment by the Tariff Commission.

Mr. ANTHONY. That is right, Senator.

Senator MALONE. But it is subject to adjustment by the Tariff Commission, if we do not extend this act and there are no trade agreements made or under consideration, is it not?

Mr. ANTHONY. It is a legal point, but let us say if we went back to where we were before this Trade Agreements Act was passed, then all of the items of the act of 1930 would be subject to section 336, the so-called flexible provisions.

Senator MALONE. On the products on which there has been a trade agreement, to my best understanding of the act, the President of the United States may serve notice of cancellation on the countries with which trade agreements have been made, and then after a specified time they, too, revert to the Tariff Commission and are subject to regulation.

Is that your understanding?

Mr. ANTHONY. I hope that is the way it works. But I don't know.

Senator MALONE. I am very sure that it is, although I don't want to tell you that I am absolutely infallible as a judge of the law. But I have read it and studied it and obtained the best advice that I can get.

Now, the principle laid down by Congress in the 1930 act that was at that time subjected to so much abuse as the Smoot-Harley Tariff Act, did set tariffs. Whether they were too low or too high, there was a flexible provision that the Tariff Commission on its own motion, or request by either House of Congress, or the President, or any interested party, could at any time take up the study of the product and its position in relation to production here and abroad, and recommend a tariff that represented the differential in the cost of production of the chief competitive country and this Nation. Is that true?

Mr. ANTHONY. That is true, Senator.

Senator MALONE. In other words, it was done on a definite principle. They could not consider whether agriculture was getting along all right, or mineral production all right, and try to adjust the interrelated meshing of those complicated economic factors in this country. They had to confine themselves to that differential of cost on the basis of fair and reasonable competition, isn't that about right?

Mr. ANTHONY. That is right, Senator.

Senator MALONE. Now, we changed the principle entirely with the 1934 Trade Agreements Act, and put it on a basis so that one man had the power, subject to no check whatever by Congress unless we introduced a special bill on one or more products and threw it into the committee to pass a special bill on it. We transferred that constitutional responsibility (art. I, sec. 8 of the Constitution) to the President of the United States.

And the President of the United States, regardless of where he gets his information upon which he decides it, may at any time lower or raise a tariff. And of course, they have all been lowered, there have been no raises that I have been advised of. He could do it either on the basis of what he might think would be a better meshing of the economic factors in the national economy, or to cure any political situation in any country in the world in relation to ours. Is that right?

Mr. ANTHONY. So long as he follows the trade agreements procedures and stays within the 50-percent limit, then he can.

Senator MALONE. Well, they were granted another 50 percent, which made it 75, and now this provides for 15 percent more reduction in the fixed tariff over a period of years; doesn't it?

Mr. ANTHONY. Yes.

Senator MALONE. And I think it has been pretty liberal. But the fact remains, we changed the entire principle, isn't that right?

Mr. ANTHONY. That is right.

Senator MALONE. And you are for the original principle of establishing tariffs as an evener between this Nation and the chief competitive nation on the basis of fair and reasonable competition?

Mr. ANTHONY. On the flexible tariff principle. I want to be clear that we are not saying that we want to have an omnibus bill such as the 1930 bill.

Senator MALONE. Nobody is even suggesting an omnibus bill. And of course, Congress could bring it up anytime they wanted to. As a citizen, you could request that it be done or not. I couldn't prevent it as a Senator, all I could do would be to vote on it.

I will not use that word any more, that word that was objected to, because I am trying to think of a better one. But it is just as bad to say that it is thrown back in congressional committees. And it is indicated all over the United States by writers in columns, on radio and on television, by people who generally have become of voting age since the 1930 Tariff Act was passed. They blamed the 1929 depression on the 1930 Tariff Act, and got away with it.

And then the London bankers invented a "reciprocal trade" phrase, and they have talked about that for 22 years. We have lived by catchwords and phrases for 22 years. It is time, I think, that we do a little thinking for ourselves.

Now, the Constitution did charge the legislative branch with setting the duties and tariffs and regulating foreign trade, did it not?

Mr. ANTHONY. Yes; it did.

Senator MALONE. And then by simple act of Congress we transferred that responsibility to the Executive; is that correct?

Mr. ANTHONY. We did.

Senator MALONE. There is a question of its constitutionality, which is now before the courts, and of course the courts will make the decision if they decide to go through with it, and I hope they do because it is time.

Now, everybody is afraid of GATT, just the same as you would be afraid if it were spelled with one T. And the thing that always distresses me is that these people, when you talk about investing money in a business fully dependent upon the tariff and that could be endangered or destroyed, nearly blow your hat off and say, "Are you injured yet?"

Now, GATT, General Agreements on Tariffs and Trades, and you are familiar with the organization set up by a resolution of the General Assembly of the United Nations, the International Trade Organization, which is dormant, but ready to spring up at any moment, the International Material Conference created by the State Department to take the place of ITO; all of these things fall down of their own weight if we do not extend this act; do they not?

Mr. ANTHONY. Of course, the GATT situation is rather nebulous. I don't know whether we are a member of it or not. We signed something called a protocol provisional application.

Senator MALONE. We are abiding by its tariffs.

Mr. ANTHONY. We seem to be participating in it.

Senator MALONE. And we are abiding by its tariffs; is that right?

Mr. ANTHONY. That is what has happened now.

Senator MALONE. Then I would say that you are subject to it, and there is no way of getting out of it, if you extend this act. But if we do not extend this act, and we revert to the basis of fair and reasonable competition, then we regulate our duties or tariffs on that basis. We will have withdrawn our markets from the pot; will we not?

Mr. ANTHONY. I think so.

Senator MALONE. When we withdraw them from the pot there would be no game; would there?

Mr. ANTHONY. I think so.

Senator MALONE. Because we have the markets in the world that will sweeten the game to the extent they will sit down and play.

Now, Switzerland has been pretty smart. She has protected herself. She has never gotten herself into any international wars, and she sells to anybody. I wish we had that much sense.

I don't know whether we will ever have it. Do you know of any nation except the United States that has ever kept the spirit of these agreements, which, of course, are not agreements at all?

Mr. ANTHONY. I think you have set your finger on it. We trade tariffs against tariffs, we do not trade our tariffs against their total agreement to reduce their various barriers. Then they put on the other types of barriers, such as import restrictions and currency-licensing provisions, and therefore the concessions which they may make on paper are largely ineffective.

Senator MALONE. Aren't they almost completely nullified in most cases?

Mr. ANTHONY. In most cases they are.

Senator MALONE. By a reduction of their monetary values in connection with dollar value, and in exchange permits, permits for imports, and 101 other ways that only the graduates of a 200-year-old school in foreign trade would know how to do. They have lived by their wits for 250 years, most of them, haven't they?

Mr. ANTHONY. Yes.

Senator MALONE. In foreign trade. So we have had some idea that if we could throw our trade, or markets, into the pot, that through a division of those markets some way or another we would benefit the whole world; is that about it?

Mr. ANTHONY. I think that is one of the theories in back of it.

Senator MALONE. Well, what other theories can be back of it? Haven't we heard all day witness after witness testify here that we are going to have to support Japan in some way or she will go with Russia? Haven't they said the same thing about Europe? Where is it going to end?

Mr. ANTHONY. We don't agree that we are going to win friends and influence people by such pieces of legislation as H. R. 1. We think that is asking an awful lot of a bill of that kind.

Senator MALONE. What effect has it had so far?

Mr. ANTHONY. We can't see that it has had a great deal of effect in either lowering the barriers to trade or preventing wars, or winning friends in a lasting way.

Senator MALONE. An oldtime contractor gave me a piece of advice one time, and the more I thought of it the better I liked it. I wasn't doing very well on a job I had, and he knew it—we all knew each other's business—he said, "How are you getting along?"

I said, "Not very well." He knew I had borrowed a lot of money from a bank.

He said, "Young fellow, I want to give you a little advice. Don't ever owe a bank anything, or if you do, owe them so much that you will be the boss."

Now on the Senate floor and other places I have said that finally we will get so involved with the nations of the world that we will become too dependent—like we are now with manganese from India, and we don't need manganese from India any more than we need coals from Siberia. But we are dependent on it, and we couldn't get a pound of it in time of allout war, and we couldn't make a pound of steel without it.

So one by one these things have come about. Finally we will be in such a position that they can blackmail us into anything in peacetime, and we couldn't defend ourselves in a war.

That has been the objective of the foreign nations in GATT, the ITO, International Materials Conference, and every other trick organization for 21 years, all made possible by the 1934 Trade Agreements Act. And we fall for it.

Do you have any comment on that statement?

Mr. ANTHONY. That is the reason why we say here that we should maintain all industries that we think potentially, as well as presently, are essential to defense, because with the technological changes today you can't tell what industry may be important a week, a year, 10 years from now.

Senator MALONE. What do you think is the importance of maintaining our economic structure, that point alone?

Mr. ANTHONY. Well, I think that is highly important. It depends on what kind of a country we want to live in.

If we want to have a country with narrow job opportunities and specialize in a few industries, that is all right, if that is the kind of a country you like. But I think the country that we envisioned when we started was a country that had wider opportunities, varied types of employment.

It started that way and it worked, and I don't think it is right to upset the applecart at this stage of the game.

Senator MALONE. Wasn't that exactly the objective of a principle in the tariff on the basis of fair and reasonable competition on any product that can be produced here in any volume so that it gave the opportunity for the development of the whole country? Of course, 50 or 60 percent of the products have never had a tariff.

Mr. ANTHONY. That was the purpose of it in the beginning.

Senator MALONE. And certainly nobody could say that we had better have it preserved in New Jersey, they can do it cheaper in New Jersey than they can in California or some other seaport State. They let these people that are in industries survive where they could, as far as domestic industries are concerned, and they put them on an even basis through a duty with competition from foreign low-cost labor; did they not?

Mr. ANTHONY. That is what we believe, too, that there should be fair competition as to the imported goods and our own.

Senator MALONE. At least, give the American workingman and the American investor an even break in his own market; is that it?

Mr. ANTHONY. That is right, Senator.

Senator MALONE. And in reading carefully again the 1930 Tariff Act, if it were carried out perfectly, that is all it would give you; isn't it?

Mr. ANTHONY. The Tariff Act, plus the flexible provisions of it, ought to take care of the changes as they come along.

Senator MALONE. Take care of the changes that come along, but never would Americans have more than an even break in their own market under the Tariff Act.

Mr. ANTHONY. That is right. And they would still have to meet the domestic competition.

Senator MALONE. Meet the domestic competition, but meet the foreign competition on an even break?

Mr. ANTHONY. That is right, they would be competing both ways.

Senator MALONE. That is right.

Mr. Chairman, I think that is all.

(The following letter was subsequently received for the record:)

THE AMERICAN TARIFF LEAGUE, INC.,
New York, N. Y., March 25, 1955.

HON. HARRY FLOOD BYRD,
Chairman, Committee on Finance,
United States Senate, Senate Office Building,
Washington, D. C.

MY DEAR SENATOR BYRD: In view of your publicly expressed interest in the interrelationship among H. R. 1, the revised General Agreement on Tariffs and Trade (GATT) and the proposed Organization for Trade Cooperation (OTC), we would like to bring to your committee's attention the results of our preliminary study of these documents.

Our conclusion is that there is not only a definite interrelationship among them, but that the language of H. R. 1 is so drawn as to implement, for the United States, the revised provisions of GATT, and, since OTC is expected to administer and enforce GATT, of OTC as well.

Of prime importance is the fact that the revised GATT, already signed on behalf of the United States and which the President apparently does not expect to refer to Congress for ratification, can continue to function on its own even if OTC is not ratified by congressional action, as proposed. OTC, if made effective, would take over the administrative and enforcement features of GATT now performed by the contracting parties, but until OTC did become operative the contracting parties could continue to administer GATT in its present or in its revised form.

The new provisions of GATT give the contracting parties wider scope and tighter powers of administration and enforcement than at present. In the revised GATT the objectives, at present in the preamble, are transferred into the body of the agreement, as article I, and a new objective is added.

The present preamble reads:

"Recognizing that their relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, developing the full use of the resources of the world in expanding the production and exchange of goods.

"Being desirous of contributing to these objectives by entering into reciprocal and mutually advantageous arrangements directed to the substantial reduction of tariffs and other barriers to trade and to the elimination of discriminatory treatment in international commerce,

"Have through their Representatives agreed as follows:"

Revised article I reads (italic language is new):

"OBJECTIVES

"1. The contracting parties recognize that their relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods, *and promoting the progressive development of the economies of all the contracting parties.*

"2. The contracting parties desire to contribute to these objectives through this Agreement by entering into reciprocal and mutually advantageous arrangements directed to the substantial reduction of tariffs and other barriers to trade and to the elimination of discriminatory treatment in international commerce."

The revised GATT objectives are thus wider than the present ones and, in our opinion, embody even more than before the concept of planned economy on a worldwide scale, under the theory that the world should be organized into specialized, interdependent areas of production.

The present GATT recognizes, by preamble, the desire for substantial reduction of tariffs and incorporates the schedules of such tariff concessions as are negotiated. However, there is no provision in the present body of GATT making such negotiations an obligation of a member, or providing for their sponsorship and conduct.

The revised GATT, by adding a new article, XXVIII bis, "Tariff Negotiations," makes member countries recognize the "great importance" of such negotiations, including "the participation of all contracting parties which conduct a substantial proportion of their external trade with one another," which language is descriptive of the United States; provides for the sponsorship and conduct of tariff negotiations; and sets forth the kinds and scope of reductions intended.

New Article XXVIII b is as follows:

"TARIFF NEGOTIATIONS

"1. The contracting parties recognize that customs duties often constitute serious obstacles to trade; thus negotiations on a reciprocal and mutually advantageous basis, directed to the substantial reduction of the general level of tariffs and other charges on imports and exports and in particular to the reduction of such high tariffs as discourage the importation even of minimum quantities, and conducted with due regard to the objectives of this Agreement and the varying needs of individual contracting parties, are of great importance to the expansion of international trade. The CONTRACTING PARTIES may therefore sponsor such negotiations from time to time.

"2. (a) Negotiations under this Article may be carried out on a selective product-by-product basis or by the application of such multilateral procedures as may be accepted by the contracting parties concerned. Such negotiations may be directed towards the reduction of duties, the binding of duties at then existing levels or undertakings that individual duties or the average duties on specified categories of products shall not exceed specified levels. The binding against increase of low duties or of duty-free treatment shall, in principle, be recognized as a concession equivalent in value to the reduction of high duties.

"(b) The contracting parties recognize that in general the success of multilateral negotiations would depend on the participation of all contracting parties which conduct a substantial proportion of their external trade with one another.

"3. Negotiations shall be conducted on a basis which affords adequate opportunity to take into account:

"(a) the needs of individual contracting parties and individual industries;

"(b) the needs of less-developed countries for a more flexible use of tariff protection to assist their economic development and the special needs of these countries to maintain tariffs for revenue purposes; and

"(c) all other relevant circumstances, including the fiscal, developmental, strategic and other needs of the contracting parties concerned."

The question here is whether this new provision is tantamount to an obligation on the United States, as a signatory country, to participate in any negotiations looking to a "substantial reduction of the general level of tariffs." If it is, then failure of the United States to participate, and perhaps to substantially reduce its tariff level, would make it subject to sanctions, and possibly punitive action, under GATT Article XXIII, which permits any country to start retaliatory proceedings by charging "the failure of another contracting party to carry out its obligations under this Agreement * * *"

If OTC were adopted the enforcement of sanctions would be even more formidable. Under article 3 of OTC an express function is "to sponsor international trade negotiations." In article 10, OTC is given legal personality and capacity in the territory of members which may clothe it with power to enforce sanctions ordered by the OTC Assembly, where the United States would have one vote (art. 8).

In our opinion H. R. 1 would implement the provisions of new GATT Article XXVIII bis. H. R. 1 provides for reducing United States 1945 duties by one-half if the items covered are "imported into the United States in negligible quantities," and for reducing to 50 percent any tariffs above that figure. Article XXVIII bis calls for the substantial reduction of "the general level of tariffs" and, in particular, for "reduction of such high tariffs as discourage the importation even of minimum quantities * * *."

H. R. 1 would permit the President, in negotiating tariff reductions, to avoid "the subdivision of classification categories." Article XXVIII bis provides that negotiations may be directed toward "undertakings that individual duties or the average duties on specified categories of products shall not exceed specified levels." The effect would be to permit reductions on a category, rather than on an item-by-item, basis.

GATT is now being applied by the United States and other countries on a provisional basis. It provides for its definitive acceptance by requiring each signatory country to "deposit an instrument of acceptance" with the Secretary General of the United Nations. The method of acceptance in each signatory country is not, of course, provided.

If, as the State Department contends, the Trade Agreements Act and its extensions are the authority for the present application of GATT by the United States, by Executive agreement without congressional ratification, it would seem that a similar claim of authority could be made for definitive acceptance of the revised GATT by Executive agreement only.

The present law grants the President the authority "to enter into foreign trade agreements with foreign governments or instrumentalities thereof * * *." The question is whether the words "foreign trade agreements" cover such an extensive instrument as GATT. There must have been doubts on this score because the drafters of H. R. 1, in proposing to amend this basic authority, have added words descriptive of GATT, as follows:

> "(A) To enter into foreign trade agreements with foreign governments or instrumentalities thereof containing provisions with respect to international trade, including provisions relating to tariffs, to most-favored-nation standards and other standards of nondiscriminatory treatment affecting such trade, to quantitative import and export restrictions, to customs formalities, and to other matters relating to such trade designed to promote the purpose of this section similar to any of the foregoing:"

It is our belief that H. R. 1, if enacted, with this language included, would be used as authority for definitive acceptance of the revised GATT by Executive agreement without further reference to Congress.

Further study might reveal other relationships among H. R. 1, the revised GATT and OTC. The above are those which seem apparent from a preliminary study of the voluminous documents released by the State Department late March 21.

Respectfully yours,

RICHARD H. ANTHONY, *Executive Secretary.*

Senator BENNETT (now presiding). Thank you very much, Mr. Anthony.

Mr. Wootton, of the Wine Institute.

STATEMENT OF EDWARD W. WOOTTON, WINE INSTITUTE AND OTHER UNITED STATES WINE ASSOCIATIONS

Mr. WOOTTON. Mr. Chairman and gentlemen of the committee, my name is Edward W. Wootton. I am manager of the Wine Institute Washington office, located at 1100 National Press Building, Washington, D. C.

Wine Institute is the trade association for the California wine industry, with its prncipal offices at 717 Market Street, San Francisco. California wine growing accounts for about 85 percent of United States wine, and is one of the basic agricultural crops of the State.

This statement supplements the testimony we gave before the Committee on Ways and Means on behalf of 20 wine associations, representing about 95 percent of United States production. The names of these associations are attached as appendix A.

I. General: The bill before this committee contains provisions not included in previous extensions of the Trade Agreements Act. Two new features have been added. The first is subparagraph (A), on pages 2 and 3 of the bill, which confers upon the President the broadest possible powers in international negotiation in all trade matters. The second is the provision that the passage of this bill shall not be considered an approval by the Congress of the organizational provisions of GATT, now being renegotiated at Geneva, among some three dozen nations; in view of the terms of subparagraph (A), the implication here is clear that this bill, if enacted, constitutes a ratification by the Congress, in advance, of all substantive provisions of any international trade agreements that the executive branch may make with other governments.

From this arrangement necessarily follow certain probable or possible results which we wish to call to the attention of the committee.

II. Existing legislation: When this bill was introduced to the House of Representatives it was so worded that these preratified international agreements would have superseded both existing and future legislation. The Committee on Ways and Means amended subparagraph (A) so that this broad power would not supersede "existing legislation," and in that form the bill is now before you.

The words "existing legislation" are, however, to some extent ambiguous in that they do not make clear whether they apply merely to the specific wording of a statute, or whether they also apply to the administration of a particular statute and its interpretation by executive agencies and by the courts.

Much modern Federal legislation cedes to administrative agencies, in the executive branch of the Government, a broad discretion in filling in the details of a statute. This discretion may be exercised as a matter of interpretation, or by way of framing regulations. Also, in the judicial interpretation of such statutes there arises a very serious question as to the effect of an international agreement, or the interpretation of such an international agreement by the State Department, upon the actual working of a statute which was framed without any international agreement in mind.

We respectfully suggest that there be added to the first proviso to subparagraph (A) at line 11 on page 3 of the bill, language along the following lines:

, nor shall any administrative interpretation, decision or regulation, nor any judicial interpretation or decision, under such existing legislation, be based on the terms of any provision in any agreement entered into under the authorization contained in this subparagraph.

The foregoing suggestion is not made idly. In the Habana Charter for an International Trade Organization, in 1948, there was contained a provision with regard to international protection of "marks of origin," the text of which is attached as appendix B.

Many European countries place an entirely different significance on terms of geographic origin than is done in this country or in other non-European countries populated by peoples of European stock. In these latter countries, certain descriptive terms for different types or styles of product have been incorporated into their own customs and language without these terms being considered as having any particular geographical significance. In this country this is true with regard to a number of generic or semigeneric names for wine that are recognized by the Internal Revenue Service under the Federal Alcohol Administration Act. A similar situation exists with regard to the names of certain types of cheese in standards established under the Federal Food, Drugs, and Cosmetics Act.

Our point here is that none of these customary practices, relating to domestic production and marketing, are specifically spelled out in the statute. They all stem from decisions of administrative agencies based on evidence of local custom and usage.

We do not think that the House of Representatives intended these decisions to be disturbed. However, if this is not made clear in the bill there may be much needless litigation. There may also be considerable pressure by some foreign governments upon our own State Department to secure an administrative reversal of these decisions, based either on the express wording of these preratified international agreements, or upon the interpretation put on the wording of these agreements by a majority of the three dozen contracting nations.

Judicial interpretation of Federal statutes is also involved. In the last few years there have been several cases in the lower courts where litigation was based on the notion that certain provisions of the United Nations Charter ought to change previous judicial interpretations of statute. It is my understanding that in some cases the lower courts agreed. In any event, the legislation before this committee should be clarified on this point.

We believe that the amendment we have proposed is in line with the intention of the House of Representatives and should not be a matter of controversy.

III. Future legislation: The bill ties the hands of Congress on future legislation to the extent that any substantive provisions entered into by the Executive in a foreign trade agreement may very well restrict the area within which Congress may act without causing a breach of the agreement. We believe the committee is fully aware of this problem and do not wish to elaborate on it.

We are particularly concerned, however, with whether the new substantive provisions of GATT will restrict the area in which quotas may be used in future legislation or in future administrative action.

Related to the problem of injury to American industry from competitive imports, quotas serve a very useful and valid purpose. Import competition is not merely a question of low price levels. It is also a question of the volume of merchandise coming in at those levels. If the only remedy available is an upward adjustment of duty rate, a high rate might very well act as a complete embargo to foreign goods, preventing any entry of these goods at all. With a quota, however, the actual duty rate can be left at a reasonable level coupled with some reasonable limitation on the volume, so that the foreign country can maintain a market position here without at the same time injuring our own people.

In our own case, from what I have seen of the valuation and volume data on wines from different foreign countries, I believe that a combination of quota and duty rate would be the only way of working out a result that would be equally fair to American industry and also to foreign shippers who have a traditional market in this country which we have no desire to disturb.

In existing legislation, quotas are recognized in section 22 of the Agricultural Adjustment Act. They are recognized in the escape clause, and they are also the basis of the Sugar Act. The question of quotas on oil imports has been a controversial one. A Cabinet committee has just recently recommended that certain quotas be tried on oil imports on a voluntary basis. The situation is apparently a complicated one, however, and might call for special legislation somewhat similar in purpose to the Sugar Act. There might be other similar situations arising in the future.

A Reuter's dispatch from Geneva, dated March 7, 1955, and attached as appendix C, states that the contracting parties to GATT have finally agreed to allow the United States to use the quota provisions of Section 22 of the Agricultural Adjustment Act, but have authorized the other nations to demand compensation in the event we do use these provisions.

All this would seem to indicate that the use of quotas by the United States under GATT is going to be pretty well limited, and that their administrative application will be made just as difficult as possible by the pressure of foreign governments seeking compensation for their use.

IV. Escape clause: Our industry has never opposed progressive reduction of tariffs as such.

There is a clear distinction in our minds, however, between an artificial or unnecessary tariff structure on the one hand, and those tariff provisions necessary to prevent American industry producing for the home markets from being seriously injured by competitive imports from lower living standard countries.

It is true that some American industries, of a mass-production type, are in a safe position as regards foreign imports for the time being. It is also true that a few large agricultural industries, operating under price supports and protected by section 22 of the Agricultural Adjustment Act, are currently in a safe position.

This favored situation does not, however, exist for other American industries that are vulnerable to import competition, such as ours. Foreign wine-producing countries are largely in a surplus position (the surplus in France and Spain alone, being approximately five times total American production), and their wage rates are from one-quarter to one-eighth of ours. The previously lowered tariffs have permitted, in the last several years, the shipment of increasing quantities of low-priced foreign wines causing loss of market in many areas for our better-grade California wines.

Accordingly we believe it is absolutely necessary that existing tariff legislation be amended so as to make the escape clause (which is not now binding on the Executive) a matter of positive law specifically required by statute to be observed by the executive branch of the Government.

In the House of Representatives, we supported Mr. Reed's amendment to H. R. 1 which would have required this result as a matter of law in all cases (except those involving the national security) where a majority of the Tariff Commission found injury to an American industry to be a fact. Since the Commission has 6 members, this would have meant that any industry would have had to convince 4 of the Tariff Commissioners. In such cases it seemed to us wholly reasonable, and not too much to ask, that the findings of the Commission should be honored.

In a government that has historically and constitutionally been a government of laws and not of men, it is indeed strange to find that, in an area involving so fundamental and serious a question as injury to American industry, there exists no law at all. Personal judgments by the executive branch, subject to no standard of conduct laid down by Congress, are not consistent with our method of government.

We hope that the committee will favorably consider and report an amendment to the existing escape clause which will make certain that the question of injury will be determined in all cases, and at all levels of decision, in accordance with an exact standard of conduct outlined by the Congress. We also hope that this amendment will make it clear that the decision must be based on evidence pertinent to the question of injury alone. Except in cases involving the national security, final decisions under the escape clause should not, in our opinion, be based on any collateral considerations whatsoever.

V. Collateral considerations in injury cases: The failure of the executive to recognize injury in two-thirds of the cases that have been sent to it by the Tariff Commission has created a feeling that these executive decisions are actually based on considerations having nothing to do with the question of injury as such. Usually this has been expressed as a feeling that diplomatic considerations are more important to the State Department than the interest of home industries here in the United States.

However, I think there is one very real collateral consideration that has not received much attention. This involves the nature of the concessions we have been obtaining from foreign governments for our export industries. Under article XIX of GATT our right to withdraw or modify a concession because of injury to our home industries is recognized. But this right is coupled with the right, in turn, of the other contracting parties with whom we made the agreement to withdraw their own concessions or to demand other concessions from us in compensation. This procedure obviously subjects the State Department to pressures not only from foreign governments but also to pressures from our own export industries.

A recent example involved the bilateral agreement with Switzerland and the President's decision in the Swiss watch case. As a result of the compensation feature of the agreement, we were treated to the amazing spectacle last autumn of two gentlemen running for

Congress in the tobacco district of eastern Maryland on the issue whether the American watch industry in Illinois was really being hurt or not. The reason is clear. Immediately on the announcement of the decision in the Swiss Watch case, the Swiss threatened to withdraw concessions they had granted on tobacco.

Now Switzerland, so far as we know grows no tobacco and has no home industry to protect or be injured. In such cases we cannot understand why our negotiators should have obtained a concession that immediately becomes worthless the minute our Government tries to do something that is right and necessary for one of our home industries.

When the State Department held hearings on GATT last September, we testified against the procedure of allowing retaliation or compensation in such cases. We suggested to them that, instead of working for individual concessions on indvidual commodities, they would better serve our exporters, as well as our home industries, by trying to secure a general agreement among the contracting parties not to use tariff restrictions at all, except for the purpose of protecting their own home industries from injury and perhaps such other obvious reasons as raising revenue in countries where customs duties are traditionally the main source of income. We made a specific suggestion on this subject, the text of which is attached as appendix D.

However, it would appear that our negotiators at Geneva are not proceeding along those lines. The Reuter's dispatch, previously referred to, indicates that compensation or retaliation is still being used to qualify our rights to take steps to prevent injury to home industries.

In view of this apparent course of events, we think it is doubly necessary for the escape-clause provisions in the present law to be strengthened along the lines previously indicated.

We appreciate very much this opportunity to appear before you.

Mr. Chairman, could the appendixes be made part of the record?

Senator BENNETT. Yes. Without objection the appendixes will be made part of the record. It will be placed at the end of Mr. Wootton's statement.

(The appendixes follow:)

APPENDIX A

LIST OF UNITED STATES WINE ASSOCIATIONS ASKING MODIFICATION OF H. R. 1

American Wine Association
Associated Vintners of the Middle West.
Bottle Fermented Champagne Producers, Inc.
Council Bluffs Grape Growers Association
Finger Lakes Wine Growers Association
Maryland Institute of Wine & Spirits Distributors, Inc.
Michigan Wine Institute
National Wine Association
New Jersey Wine Association
North Carolina Association for Wine Control
Ohio Fruit Growers Cooperative Association, Inc.
Ohio Grape Growers and Vintners
Ohio Wine Dealers Association
Texas Wine Association
Vermouth Institute, Inc.
Washington Wine Council
Wine Association of Florida, Inc.
Wine Association of Pennsylvania
Wine Distributors of Northern California
Wine Institute

APPENDIX B

[Excerpt from "Havana Charter for an International Trade Organization—March 24, 1948"].

ARTICLE 37. MARKS OF ORIGIN

7. The members shall cooperate with each other directly and through the Organization with a view to preventing the use of trade names in such manner as to misrepresent the true origin of a product, to the detriment of the distinctive regional or geographical names of products of a member country which are protected by the legislation of such country. Each member shall accord full and sympathetic consideration to such requests or representations as may be made by any other member regarding the application of the undertaking set forth in the preceding sentence to names of products which have been communicated to it by the other member. The Organization may recommend a conference of interested members on this subject.

APPENDIX C

GATT RENEWS UNITED STATES CURBS ON FOOD IMPORTS

GENEVA, March 7 (Reuters).—The 34 member nations of the General Agreement on Tariffs and Trade have granted permission for the United States to continue to impose quantitative restrictions on certain agricultural imports, it was learned here today.

But the members also gave other countries permission to retaliate and seek compensation if affected by the restrictions, which are contained in section 22 of the United States Agricultural Adjustment Act. * * *

The United States is understood to have assured GATT that it will end any restrictions under the act as soon as they are are no longer needed, and consult with interested countries before taking further action. * * *

APPENDIX D

PROPOSED AMENDMENT FOR REVISED GATT

1. Each contracting party agrees, through its own appropriate legislative or administrative action, to accord a fair competitive status in its own internal markets to the products of the other contracting parties. Such fair competitive status shall be deemed to exist in the authorization of entry and sale of imported products to the maximum extent consistent with such legislative or administrative determinations, made in good faith, as may appear to each contracting party to be necessary to prevent or to remedy any materially adverse effect upon its own domestic industry, agriculture, or labor arising from the importation and sale of competitive products.

2. Each contracting party agrees to accord to the nationals of the other contracting parties the same right of access and participation, in the formulation of administrative or judicial determinations under paragraph 1, that it accords to its own nationals.

3. The provisions of this article shall not apply to measures taken in good faith by any contracting party for any of the following purposes: (i) measures taken in defense of the national security; (ii) measures taken to protect the national currency or to protect the national financial reserves; or (iii) measures taken to maintain the national revenue through imposition of duties to the extent that other methods of maintaining the revenue are deemed impractical. In cases where measures are taken under this paragraph by any contracting party, such contracting party shall advise the other contracting parties as to the necessity for the measures and shall, if possible, give reasonable notice before putting the measures into effect.

Senator BENNETT. Any questions, Senator Malone?

Senator MALONE. I am not clear about your testimony. Are you opposed to the extension of the 1934 agreement?

Mr. Wootton. We are opposed to the extension proposed in this bill.

Senator Malone. If you could get some concessions, would you be in favor of extending it?

Mr. Wootton. An amendment protecting our Pacific industry? No.

Senator Malone. If you could get your amendment in the bill, are you in favor of the extension?

Mr. Wootton. Not as permanent legislation; no. The bill is a hodgepodge. It is not good permanent legislation.

Senator Malone. Nothing proposed here is permanent legislation. You know what happens if you don't extend it. You have heard it 5 or 6 times today. You go back to the fair and reasonable cost basis of determining the duties. Now, is that what you want, or do you want this thing so that one man in the United States of America can determine what is good for America?

Mr. Wootton. We very definitely don't approve of the procedure you are talking about, sir.

Senator Malone. Are you for this bill if you could get your amendment in? Do you want it?

Mr. Wootton. I think it would take care in large part of that problem, sir. It would not take care of all of it.

Senator Malone. Are you in favor of the principle?

Mr. Wootton. Of a reasonable and fair competition? Yes, sir.

Senator Malone. I am talking now about the principle of this bill. If you can fix it up a little, would you still leave it in the hands of the Cabinet or the President or wherever it rests—there seems to be some doubt about who is making these decisions—where it is taken out of the hands of the Congress, so that unless we take up a certain grade of wine or a certain grade of cloth, in a special bill introduced on the floor and passed, Congress has no authority to judge the equity of the decision the President makes. Is that what you want? Do you want this bill extended? I don't understand any industry who comes in here and leaves us all in doubt.

Mr. Wootton. We don't want any legislation which permits tariffs and the question of the economy of the country to be settled otherwise than under rules laid down by Congress

Senator Malone. That is just the way it is being settled now under rules laid down by Congress.

Mr. Wootton. I mean rules abiding on the Executive, Senator.

Senator Malone. The President could do anything with it he wants to.

Mr. Wootton. There are no rules now, really.

Senator Malone. Do you have any idea that any amendments that you have suggested here today could operate to prevent injury to industry when we have changed the policy from a fair and reasonable competitive basis of doing business with the chief competitive foreign nation on each product with a duty that equals that difference and gives the American workingman and investor an equal access but no advantage of the markets? We have changed that to the basis of what is good for the whole economy in the judgment of a Cabinet officer or a President and if there were any international problems that need to be cured, we can contribute a little to that.

Mr. Wootton. We don't believe in that, sir.

Senator MALONE. Then how do you believe in the bill if you don't?

Mr. WOOTTON. I didn't exactly say I believe in the bill. I said we are opposed to it, and we don't think it is permanent legislation.

Senator MALONE. You are opposed to the bill.

Mr. WOOTTON. Yes.

Senator MALONE. And you don't like to see it extended?

Mr. WOOTTON. No. We actually don't.

Senator MALONE. If it is passed we are left with no protection on the existing escape clause. You have no protection now with the escape clause, do you?

Mr. WOOTTON. No. And we want that corrected.

Senator MALONE. How are you going to get that corrected if you extend this?

Mr. WOOTTON. We want that corrected.

Senator MALONE. There are a thousand ways you can evade that if you leave it in the hands of one man. Now, if you start the procedure by allowing this to expire, which is the first step, then the President without any doubt can be persuaded to cancel any agreement under his own authority if Congress didn't want it. Or we could take it up in Congress as a special bill if he didn't.

Mr. WOOTTON. That would be all right.

Senator MALONE. Well, we have the authority to do that, but we would have to do it with a special bill. Are you in favor of this bill being extended under any consideration?

Mr. WOOTTON. I honestly think we are opposed to the bill because of its effects on the economy.

Senator MALONE. You say you are opposed to the bill?

Mr. WOOTTON. That is right.

Senator MALONE. Under any conditions, changing the principle as it has from the fair and reasonable and competitive principle?

Mr. WOOTTON. I agree with that, sir.

Senator MALONE. All right. That took quite a bit of time but it was very satisfactory.

Are you in favor, then—and I presume you are if the bill is not extended—of letting all these trick organizations withdraw from the pot, and fall on their faces. Is that what you are in favor of?

Mr. WOOTTON. No, I don't think any of those agreements should be made without their approval by Congress.

Senator MALONE. You misunderstood my question. If we do not extend this act we don't sit down at Geneva and put our markets in the pot. Therefore, there is no game. And that is the last you would hear of the general agreement on trade in Paris, or of the United Nations getting into the play, or the IMC, or of the State Department because they are no longer in the game. It goes back to the Constitution of the United States. That is what you are in favor of?

Mr. WOOTTON. That is right.

Senator MALONE. Mr. Chairman, I have no other questions.

Senator BENNETT. May the Chair be permitted to observe that you have a good example before you?

(Additional statement subsequently submitted.)

MEMORANDUM ON H. R. 1 AND GATT, AND ON THE ESCAPE CLAUSE

H. R. 1 is pending before the Senate Committee on Finance. The chairman, Senator Byrd, of Virginia, indicated at the close of the public portion of the hearings, March 23, 1955, that the committee wished to consider in executive session all provisions entered into by the State Department in connection with the General Agreement on Tariffs and Trade (GATT).

The documents signed at Geneva on March 21, 1955, by Assistant Secretary of State Waugh apparently consist of the following: (i) A document establishing the new Organization for Trade Cooperation (OTC); (ii) a new protocol to GATT containing substantial amendments; (iii) another new protocol to GATT containing further substantial amendments; and (iv) a so-called waiver, permitting the United States to put in force section 22 of the Agricultural Adjustment Act, any provision of GATT to the contrary notwithstanding.

I. H. R. 1 AND GATT

GATT consists of the original GATT of 1947, as previously amended, and as now further amended by the two protocols of March 21, 1955. It constitutes a group of so-called trade rules adhered to by 34 contracting nations, including the United States. It is an Executive international agreement which Congress has heretofore refused either to approve or disapprove—in other words, Congress has, up to the present time, refused to consider itself bound in any way by this Executive international agreement.

OTC is a separate document from GATT itself. It establishes an organization for the administration of GATT, including an assembly composed of the 34 contracting nations, each having 1 vote. OTC is an organization that will administer and interpret GATT and, acting in a quasi-judicial capacity, determine whether individual nations have committed violations of the GATT trade rules.

H. R. 1, in general arrangement, is somewhat similar to previous extensions of the Reciprocal Trade Agreements Act. It contains, however, two absolutely new provisions. The first is subparagraph (A) on pages 2–3 of the bill, which confers upon the President the broadest possible powers in international negotiations in all trade matters. The second is a provision to the effect that the passage of H. R. 1 shall not be considered congressional approval of the organizational provisions of GATT (i. e., shall not be considered congressional approval of OTC)—thereby clearly signifying that the passage of H. R. 1 would definitely constitute congressional approval of the substantive provisions of GATT (i. e., the GATT trade rules themselves). The text of these new provisions is attached as appendix A, consisting of subparagraph (A) and its two provisos.

It is clear that if H. R. 1 is passed containing the language in appendix A, H. R. 1 will then be a congressional ratification of GATT itself (i. e., the trade rules). It is also clear that Congress will, in addition, have bound itself in advance, and made itself a party to, all amendments in the GATT trade rules that may be made at any time in the future, regardless of their nature.

Thus, passage of H. R. 1, as now written, means that the Congress would accept the current provisions of the GATT trade rules as binding it against any future legislation it may wish to pass that might be inconsistent with those trade rules. It also means that Congress will have bound itself to accept any further limitations on its legislative authority that may in the future be arranged by the Executive with the other contracting nations. The passage of H. R. 1 in its present form will thus require, both currently and in the future, that the congressional responsibility for the control of foreign commerce must be exercised within boundaries laid down, or to be laid down, by the Executive.

On top of this, if Congress also approves OTC, it means that Congress and the Executive together will have bound themselves to accept the judgment of a majority of the 34 contracting nations on all questions involving administration, interpretation, and decision under the GATT trade rules.

The potentialities of such an arrangement are obvious. What could happen in the future is, of course, unpredictable. But an insight can be obtained from the current situation with regard to quotas.

GATT has always contained provisions against the use of quotas, and it is understood that these have been further tightened in the protocols of March 21, 1955, so that, for all practical purposes, quotas are completely prohibited with certain exceptions not pertinent here. This is clearly the reason why the American delegation at Geneva had to obtain the so-called waiver, previously referred to, from the other contracting parties in order to permit the United States to put in force the provisions of section 22 of the Agricultural Adjustment Act (import quotas for agricultural products competing with American agricultural products under marketing program). But this "waiver" does not cover any present or future United States legislation dealing with legitimate use of quotas for other commodities.

For example, we have for quite a number of years, under the Sugar Act, utilized the quota principle to work out an equitable deal for all parties concerned with offshore and continental cane and beet sugar. This act apparently has worked rather well considering the rather complicated problems to be solved. A somewhat similar situation seems to be developing with regard to oil. But if Congress approves either H. R. 1 or OTC, or both, it will find that it will not be able to pass oil legislation comparable to the Sugar Act, unless it first obtains a waiver from the contracting parties to GATT.

Entirely aside from the question whether Congress wishes to, or can, so bind itself, the question of obtaining waivers raises the very practical question as to what compensation would be exacted by the other contracting parties in return for their concurrence.

The questions here discussed were not considered by the House. They represent some of the most serious questions that have ever been offered for consideration in the Congress.

II. THE ESCAPE CLAUSE

Apart from any special legislation such as section 22 of the Agricultural Adjustment Act, the escape clause is the only statutory vehicle affording relief to American industry or agriculture seriously injured by competitive imports. Its proper working, therefore, is a basic and fundamental element in United States economic and legislative policy.

The escape clause is not, however, binding on Executive. Of 15 cases so far referred by the Tariff Commission to the President, in two-thirds of them relief has been denied. In this area there is no law at all, and the Executive is bound by no standard of conduct laid down by the Congress. These decisions of the Executive are merely personal judgments "in the national interest." These personal decisions appear to be based on one or more of the following considerations: (i) Diplomatic considerations having nothing to do with foreign trade as such; (ii) disagreement with the Tariff Commission on what constitutes "serious injury," even though the Tariff Commissison, in making its findings, has followed the rules on this point laid down by Congress; (iii) the political pressures asserted by foreign governments acting as agents in trade matters for their own exporters; (iv) political pressures exerted by our own exporting industries who are afraid that, if a tariff adjustment is made for an American industry to protect it against serious injury from competitive imports, the foreign government may withdraw a concession pertaining to their own export commodity (under GATT the foreign government has the right to do this, even though no injury to itself was involved in granting the concession in the first place).

H. R. 1 contains no provision correcting this situation, and it is proposed to continue the existing situation without change.

It is obvious that this grant of personal power to the Executive permits the Executive to control and shift the economics of American industry and agriculture in any manner that may seem to it desirable.

No such permanent grant of unchecked power has existed in the history of our governmental institutions since the Star Chamber was abolished in 1641. There the King's counselors ruled "in the national interest," unchecked by law or ancient custom. The National Industrial Recovery Act is only an apparent exception. It was concededly an emergency measure. The ruling on its unconstitutionality was greeted with general relief, and Congress proceeded to enact specific legislation on portions of the program worth saving, but in a manner meeting the basic constitutional requirement that delegation to the Executive of the constitutional responsibilities of the Congress must be under a clear standard of conduct laid down by the Congress and binding upon the Executive.

In connection with H. R. 1, an attempt was made in the House to make the escape clause binding upon the Executive. The amendment failed only by the narrowest of margins and then only, according to press reports, after the strongest pressures were brought to bear. The conscience of the House was clearly in favor of an amendment of this nature.

III. SUGGESTIONS

The situation created by the offering of H. R. 1 in the form in which it has been offered, coupled with the proposed method of handling the GATT situation, has created difficulties that should not have been allowed to arise.

It cannot be said that the architects of this program were unaware of these difficulties. The points discussed here were fully brought out in the testimony before the Randall Commission. Later on, last September, the American delegation, before it went to Geneva, held public hearings on GATT and there all these points were fully testified to. Again, the testimony before the Committee on Ways and Means in the earlier part of this year was fully available before the final agreements were reached at Geneva in March.

The whole pattern in this affair indicates a persistent blindness to certain perfectly legitimate and compelling considerations because of their inconsistency with a preconceived and doctrinaire approach to foreign trade policy. The overall objectives of the Government's general program could have been perfectly well obtained without raising any of the questions discussed in this memorandum.

To put things back on an even keel, the following suggestions are respectfully made:

(1) Delete from H. R. 1 the language at pages 2-3 of the bill appearing in appendix A to this memorandum. Substitute in its place a declaration that Congress neither approves nor disapproves, in H. R. 1, any of the provisions of GATT or of OTC.

(2) When OTC is submitted as separate legislation, it should in no case be approved unless there is inserted an express reservation of the complete freedom of the United States with regard to all existing and future legislation on trade matters. The language of this reservation should make it clear that this freedom of action is reserved also with regard to judicial interpretations and decisions, and administrative interpretations, decisions, and regulations, under any such existing or future legislation of the United States.

(3) Amend existing law with regard to the escape clause so as to provide that the escape clause shall be binding in all cases upon the executive. The only possible exception to this should be in cases where the national security would be immediately and genuinely jeopardized.

Other minor amendments to H. R. 1 may suggest themselves, but they are not discussed in this memorandum.

EDWARD W. WOOTON, *Wine Institute.*

WASHINGTON, D. C., *March 25, 1955.*

APPENDIX A

"(A) To enter into foreign trade agreements with foreign governments or instrumentalities thereof containing provisions with respect to international trade, including provisions relating to tariffs, to most-favored-nation standards and other standards of nondiscriminatory treatment affecting such trade, to quantitative import and export restrictions, to customs formalities, and to other matters relating to such trade designed to promote the purpose of this section similar to any of the foregoing: *Provided*, That no such provision shall be given effect in the United States in a manner inconsistent with existing legislation of the United States: *Provided further*, That the enactment of the Trade Agreements Extension Act of 1955 shall not be construed to determine or indicate the approval or disapproval by the Congress of organizational provisions of any foreign trade agreement entered into under this section.

Senator BENNETT. The next witness is Mr. William Babbitt, National Association of Photographic Manufacturers. Mr. Babbitt.

You may proceed, Mr. Babbitt.

STATEMENT OF WILLIAM C. BABBITT, MANAGING DIRECTOR, NATIONAL ASSOCIATION OF PHOTOGRAPHIC MANUFACTURERS, INC.

Mr. BABBITT. Thank you, sir.

Mr. Chairman, and members of the committee, my name is William C. Babbitt.

I am managing director of the National Association of Photographic Manfuacturers with offices in New York.

This statement is presented in behalf of the American photographic manufacturing industry, as represented in the membership of the National Association of Photographic Manufacturers, Inc., whose 85 members, according to best available information, produce more than 90 percent of the dollar volume of the photographic products made in the United States.

We wish to point out, as was done in great detail by representatives of our industry appearing before the House Ways and Means Committee, that certain segments of the photographic manufacturing industry have already been seriously injured as the result of foreign competition promoted and aided by reductions which have been made in United States tariff rates.

Many tariff rates on photographic products have already been materially reduced, as shown in the following table:

TABLE I.—*Examples of reductions in duty*

	1930 rate	Present rate	Percent reduction
	Percent	*Percent*	
(1) Cameras of which lens is the component of chief value	45	25	44
(2) Still cameras valued at $10 or more each	20	15	25
(3) Film	25	6¼	75

Table II and the chart which follows it graphically show the reductions already made and the extent of further reductions which would be permissible by present law in combination with H. R. 1.

Senator BENNETT. May we put table 2 in the record without your reading it?

Mr. BABBITT. Please do so but allow me to comment on it.

Senator BENNETT. Of course.

Mr. BABBITT. In table 2 may I direct your attention particularly to the last column which shows that the percent reduction from 1930 Tariff Act rate which is possible, assuming the authority of H. R. 1 and the existing law are exercised ranging from 57 percent reduction to as great as 84½ percent reduction.

In the chart which follows you will notice that the left-hand bar shows the tariff rate of 1930.

That is the first bar of each pair.

If there is a darker shaded part in the first bar that shows the present rate.

Next to it is a darker bar, that is the right-hand bar of each pair. That is the rate which it is possible to obtain if the authority of the existing law and H. R. 1 is fully exercised.

You will notice that if this is done, there will scarcely be any rates on photographic products which are in excess of 20 percent and many of them will be below 10 percent.

(The document referred to is as follows:)

TABLE II.—*Resulting duty structure on photographic items assuming full authority of existing law and H. R. 1 is exercised*

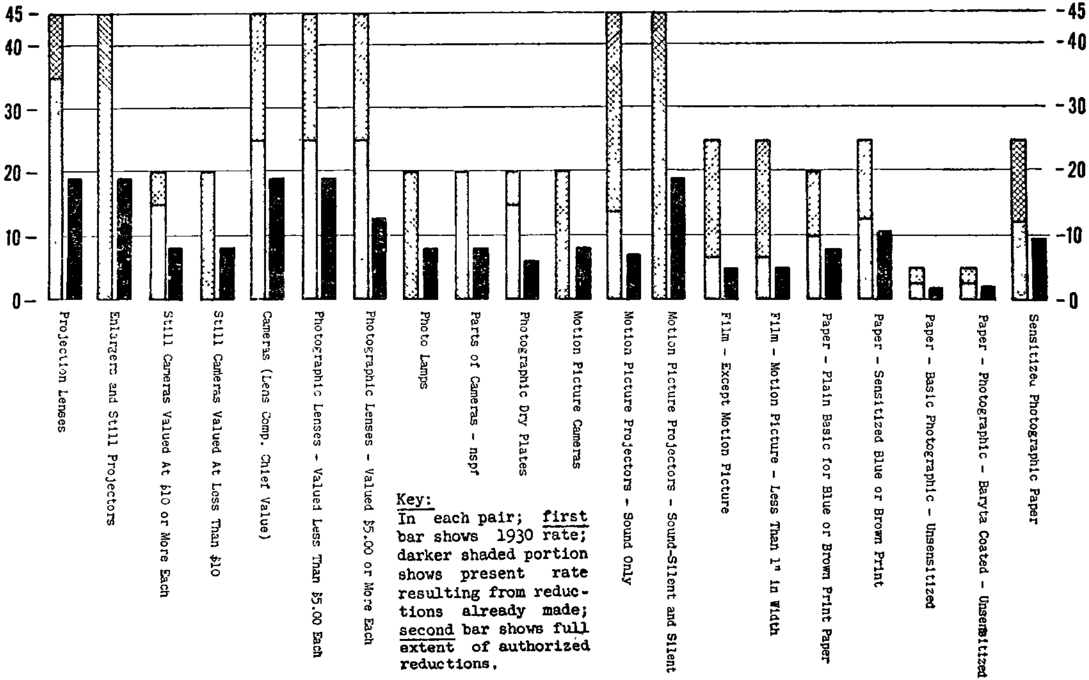
Tariff paragraph	Item	Percent tariff rate (ad valorem) as of— 1930 (1)	1945 (2)	Present (3)	Authorized level (4)	Reduction from 1930 (5)
228b	Projection lenses	45	45	35	19	57.8
	Enlarger, still projectors	45	45	45	19	57.8
	Cameras of which lens is a component of chief value	45	45	25	19	57.8
	Photographic lenses, under $5	45	45	25	19	57.8
	Photographic lenses, over $5	45	30	25	12½	72.3
229	Photo lamps	20	20	20	8	60.0
1551	Still cameras, value $10 and over	20	20	15	8	60.0
	Still cameras, value less than $10	20	20	20	8	60.0
	Camera parts [1]	20	20	20	8	60.0
	Dry plates	20	15	15	6	70.0
	Motion-picture cameras	20	20	20	8	60.0
228b	Motion-picture projectors, sound [2] only (par. 353).	45 35	45 17½	13¾	7	84.5
	Motion-picture projectors, sound-silent, and silent	45	45	45	19	57.8
1551	Film, except motion picture	25	12½	6¼	5	80.0
	Film, motion picture, less than 1 inch in width	25	12½	6¼	5	80.0
1405	Paper, plain basic	20	20	10	8	60.0
	Paper, blue or brown print	25	25	12½	10.5	58.0
	Paper, basic, unsensitized	5	5	2½	2	60.0
	Paper, Baryta coated	5	5	2½	2	60.0
	Paper, photographic	30	22½	12	9.5	68.3
		Cents	*Cents*	*Cents*		
1551	Film, motion picture over 1 inch in width (specific rate per linear-foot)	4/10	3/10	1/10	----------	75.0

[1] Other than for cameras of which lens is component of chief value.

[2] On basis of a court ruling which may or may not stand up.

Resulting Duty Structure on Photographic Items Assuming Full Authority of Existing Law and H.R. 1 is Exercised

(Ad Valorem Duties Only)



National Association of Photographic Manufacturers, Inc.

Mr. BABBITT. We believe that the principle of the reciprocal trade agreements program is sound; i. e., that United States tariffs should be reduced, on a reciprocal basis only and by agrement with other nations of the free world, that this reduction should be selective, gradual, and moderate; and that procedures should be maintained to insure that serious injury will be reduced or avoided. We are, therefore, in basic agreement with the principles and objectives of the President's foreign economic policy as presented in his January 10, 1955, message to Congress and with the major provisions of H. R. 1 and consider them to be in the national interest.

In this connection, however, we call attention to section 3 (E) of H. R. 1, and again state that we feel that no tariff rductions should be made except those which are moderate and gradual and for which reciprocal concessions are obtained by the United States.

With reference to section 2 (D) (ii), we also feel that extreme caution should be exercised with respect to the authority which it grants to suddenly reduce tariff rates by 50 percent on articles normally imported into the United States in negligible quantities. The circumstances surrounding certain situations may warrant a gradual and moderate reduction of such tariffs.

We believe that the export of American technical assistance to underdeveloped countries, the removal of trade barriers and the convertibility of currencies should be encouraged and that direct aid should be curtailed.

We believe that vigorous action should be taken to prevent the dumping of foreign goods in our country and that American goods should not be dumped abroad.

We feel that the position of the United States as the largest creditor country in the world demands a national policy of promoting American investment abroad so that the free world balance of payments may be brought into better balance without reduction of United States exports or a necessarily great increase in its imports.

We recognize the complexity of the tariff problem as it relates to defense-production potential. We recommend that, prior to a product being placed on the bargaining list for consideration of tariff reduction, the Office of Defense Mobilization certify that a tariff reduction would not adversely affect the United States defense mobilization potential.

Senator BENNETT. Thank you, Mr. Babbitt. Any questions, Senator Malone?

Senator MALONE. Your statement baffles me.

You say you are for the extension of the act.

Mr. BABBITT. With the certain safeguards and corrections.

Senator MALONE. About the only safeguards that I understand outlined in your statement is that if the ODM (Office of Defense Mobilization) certified that if any imports of your kind of material were allowed that it would injure the national defense, that then you were for a continual gradual decrease in tariffs.

Mr. BABBITT. Yes, sir; the 15 percent.

Senator MALONE. But you want to be sure your products are in the national-defense category first? You want to be sure that your business is not injured.

Mr. BABBITT. We have been told that our industry is in the top 10 in critical national defense industries.

Senator MALONE. Does that explain your statement?

Mr. BABBITT. The answer to your question is not as simple and as direct a one as that.

Senator MALONE. I am pretty direct. I only have direct questions. If you want to explain it go ahead and then I will have another direct question.

Mr. BABBITT. May I ask you to direct your attention to the chart?

Senator MALONE. I have already studied it.

Mr. BABBITT. Then you no doubt have it in mind. You will notice there are several categories where there have been important reductions in tariff rates. If an honest analysis were made of the situation it might even be found that some of those reductions were unnecessary.

We were merely giving away revenue that did not need to be lost. In other words, the imports would have been the same without the reduction that had been made. I am referring to some of the reductions in the area of sensitized goods.

Senator MALONE. I am ahead of you.

Mr. BABBITT. There is an area where we apparently have not suffered from tariff reductions but if you direct your attention to the area involved in still cameras, lenses, precision shutters, the damage is serious, as was brought out in House testimony.

Senator MALONE. That, you would like to be assured, would be national-defense material; would you not? Is that the sense of your statement?

Mr. BABBITT. Either the product itself is closely akin to national defense or what is often the case, the equipment or the personnel, principally the personnel; these involve many skilled workers.

For example, take a precision photographic shutter.

You probably know about this because of our testimony before the committee in the excise-tax problem where you recognized our terrible situation and brought about a correction of it.

Senator MALONE. I have always opposed the continuation of all emergency excise taxes, and I recognize what you characterize as your terrible situation now, however, I do not have very much sympathy for anyone who approves the destruction of everybody else's business because he comes within the first 10 that will be saved by a traiff—the very thing which he wants to reduce on all other American products.

Mr. BABBITT. What I was trying to say there——

Senator MALONE. I am ahead of you. Put it in the record.

Mr. BABBITT. A typical precision shutter, for example——

Senator MALONE. Just something that takes a trained man to make.

Mr. BABBITT. Involves approximately 150 to 200 separate parts and it is no bigger around than that.

Senator MALONE. Only a precision worker can make it.

Mr. BABBITT. Exactly.

Senator MALONE. How many years training does it require?

Mr. BABBITT. Considerable training. The manufacturers in that field say before they can develop a worker to the point where he can do that type of work it requires approximately 3 years.

Senator MALONE. Almost as long as it takes to get a college education, or to become a machinist or a boilermaker.

Mr. BABBITT. Almost, but not quite as long as it takes to make a skilled tool and die maker and for very much the same reasons.

The degree of precision in that assembly is of a very, very high order. That shutter has to be capable of adjustment within a wide range and be accurate at all points.

Senator MALONE. I am in the engineering business; while I have not made cameras I understand what you are talking about.

Mr. BABBITT. You will also then understand the situation as to lenses.

Senator MALONE. That is right.

Mr. BABBITT. As to very simple lenses, we can turn those out on a maximum production basis and do so.

Senator MALONE. I inspected the Leica camera plant in Germany.

I was very much interested in just what they could sell a Leica for. That is probably one of the best cameras in the world; would you agree?

Mr. BABBITT. I certainly would.

Senator MALONE. You know what they can sell it for in relation to your price; do you not?

Mr. BABBITT. Testimony was given in the House. One manufacturer who tried to make a camera to compete with it.

Senator MALONE. What was the difference?

Mr. BABBITT. He said he had to get $650 for it and thus couldn't sell it in competition.

Senator MALONE. What do they sell theirs for?

Mr. BABBITT. They vary in price depending upon the model and lenses.

Senator MALONE. Just an ordinary camera you sell on the market?

Mr. BABBITT. The Leicas?

Senator MALONE. Yes.

Mr. BABBITT. I would say roughly in the general range of $385 and $485 and up to $750.

Senator MALONE. Just about half of what you would have to get for the same type of camera?

Mr. BABBITT. Perhaps 65 percent, two-thirds.

Senator MALONE. Roughly. In other words you would not be in business very long if you had to compete on an even basis.

Mr. BABBITT. No, sir.

Senator MALONE. Unless you can get your material classed as defense business, you would probably be for a tariff on a fair and reasonable competitive basis, would you not?

That is to say for the difference in the fair cost of producing the same type of camera here as compared to Germany or Japan.

Mr. BABBITT. On certain occasions they have done so.

Senator MALONE. That is correct. Since you are classified as national defense, and you are going to be saved, you come here and want to advocate extension of the act to apply to everybody else, is that about right?

Mr. BABBITT. I don't think that is our position, sir.

Senator MALONE. I could come to no other conclusion from your statement.

Mr. BABBITT. Well, we are losing business to imports in other product areas.

Senator MALONE. Of course you are.

Mr. BABBITT. Which are not product areas subject to national defense. Our plea with reference to national defense, may I make this very clear, is in terms of the interests of national defense and not in terms of the interests of our industry.

Senator MALONE. Of course. You just happen to come under it.

Mr. BABBITT. No, sir. May I finish that statement?

Senator MALONE. I will not interrupt you.

Mr. BABBITT. Let me show what I mean.

Senator MALONE. We want that in the record.

Mr. BABBITT. There was testimony in the House by one of the witnesses from our industry that comes from this still-camera field, a field where he said that according to the best information that he had been able to obtain, imports were now approximately equaling domestic production.

I think everyone will agree that is a serious level of competition.

Senator MALONE. Still you are for a gradual continual reduction in the future of that duty on those cameras.

Mr. BABBITT. Well——

Senator MALONE. I have this idea right down pat. If you want to refute it now, I will go on to another tack.

Mr. BABBITT. Are you always keeping this point in mind, Senator, and that is, what is happening to the American still-camera manufacturing industry is——

Senator MALONE. That makes a difference to you if it is not classed in the national defense area.

Mr. BABBITT. I will leave it to you to decide.

Senator MALONE. If all witnesses were like you, just wanted to save their own industry, I personally could decide very quickly.

Mr. BABBITT. I think it makes a great deal of difference. What has happened, sir, is that the American still-camera manufacturers have been increasingly buying certain precision parts, in other words, the parts with the high skilled labor content, the lens with the precision shutter. certain other precision parts in Germany and in some instances in Japan, so in effect we are doing exactly what you have pointed out in some other instances, we are exporting a part of our skilled labor.

Senator MALONE. Why not, according to your testimony you are only interested in your own business.

Mr. BABBITT. Well——

Senator MALONE. You never before testified against extension of the act. You are now for it if you can be sure your own business is protected. I understand perfectly. I want you to complete the record on your own testimony.

Go ahead.

Mr. BABBITT. I will try to explain it in a different manner, because the point is of very great importance.

Senator MALONE. I think it is for the economy of the country. I think you can buy a lens from Germany with a German working at 40 cents an hour and if you make it here you pay $2 or more. How much are you paying?

Mr. BABBITT. According to BLS, the average wage in our industry is $2 an hour and our skilled rates are considerably above that.

Senator MALONE. Of course. That is the American wage standard of living.

There should be a duty that would make up the differential of the fair cost of production here and abroad on the basis of fair and reasonable competition, but you are not for that principle.

You are for a gradual continual reduction of the duty regardless of its effect on your American wage standard of living.

Mr. BABBITT. No, we are not for no tariff at all.

Senator MALONE. If you are for reducing the duty below that fair and reasonable competitive basis, then you are with Mr. Hoffman. He wants the same gradual reduction which would mean in the end a reduction in wages.

Mr. BABBITT. The 15-percent reduction proposed in H. R. 1, we are for.

Senator MALONE. That is clear—a continual gradual reduction.

Mr. BABBITT. H. R. 1 proposes——

Senator MALONE. You say you are hurt already and you are for 15 percent more reduction.

Mr. BABBITT. Except on areas that are essential to national defense.

Senator MALONE. Except on your industry.

Mr. BABBITT. No, sir. I think you have had appear before you and the House committee many industries calling attention to national defense aspects.

It seems to me from reading some of that testimony and from hearing some of it that one of the things that so many failed to bring out was the distinction between an industry that is essential to national defense and a production area essential to national defense which is being injured by imports.

We are talking about the production areas essential to national defense which are injured by imports and we are not talking about just the photographic manufacturing industry.

We think that should apply to everyone.

Senator MALONE. Is that the lens you want classified for national defense?

Mr. BABBITT. Certain lenses above a certain type of level, precision still cameras, all that field of equipment of that type.

Senator MALONE. But that is the type of lens you can get from other nations so much cheaper that the business here could not survive.

Mr. BABBITT. We don't like to see them go. I can assure you of that. We know the problems that are dumped on us in the event war comes to pass. We are gravely concerned about the situation.

Senator MALONE. Then just let's sum it up. In anything that is not necessary for national defense, you are for a gradual reduction of tariffs, just ad infinitum regardless.

Mr. BABBITT. Provided they don't result in serious injury to the domestic industry.

Senator MALONE. Anybody knows that that is a result to the domestic industry. Mr. Paul Hoffman made the statement that any industry that could not compete in a gradual continual reduction of tariffs should go out of business.

You say they shouldn't suffer serious injury, but you are for the 15-percent reduction.

Mr. BABBITT. Let me approach your question then from another direction, Senator. Perhaps it will explain what seems a critical situation.

Senator MALONE. All right.

Mr. BABBITT. We have aggressively worked with the people who are engaged in negotiating trade agreements. I mean by that when we learn that trade agreements——

Senator MALONE. You are about the only one who was allowed to work with them, if you have.

Mr. BABBITT. There is a great limit to the extent you can work beyond which they go into their own secret deliberations.

Senator MALONE. Are you working with GATT, General Agreements on Tariffs and Trade?

Mr. BABBITT. We have no access of course now.

Senator MALONE. Did you ever have any access to GATT?

Mr. BABBITT. Well, no, of course not.

Senator MALONE. That is better.

Mr. BABBITT. What I mean is this: When we know that agreements are about to come up——

Senator MALONE. How do you know? They work over there while you sleep. Nobody else knows. If you know you must have a pipeline in there.

Mr. BABBITT. At least generally speaking they have announced in advance the list of countries with which they are going to negotiate.

Senator MALONE. But did they announce what they were doing with them?

Mr. BABBITT. No.

Senator MALONE. Did you ever try to get in and find out?

Mr. BABBITT. Yes.

Senator MALONE. Did you get in?

Mr. BABBITT. To an extent——

Senator MALONE. If you did you are the only one that I have ever talked to that knew what they were going to do ahead of time.

Mr. BABBITT. That is correct. I can understand why.

Senator MALONE. Why? What was the reason?

Mr. BABBITT. Here is what we do. Not too many other industries do this. We start out at once working with our foreign connections, agents, distributors, whatever they may be, determining what concessions in those foreign countries might be of benefit to them in letting them bring American goods into that country.

Senator MALONE. You mean to compete with someone else's products?

Mr. BABBITT. On photographic products. Naturally we leave other industries to take care of their own problems. As a result of that when the time comes to present material to the Committee on Reciprocity Information, we generally can come up with a pretty intelligent list of concessions which they should seek.

Now they have sought——

Senator MALONE. In your business?

Mr. BABBITT. Yes, sir.

Senator MALONE. This is in line with this continual gradual reduction of tariffs in your business which you advocate?

Mr. BABBITT. We have a law, we have had it on the books since 1934 and the position which the association took very early in its years—our association was only formed in 1946—was that, all right, there it is, we are going to get the most in the way of benefit that we can possibly get for American photographic manufacturers in exchange for the United States concessions which are given sometimes over our serious protest to foreign countries with reference to their ability to import photographic products into the United States.

Now, that meant therefore that we have given to the negotiators a list of concessions or requested concessions which had been intelligently—I think I can correctly say—prepared, and as a result, a large number of those concessions have actually been obtained. Now, we feel that on the whole the entire photographic industry has gained somewhat more from exports than it otherwise would have. Of course, no one knows how much to attribute to the trade concessions, but you can see by looking at the statistics that the export of photographic products has gone up fairly steadily and has kept ahead of imports.

Now when you get over into some product areas where we can't do so well in getting into these other countries, you raised this question, How do you fare with other producing countries?

Well, we don't fare very well with other producing countries, as the table that was presented in the House hearings will show you.

We import, the United States imports, more than $14 million of still cameras and lenses from the eight major foreign producing countries.

Senator MALONE. $14 million?

Mr. BABBITT. A little over $14 million from the eight major producing countries.

Senator MALONE. What are these countries?

Mr. BABBITT. Sweden, United Kingdom, France, Eastern Germany, Western Germany, Italy and Japan.

We were only able to ship to them $486,000 worth. In other words their access to our markets on a dollar bassis is 28 times our access to their markets.

Senator MALONE. Is that new to you? You should know that other nations protect their workers and investors from undue competition.

Mr. BABBITT. It certainly is in that area.

Senator MALONE. Do you think the trade agreements are needed so you can ship cameras into other areas that do not manufacture them at all?

Mr. BABBITT. They have helped us to do so, we believe so.

Of course, again our overall exports have held up fairly well.

Senator MALONE. Would you not think they would allow imports where they are not manufactured?

Mr. BABBITT. We are getting competition with Germany and Japan and in these other markets.

Senator MALONE. I understand that. Do you know of any other nation except our own where they do not protect their workers and investors?

Mr. BABBITT. As far as I know I agree with you. In other words I don't believe we are prevented from shipping cameras into Germany to any very serious extent by reason of inability to send them there. It is just that we cannot compete with the Germans in their own home market.

Senator MALONE. If you could compete with them, they would not let you ship them in. You must know that.

They have the exchange permit system, they have the import permit system. They make up the difference in the special values for their currency or through such permit system. For 150 years they have been living by their wits on foreign trade.

We are new and do not understand it. We are sitting in a strange game. However, as long as we have money and markets to fritter away we can stay in the game.

You don't know of any product that we can ship to any country but what that or a similar article is manufactured. They just do not allow such articles to come in.

Mr. BABBITT. You are talking about another actual producing country?

Senator MALONE. I am talking about any foreign country. They just do not allow the competitive articles to come in when it interferes with their local economy.

We are the only nation in the world that does it.

Mr. BABBITT. I don't know the answer then to that one. That is too broad a question for me.

Senator MALONE. Anybody that will approve frittering away our markets in that manner when no reciprocity is even offered has very little regard for the economic structure of this Nation.

Mr. BABBITT. Well, of course, we feel that we have gotten some reciprocity out of this.

Senator MALONE. What kind of reciprocity do you get when you can not even ship into a country where they are not produced except on sufference? If we were basing our foreign trade on a fair and reasonable competitive basis you would be as well off and your workingmen would at least have equal access to the American market which they do not now have. All of the countries have the quota system regardless of whether they produce the particular article or not. If they do not think people ought to buy it they enforce the quota to stop its importation.

If they want the people to have it and they do not produce it at all, they regulate the quota to let in the amount they want.

Mr. BABBITT. That is true.

Senator MALONE. They do this in any case with or without this act. After all they exercise common sense in regard to the protection of their own markets. I am getting very little out of your testimony except that you want your industry to be protected under the assumption of national defense. The record is clear that as far as the economic structure of this country as a whole is concerned, you are not much interested.

You approve everything that this is doing to the American working man and investor except when it affects your own business. That seems to be a normal reaction—but do you not believe that it would be better for the country if we just agreed upon a principle that would give American working men and the small investor equal access to their own market.

Mr. BABBITT. We are against it in those production areas which are essential to defense.

Senator MALONE. And you believe you can qualify, however, when they ship in a lens for about one-third of your cost to assemble a camera; then it does not take very long to train a person to assemble a camera.

At least you do not have to be a lens grinder. You can dispense with the highly skilled worker here.

I think the story is very clear.

Mr. Chairman, I have no more questions.

Senator BENNETT. Thank you very much, Mr. Babbitt.

STATEMENT OF W. F. ROCKWELL, ROCKWELL MANUFACTURING CO.

OPPOSES EXTENSION OF THE 1934 TRADE AGREEMENTS ACT

Mr. ROCKWELL. Just so there won't be any misunderstanding about my statement I am in favor of Congress rejecting H. R. 1 and I am in favor of going back to the Constitution and having Congress settle all matters on tariffs and foreign trade.

I don't think anything more is needed to show how badly this tariff act has worked out recently when you take the case of the watch companies, where the tariff was recklessly reduced, and after financial disaster hit one big American company, the tariff was raised.

I should like to report on several small industries that have been badly injured.

We can't find any way to get relief whatever. We have the figures here to prove what we say. We can't find anybody in the Government that is the least bit interested. We have had the promise of Secretary Weeks that nothing would be done to injure American industry.

We have had the promise from Secretary Humphrey that tariffs would be raised if necessary, but we have yet to see the promises carried out.

We heard in the President's preelection promises that no American industry would be damaged. Here is the story that they have been. I have a number of exhibits here. I will not try to read this, now. Any one can read later.

Here is exhibit 1, German Wages Studied, average in Frankfurt is $22 per week for 50 hours. You can figure that out at 44 cents an hour.

That is for a 50-hour week. And I would like to point out at that time those figures were made, the American Armed Forces over there were employing 200,000 German civilians in Frankfurt-Bonn area so local wages are considerably above average wages in West Germany.

I would like to point out under that same comparative exhibit that Secretary Weeks said that the tariffs would be raised where there was difficulty.

You know what has happened to the American bicycle industry but nothing has been done about it.

When that was brought to the attention of Mr. Clarence Randall, he said they would have to study it. If a man is hanging by his neck and will have to hang until his case is studied, he can't wait more than 2 or 3 years.

Here is a report from Scripps Howard papers (which are certainly favorable to lower tariffs) telling how many foreign goods are seen in our stores. I happened to sit next to ex-Senator Ferguson the other night and he pointed out there is still $9 billion of foreign aid appropriation available to our foreign competitors for subsidies.

In exhibit 3 you have the wages paid in England. The British Ministry of Labor reports the average wage of skilled and unskilled workers is less than $27.75 per week and they work a long week.

I have been a director in American Locomotive Co., American Bosch Co., E. W. Bliss Co., United Engineering, which is the largest manufacturer of steel rolling mill equipment in the world. The wages in most of those plants is over $3 an hour. The British worker receives 33⅓ percent overtime over 44 hours, while the American workers receive a minimum of 50 percent over 40 hours per week.

Can American manufacturers pay 300 percent higher wages and compete with the British manufacturers who complain (as I will show you in a later statement) that they cannot compete with German manufacturers because the German manufacturer pays 30 percent less than his British competitor.

Here is a statement from one of the British companies taken out of a London paper in which the largest British manufacturer of log rollers states that German competitors have taken 75 percent of the export business lately.

Senator Malone, this is the financial statement printed in the exhibit, the British manufacturers of road rollers state that their German competitors pay 30 percent lower wages and after quoting 17 percent below British prices have taken over 75 percent of the European export orders.

Senator MALONE. You mean that Britain is complaining about loss of business on account of lower German wages?

Mr. ROCKWELL. Britain is complaining bitterly. Here is a report to the stockholders telling them how they are suffering because they can't meet the lower wages of the German employers.

Senator MALONE. Then they complain because we don't lower our tariffs further when we pay three or four times their wages.

Mr. ROCKWELL. You have heard a lot of talk about the textile industry. The textile industry moved out of New England because they had lower wages in the South, lower power costs, lower taxes, and a lower cost of living.

Much of that textile business of course has gone to Britain and figures show that. So here is an editorial in the London Daily Express of last September. It says a bombshell drops through the British letterbox. It notes that the customer has decided not to order British worsted cloth because the Japanese are selling it a third under the British price.

And it says "the danger will grow. It is sure to grow until the Government gains the courage to claim tariff freedom and the right to protect Britain's vital industries through the extension of imperial preference."

Of course woolen clothing is essential for our Army and Navy in wartime. "Britain demands protection for vital industries because competitors in low wage countries pay 30 to 50 percent less than British employers."

"Britain demands tariff reductions in the United States although British employers pay as much as 50 to 75 percent lower wages than the competitive United States employers."

It isn't surprising that Congress is so much confused because I have seldom heard so much misinformation as I have around here.

I know Mr. Philip Cortney and I have a high opinion of him.

He told you Belgium and Holland had opened their frontiers to free trade. He is right. They did it. But he is wrong that they did not do something about it just as soon as all the Holland production that could be sold in Belgium was sold there shutting down the corresponding Belgian industries. The ultimate result is that they now have quotas.

They have a law in Belgium which states they cannot ship in anything from Holland which will cause unemployment in Belgium. I promised to give Mr. Cortney a copy of the Belgian-American C. C. Magazine which will show him this is so.

On exhibit No. 5, British Chancellor of the Exchequer, R. A. Butler, seems to have a much lower opinion of our Government and our foreign trade agencies than has been expressed around here.

I notice that Senator George said that we had a lot of "lovable theorists" who are trying out too many theories without knowing what is happening in practice.

Senator MALONE. You mean that England's Mr. Butler has a lower opinion of our trade bargaining officials than I have?

Mr. ROCKWELL. The British Chancellor says here in a sarcastic statement—that he told us in "words of one syllable" what would happen if we did not do what he wanted us to do.

The Chancellor's low opinion of American intelligence may be upheld if he is not promptly informed that American tariffs have been reduced 75 percent since 1930; that more than half of American imports are free of duty; and that the balance carry duty averaging less than 13 percent.

We, the Rockwell Manufacturing Co., shipped a large amount of machinery to England before the war in spite of the high tariff. They bought it because it was better than anything they had and the delivered price was lower in spite of the high tariff.

We are now completely barred, not by a high tariff but by two rules, the first one of which is that the Englishman who wants to buy our machinery must get the permission of the Bank of England (which, of course, is the British Government) in order to get the money to pay for it.

Senator MALONE. That is exchange permit? A permit to buy their money with which to make the purchase.

Mr. ROCKWELL. That is right.

Senator MALONE. You say it better than I.

Mr. ROCKWELL. The second barrier is the British Board of Trade which corresponds to our Department of Commerce, with this exception. We understand that down here in Washington a successful businessman can't hold a job. We are not allowed to hold a procurement job here.

Senator MALONE. That is axiomatic. You might understand what you are doing.

Mr. ROCKWELL. In England if you don't know anything about business you can't hold that kind of job. When the Englishman says he wants to buy our machine because it is better and despite the tariff it is lower in price, he has to go to the board of trade and our English competitors sit on that board.

They tell them, "you cannot buy that. England wants the money. You have to buy it here."

American workers and manufacturers have been taxed billions of dollars for postwar British aid which further increases American manufacturing costs and of course has correspondingly lowered the burden on the British manufacturers. I don't know how anybody can miss the point that the American Government and the American taxpayer are improperly and unfairly charged with discrimination, by the British Chancellor of the Exchequer.

The above facts show that the British have discriminated against American manufacturers and the Chancellor's remarks only add insult to injury.

When he made these insulting remarks he did not make them over here. He made them at the Tory Party meeting.

Senator MALONE. He got away with his story here before he made the remarks. He, England's Mr. Butler, Chancellor of the Exchequer, invented the "Trade, not Aid" slogan.

Mr. ROCKWELL. He certainly did.

Senator MALONE. They feed us a new slogan every so often just to keep us in predigested brain food—we repeat the slogans until we believe them.

I heartily agree with what you say.

Mr. ROCKWELL. Something delayed that. There was a young fellow who was advised that he had an inferiority complex, and was told to go to a psychiatrist. The psychiatrist after examining him said, "You don't have to worry about an inferiority complex, you are definitely inferior."

As far as our country's interests are concerned, there is absolutely no question that it is misrepresented by the kind of people we have dealing over there in Geneva with GATT because they are definitely inferior to what the British have there.

Senator MALONE. Colonel, I noticed you were in the audience all day. Three professors have appeared that had written books. The difficulty with these hand-raised economists and engineers is that they learn about the economy of this Nation by reading the books they write.

Mr. ROCKWELL. Charles Kettering, the great genius of General Motors, told us the other day how the Germans wanted the rights to build the GM diesel engine. They first explained that that diesel engine was wrong in theory because it said so in the German engineering books. Mr. Kettering said: "If it is all wrong, why do you want to make it?" They said, "Because it is the best in practice." I hope the professors don't feel too badly about that report.

Mr. ROCKWELL. On exhibit No. 6 you have a list of people who have been in the Shears, Scissors & Manicure Implement Association who have gone out of business in recent years.

There is a long list of them. Mr. Clarence Randall appeared before us and told us all about his wonderful theories on free trade and I am sorry to say that I don't understand them.

It may be my inferiority complex is real inferiority. In any case, we found there were quite a few things that he did not know. When he was told that the foreign governments were subsidizing articles shipped over here he declared that was dumping, and it was forbidden by our antidumping law.

Senator MALONE. Manufactured in factories built with our money?

Mr. ROCKWELL. Yes. Their government subsidizes them, and we give their government some more money to subsidize them. He said that they can't do that—there is an antidumping act. He is right about the law, but he is absolutely wrong that it has been used to prevent such dumping.

He may know the theory, but he has shown a sad ignorance of the facts.

Foreign imports to the United States have been subsidized for years, by both foreign governments and the United States.

We, as manufacturers, are expected to carry the burden of our gifts over there and also to meet them in subsidized competition.

Senator MALONE. Competition we built for ourselves through the British loan, the Marshall plan, ECA, and FOA.

Mr. ROCKWELL. Yes, sir.

Here is exhibit No. 7, one of many letters to the editor of the Pittsburgh papers in which it says "Prosperity" (and there should be a question mark on this) because it reads "Business here best since 1953." "Steel, coal, electric power output plus freight and river tonnage, are all booming; yet free food has to be given to 160,000 people in Allegheny County. What is prosperity?"

Senator MALONE. Is that where Pittsburgh is located?

Mr. ROCKWELL. Yes. There are about a million people in Allegheny County and 16 percent of them, according to that figure, are on relief or seeking free food.

They only count the heads of the family, not the number of children they have.

Here is the East Pittsburgh plant where they have 2,000 members out of work now; 20 percent of the 10,000 workers are out of work. Men with 13 years' service have been laid off.

I can't tell you why the unions don't object to this extension of tariff reductions.

Senator MALONE. It is amazing to me that a workingman can be sold on the idea that it is great for him to sell their jobs to a foreign country through lowering the duty on the products he makes.

Mr. ROCKWELL. They are told their cost of living will be lower if they bring in these cheaper goods from abroad.

Senator MALONE. What will they use for money to buy the cheap goods if they are not working?

Mr. ROCKWELL. I don't know.

Senator MALONE. There must be a book by a professor on that some place.

Mr. ROCKWELL. Prior to the war almost all the United States taximeters were made by two companies located in Pittsburgh.

No foreign imports came in after the war because they were very busy over there trying to recuperate, which some of them did with the help of our money.

But their imports were negligible prior to 1952—in 1953 $50,857 worth of taximeters were imported. In 1954 the Government report (which is not yet complete) shows $93,000 imported, and from the size of the business all you have to do is project that figure on your little chart and you will see that by 1957 the American manufacturers in that business will be wiped out.

They employed 300 people prior to tariff reductions. That is a very small business, and apparently small business has no voice down here in this matter of tariffs.

About four or five months ago, I took a group from the Chamber of Commerce of Pittsburgh on a trip through Western Europe. We stopped in a plant in Amsterdam, Holland. That plant is owned by an American manufacturer. The wages in that plant are 25 cents per hour, but they have a piecework incentive system so they average 37½ cents an hour.

The manager of that plant told me that the corresponding American workers in the United States plants average $3.11 per hour plus fringe payments exceeding 40 cents per hour.

In other words, the 40 cents per hour fringe payment, which they don't receive in the pay envelope but which nevertheless they have to be paid eventually by the American manufacturer, amounts to more than the direct wages at the top Holland incentive rate.

The present American tariff rate is 12½ percent. That company is one of the many American companies which has a plant over there which is importing machines from over there and has a very good reason for doing it.

I don't blame them at all. In fact, I intend to do the same thing if you pass this bill.

American small business is faced by a condition and not by a theory. These calculating machine parts you know are made with punch presses and screw machines and so forth.

Anyone who says that a Dutchman can't operate such machines as fast as Americans just doesn't know what he is talking about.

As a matter of fact, the Dutchmen work so hard that they produce more than we do over here and there is no question about that. We have the figures.

Senator MALONE. Is it not a fact that only the small investors and working men are affected here if it comes to that point? Any organization commanding enough capital can do the same job over there that it can here and take advantage of the free trade idea to employ the foreign workers and import the products to this country, leaving the workingman sit idle.

Mr. ROCKWELL. It works out over there just the same as it does in this country, Senator. The New England textile manufacturers who were smart enough and bright enough moved down South, didn't they?

And the British when they found they could make cotton textiles cheaper in India moved to India, too.

Now they lost the grip there and they complain they can't compete with India.

Senator MALONE. The system used here for 75 years or more of a duty adjusted on the basis of fair and reasonable competition was never anything more than giving an American workingman and an American inventor equal access to his own markets, wasn't it?

Mr. ROCKWELL. That is what I understood. I believe Washington and Jefferson were pretty near right when they said you have to protect American industry.

Senator MALONE. If you wanted to rise above the living standards of the world.

Mr. ROCKWELL. On top of that we know how the cartels work in Europe, and they are legitimate over there.

Now, If they just get a chance to come in here and put us out of business, when they get their prices high enough so we can compete with them, they will lower them until we starve to death.

I would like to point out some of these things for the benefit of the newspaper people. Newsprint comes in here free and our newspaper publishers let out a terrible howl recently when the cartels raised the price $10 a ton, and all of them did it together.

Senator MALONE. After we were out of the business here?

Mr. ROCKWELL. There is a relatively small amount produced in this country. The people who were hurt most were the small newspapers.

Senator MALONE. Then I take it from your testimony that you are not for changing that 75-year-old policy of fixing a duty as an evener of the cost of production here and in the chief competitive nation, to preserve for the American workingman and investor equal access to his own market. You are not for changing that long-established principle to a policy where one man of the executive branch of the Government, on any pretext of better meshing the economic factors of our domestic economy or of curing an international political situation can adjust any duty on any product downward at any time he may decide?

Mr. ROCKWELL. How can I be for that when they demonstrated it was a dismal failure. Our administration lowered the tariff on Swiss jeweled watch movements, and then they raised the tariff after the damage was done.

Senator MALONE. They have not raised the duty on other related products?

Mr. ROCKWELL. On others listed here as having gone out of business, if they raise it, it will be too late.

The hearings before the House were summarized by the New York Times and there is no question where the New York Times has stood on this bill.

They have been very strong for it editorially and given a great deal of publicity to anything that boosted H. R. 1, but I bring to your attention the statement which they made on February 13 in which they analyzed the hearings before the House Ways and Means Committee.

They pointed out that "67 witnesses, including 7 Cabinet members," called the bill to extend the Reciprocal Trade Agreement Act—

a fine thing that would help this country's overseas trade and strengthen the free world's economy.

The committee also heard 155 witnesses, including spokesmen for a broad cross section of smaller industries, assert that the bill would bring financial disaster to many domestic concerns and throw thousands of American wage-earners out of work.

On Thursday the committee endorsed the opinion "of the 77" and rejected the advice of the 155 by approving the bill 20 to 5. It thus moved to extend for 3 years the reciprocal trade program, which started life in 1934 as the natural-born child (which is I think a much worse word that "silly"), is about to turn 21 and is now the adopted child of the Republican administration.

What party do you go to, Senator, if you don't believe in ruining this country in order to help the people who were our enemies a short while ago?

Senator MALONE. I don't concede that that means altogether the Republican Party. I think the final decision on the Senate floor will make the policy, whatever that is.

I do concede that we have people at least temporarily in the Republican Party who have adopted the long-range Democratic Party principle of free trade.

But I have great hopes, Colonel, that the people who believe in fair and reasonable competitive trade between this Nation and other nations will finally prevail and that an investor or potential investor will again be assured of the principle laid down by Congress of equal access to the American markets if he invests his money.

I have every confidence that we will finally prevail in that principle.

Mr. ROCKWELL. In the next exhibit No. 9, I point out that American industry is helping to pay the subsidies to American farmers to raise certain products, also paying when these products are sold abroad at a loss and are paying the storage charges on $7\frac{1}{2}$ billion worth.

They say they want to get goodwill abroad.

All I can say is that we have more ill will abroad for shipping our farm products under a subsidy than we will ever gain by lowering tariffs on manufactured goods.

Here is a headline out of the Wall Street Journal, "United States Farm Props Anger Allied Nations and Impede United States Plans for Freer Trade." I haven't heard anything said around here about that.

Senator MALONE. I noticed it, and I think they have a kick coming, because we are doing the very thing that we object to their doing and of course all of us who have thought about it since the beginning, thought it was a natural outcome. It could not succeed.

Mr. ROCKWELL. I have no quarrel with the farmers. I would not want to be a farmer. I work hard enough as it is, about 80 hours a week. I know I would have to work harder than that as a farmer. Mr. Randall says the only way we can make friends and help ourselves here is to buy wherever is cheapest.

We can buy Canadian wheat cheaper than we can buy it in this country but we have a complete barrier against Canadian wheat.

We won't buy their wheat that is fit for human consumption but we ship our wheat out and subsidize it; we hurt the Canadian market.

Senator MALONE. That was the allegation that was made in the Wall Street Journal dispatch and I believe they are right.

Mr. ROCKWELL. The day before yesterday I was serving as Chairman of the World Trade Conference in Pittsburgh and the Ambassador from Peru, Mr. Berckemeyer made a long talk to us on what we could do to help Peru.

He said that Peru is now allowed to send us a small fraction of 1 percent of the total requirements of sugar which we import, but that if we imported $1\frac{1}{2}$ percent of our requirements from Peru it would make them very well off.

If we are looking for friends there is a way to do it. Of course, I know there are a few people in Congress that come from the beet-sugar country. It would seem to me to be easier to raise something besides beet sugar than it would be to change a factory over that is making taxi meters to make something else.

Senator MALONE. The Philippines and Hawaii are in on the deal with Cuba, there might be some trickling down.

With Cuba right at our door I don't see why we should raise sugar. I think we can get it in from Cuba any time we have to.

Senator MALONE. I am interested in your exhibit 7, "CIO Electrical Leaders Plead for War Production Orders," they go to capital seeking contracts for their district plants.

Why is it that none of those CIO employees ever come here and testify for the protection of their jobs through the flexible duty making up the difference in the effective wages here and abroad.

Mr. ROCKWELL. They came down here as these 3 dispatches show pleading with their Congressmen and 1 of their Congressmen wrote me how he voted 3 times against the extension of H. R. 1 but the final 2 votes he voted in favor of it.

Senator MALONE. The CIO leaders are for the extension of the 1934 Trade Agreement Act.

Mr. ROCKWELL. That is correct. I think one of the things in the CIO is they do believe we are going to send an enormous number of automobiles abroad and of course we would like to see that.

On the other hand, if you just look at the figures, there is a limited number of people in Europe who can buy a high-priced American car on which there is a very high tax. The Mercury, for example, which sells at $3,200 here sells for $7,500 in England.

Senator MALONE. The import tax just about doubles it.

Mr. ROCKWELL. That is the luxury tax when it comes in. On top of that there is a terrific tax based on the bore of the cylinders so only the wealthiest can buy them. As a matter of fact in England there will only be 650 American automobiles admitted this year and they will be bought mostly by corporations because that is the way they take care of their executives and save taxes.

The executive employee can't get enough salary after taxes to afford one, so the company buys it for him. It is a very good trick to escape the extreme penalty of taxes and undoubtedly will be tried out in this country before very long.

Senator MALONE. The British in the humble opinion of the Senator from Nevada have brains. They do not allow foreigners to compete with their products. They manufacture automobiles do they not?

Mr. ROCKWELL. Quite a number of them. They are losing out to Germany now. The Volksvagon has taken first place in Switzerland, where a year or two ago Austin and Chevrolet were near a close tie for first place.

Senator MALONE. Do they sell any of those Vauxhalls in England and in the Commonwealth?

Mr. ROCKWELL. Yes, they are able also to sell in Australia.

Senator MALONE. I will venture to say that will be stopped before long. It is the only case I have ever heard where they are letting anything be shipped in to their area to compete with their products.

Mr. ROCKWELL. They are being shipped from their British plants.

Senator MALONE. It is the first time I have heard that England allows anything from any country to be imported in competition with their own products.

Mr. ROCKWELL. That is right; 650 requires 50 minutes' output of the entire annual production of American automobile industry. There are far many more English cars being shipped in here than that.

Senator MALONE (presiding). I notice this CIO dispatch and it worries me greatly that the workingmen of this Nation do not know what is happening to them. One of the leaders explained that in a group he represents there are now 2,000 workers unemployed out of a membership of 10,000.

Men with 13 years' service are being laid off for lack of orders, yet his whole organization is for free trade and for bringing in from a cheaper labor country the things they might be manufacturing at home.

Mr. ROCKWELL. Unions are in that position. Yesterday a witness here told you he belonged to the union and found out half the members were for low tariffs and half against them, so he walked out.

I don't know what else he could do.

Senator MALONE. Go ahead. Your testimony is very interesting to me.

Mr. ROCKWELL. I have exhibit No. 11, telling you of the water meter manufacturers' situation in this country and the bids which were just asked for in Montevideo, Uruguay. I give you a list of the low bids. Japan starts with $6.80, Holland $10.43, and United States of America $17.10.

We have built up a large export business for American water meter manufacturers since the war. They were not allowed to build many during the war. It was considered nonessential. Some of our friends here who are only interested in defense should be given the facts that the water meter industry produces an article made of brass or bronze and that when the war comes on, they are shut down 80 or 90 percent and then they become one of the principal sources for fuses for the American munitions production.

Senator MALONE. You heard a witness say a while ago that the products of his company were in the top 10 when it came to being protected for national defense—then explained that he was for a lower tariff for everybody else.

Mr. ROCKWELL. That just shows you the complexity of the problem. If I knew nothing about the watermeter business and somebody said why do you need to protect the watermeter business, I would probably say I don't know why you should protect them.

If we can buy them abroad cheaper, why shouldn't we?

With any humanitarian instinct you would say we ought to give them a chance to change over to some other product first, and not let meters come in immediately at $6.80 from Japan.

But that I would ignore the fact that this watermeter manufacturing industry is a great American asset in wartime. These watermeter plants practically all changed over and made fuses. If they had not made them, who would have?

If they didn't have the machinery for working in brass, the high speed machines we use in brass, where would they have gotten them?

We are one of the largest manufacturers, I think unquestionably, the largest manufacturer of power tools in the world.

Senator MALONE. What do they pay per hour in Japan?

Mr. ROCKWELL. Women as low as 10 cents an hour. The average wage for industrial workers is 19 cents an hour.

Senator MALONE. Is that a skilled worker?

Mr. ROCKWELL. That is what we would call a semiskilled worker.

Senator MALONE. Where would the skilled worker be in wages?

Mr. ROCKWELL. It would probably be 50 percent higher.

In this country, no American manufacturer is subsidized by this Government. As a matter of fact he pays extra taxes to pay for the gifts made all over the world, while our competitors abroad get a subsidy from their own government, and of course we subsidize them by giving money and loaning money to their governments.

Senator MALONE. One thing I was struck by in South America when I visited practically all of those nations late last year and early this year: They would say why don't you give us the credit that the Germans, the French, the Italians and the English offer us.

They offer us 4 to 6 years credit while your people insist on only 1 to 2 years.

I had an answer for that one. In Senate debate I said that we furnish the foreign nations money to outtrade us in South America and that they are giving credit on our money. I fought hard against giving these European nations the money, maintaining at the time that all we were doing was financing our competition.

You are familiar with the offers of credit they are making.

Mr. ROCKWELL. Yes, sir. With the same Pittsburgh group that went to Europe last fall we met with a great many C. C. people and our own Ambassadors. While we were in Germany one of the C. C. groups met with us and told us a heartrending tale of how they needed more capital and what they would do to get more American capital in there.

It made a great impression on some of our people, until one American said to them, "If you are so short of capital how is it you can sell in competition with us in South America and give 5-year terms?"

So if you know anybody who has the answer to that question, Senator, I would like to hear it.

They must have some means. They can go to the Export-Import Bank and a few other places.

Senator MALONE. We loaned them money to make up any deficit they may have and have been doing it regularly. In addition to that we give them the money to finance their governments in Europe and do just what they are doing. I know of no Government assistance to any of our own producers to enable them to offer any longer credit to foreign countries than they can stand at their local banks.

Mr. ROCKWELL. They have many advantages over us. When they send their products to South America they can get government credit insurance on the payment. Their government collects the money for them. If we ship our products on credit, they find 40 different reasons why they will not accept it unless we make certain contributions to them before it is accepted.

When the check is paid, somebody has to be paid to pay the check. We went through that some years ago and now we do not ship a thing to South America unless we get the money in New York.

Our Government won't back us at all. They tell us "You are silly to send your products down there and not get paid for it."

I am sorry I used the word "silly."

Senator MALONE. If there is a better word, I have not thought of it. It is very expressive.

Mr. ROCKWELL. The Government uses it on us.

Senator MALONE. I have long advocated that we return to the Constitution of the United States, and let the State Department handle their foreign relations as the Constitution directs.

If you are trading with South America, and it becomes a question of collecting your money, there is something that could be done about that in our foreign relations with that country through the State Department.

Mr. ROCKWELL. I consider that something very desirable but there is something closer to my heart than that.

My oldest grandson left yesterday for 3 years in the Navy as an aviator.

He just graduated from Cornell. We don't even get our fliers back that the Chinese have been holding for a number of years. I am really more interested in getting these boys back from China than our money from South America. It we don't get our fighting men back how can we get our money back?

Senator MALONE. We have lost our political guts, including our integrity, with other nations and they have lost their fear of us in any manner whatsoever.

They know we are not going to insist on integrity and honesty in anything and I fully agree with you that is going to be the first consideration.

For the last 20 years we have become the joke of the world as far as any equal treatment or quid pro quo we may demand.

Mr. ROCKWELL. One of\the earlier administrations used to talk about fear. I know a number of American manufacturers who have been talking about the tariff act and said they were afraid to come here and testify for fear they might lose Government orders.

Senator MALONE. The industrialists of America are getting about what they deserve because they have lost their political guts.

Mr. ROCKWELL. Senator, they are supposed to elect some people down here in Washington who have some guts and I would say some of them have a lot of guts to run for office.

Senator MALONE. Some of them live in Washington long enough so that they think what they hear here is public opinion.

Mr. ROCKWELL. Here is exhibit No. 12.

Mr. Clarance Randall made a speech down in Mobile, Ala., including this strange statement: "We cannot help someone without hurting somebody." Isn't that a wonderful sentiment?

Senator MALONE. That seems to be a discovery they made about the time that they repealed the law of supply and demand.

Mr. ROCKWELL. He happened to have a southern textile worker there who I know wrote Senator George and put that in his statement and who told him that he thought that was a strange new policy.

You have asked who is settling these little matters of tariffs and here is a release available to you from the State Department so I won't argue with you whether it is the President's or the State Department's.

The State Department issues a little publicity in which they claim they are handling a wonderful idea. I think it is a fraud to call this a reciprocal trade bill because there is no reciprocity for American manufacturers.

Senator MALONE. Did you ever find anything resembling the phrase "reciprocal trade" in the law or in this bill?

Mr. ROCKWELL. No. I was present 2 weeks ago when Dr. Hauge, one of the President's economic advisers——

Senator MALON. He is probably one of the professors who learn about the economy of this country by reading the books he writes.

Mr. ROCKWELL. He was asked if he knew of any concession that the

United States ever received in exchange for lowering tariffs. He said he knew of none—he doesn't know if there has been any.

Senator MALONE. I have asked that question several times. The foreign countries always have a method of protecting their own through money values, manipulation of exchange or import permits.

Mr. ROCKWELL. Let me tell you who is going to get reciprocity. This little article from the State Department announces a plan for tariff reduction on some imports from Switzerland to make up to the Swiss for our having increased United States tariffs on jeweled watch movements last year. We raised the tariffs so we have to give them something.

But then it goes on and you will find a statement in which our State Department say that they want to make concessions to other western European governments—they want to give other tariff reductions to them, in return for which the western European governments will give reciprocity to Japan and take the products to Japan.

We are to make more concessions to the European nations in return for which they will give reciprocity to Japan.

If that is not fraud in the name of that bill——

Senator MALONE. I am not so sure it is because of those factors settling political disputes. It might come under the head of wetting down our own people for a little while longer while we go through the motions.

It says so. Why do you say it is a fraud? It is a fraud on the face of it.

Mr. ROCKWELL. Because the American public thinks it means reciprocity to us for extending reciprocity to them. Reciprocity is a two-way street.

Senator MALONE. Who do you think invented that phrase "reciprocal trade"?

Mr. ROCKWELL. I am sure the Chancellor of the Exchequer of Britain invented that one.

Senator MALONE. The London bankers invented that phrase in the early thirties to sell free trade to the American people and our officials have been mouthing that phrase ever since just like they mouth "Trade, Not Aid," and "dollar shortage." We have been living on high-sounding phrases invented by the countries of Europe for 22 years while they are benefiting from our cash handouts and the divisions of our markets.

Colonel, would you like to include your statement, that part you did not read, in the record?

Mr. ROCKWELL. Yes, sir; I would like to see it in.

Senator MALONE. Then it will be included exactly as it is put together at this point in the record as a part of the colonel's statement and that includes the exhibits.

Mr. ROCKWELL. Yes, sir.

(The document referred to is as follows:)

STATEMENT OF WILLARD F. ROCKWELL, CHAIRMAN, ROCKWELL MANUFACTURING CO., PITTSBURGH, PA., AND ROCKWELL SPRING & AXLE CO., CORAOPOLIS, PA.

My name is Willard F. Rockwell, and I am chairman of the board of Rockwell Manufacturing Co. and the Rockwell Spring & Axle Co., which employ over

20,000 people, and whose shares are held by more than 35,000 stockholders. Our 40 principal plants have been located in 16 States:

California	Michigan	Ohio
Georgia	Mississippi	Oklahoma
Illinois	Missouri	Texas
Indiana	North Carolina	Wisconsin
Kansas	New Jersey	
Kentucky	New York	

Although our factories in peacetime produce articles strictly for civilian use, when our country is engaged in preparations for defense in war, our Government requires us to convert many of our facilities to produce munitions or implements of war, and Government restrictions on use of strategic materials and manpower compel us to abandon most of our peacetime production; this condition has prevailed for a considerable part of the past 17 years.

Since 1939, we have manufactured, machined, and fabricated over $1 billion worth of such military items as airplane instruments and parts, armor plate, fuses, shot ranging from 20 millimeter to armor-piercing, the greater part of all the axles and transmissions in specially designed trucks such as the 2½-ton general purpose truck (which was described by the Chief SOS as one of the six secret weapons that won the war), transmissions for tanks, valves for chemical warfare, synthetic rubber, and atomic-bomb plants, fuel meters for all the armed services, etc.

Tariff reductions in the past 20 years have had their effect in reducing our employment, with no corresponding benefit to our workers. Passage of H. R. 1 in its present form will damage the interests of more than 5,000 workers and investors in our enterprises, reduce our peacetime employment and income, and lower our demonstrated capacity for defense production, when needed.

We ask due consideration of the following estimates, facts, and figures:

1. A survey of advertising in the New York Sunday papers will show that hundreds of foreign items are offered currently at prices which cannot be met by American producers because of high labor costs, combined with high Federal and local taxes. Since 1930, American tariffs have been reduced by an average of 75 percent on more than 75 percent of the items on the 1930 tariff schedule. More than half of our country's imports come in free of duty, and the average duty on the remainder is less than 13 percent. (See exhibit No. 2.)

2. Not a single American tariff reduction made since 1930 has resulted in an important trade concession to United States' exporters. On the other hand, many of our established prewar foreign markets have been completely wiped out by foreign nations which, in the postwar period, have imposed quota systems, embargoes, import licenses, and currency restrictions. (See exhibit No. 5.)

3. American workers must not only compete now with low-wage workers of other countries, but will soon face even keener competition from efficient foreign plants built with gifts of American money extracted by taxes on American workers and thrifty investors. There are over 200,000,000 people in Western Europe and the United Kingdom who could form a United States of Europe, abandon their own economic isolationism, practice free trade among themselves, and copy the free competitive enterprise system which accounted for our country's success in attaining world leadership. They refused to recognize the cause of our industrial success.

4 Just as soon as foreign producers fill the vacuum in their home countries created by their war losses, and supply the nearest neighboring countries, they proceed to take over American export trade in other parts of the world which they were forced to abandon after the outbreak of war in 1939. Furthermore, American petroleum producers operating and selling in foreign lands are forced to accept payments in foreign inconvertible currencies, and, consequently, are forced to switch their purchases from preferred American manufactured goods, regardless of price, to the goods produced in foreign countries whose inconvertible currencies they hold. (See exhibit No. 5.)

5. The United States, through its free competitive enterprise system and the resultant high wages to workers, has built up an American mass-buying market which has permitted the introduction of low-cost, mass-production methods. Our system can be copied easily; it can also be destroyed by the bureaucratic domination which has gradually grown like a cancer on our economic system.

6. Further reduction of our tariff walls will give access to foreign producers to our mass-buying market and enable them to buy or copy our type of mass-production facilities, which, combined with their low wages, inevitably will

close many more American factories and reduce our standard of living. Furthermore, after our manufacturers are put out of business, foreign producers will use the cartel systems which are legal in their countries, gradually raising their price and profits, but not high enough to enable American mass producers to rehabilitate American plants, which become obsolete through the threatened period of stagnation, before we recognize our mistakes. (See exhibit No. 6.)

7. Washington and Jefferson admonished Americans to use the protective tariff to encourage production of all material and goods required for national defense. As an important producer of machine tools, our company has affiliated plants in England, Germany, France, and Italy, and so we are able to compare actual costs. Because many types of heavy machine tools essential to national defense have never been produced in quantities which permit profitable use of cost-reducing mass-production methods, essential machine tools can be built in England at a cost at least 35 percent lower than in the United States. English machinists, tool and die makers, and machine operators can produce as much in their 44-hour week as any American workers in the same classification who work only 40 hours a week, but who are paid approximately four times as much in weekly wages. Allied victory in World Wars I and II depended on American made machine tools. (See exhibit No. 3.)

8. We know that, since the war, many workers in our own plants have lost employment because of the lowered tariffs on American imports of low-wage competitive foreign products, and many more American workers in plants which supply our plants are now unemployed because some of our prewar exports have been cut off entirely by refusal of the British Government to give our former British customers the dollars they must have to buy our goods, and by the refusal of the British Board of Trade to give import licenses if a similar machine is made in Britain, regardless of the higher cost or lower efficiency of British competitive product. Even the dollars freely given by our Government to the British Government cannot be spent on our products, in which costs are increased by the taxes extracted to supply the dollar gifts. Our Government bureaucrats have advised foreign citizens and foreign governments not to spend our donations in the United States. They have also gone so far as to forbid it.

9. The estimate of former workers in our plants now unemployed, because of the actions described in the above paragraphs, warrants the conclusion that at least 600,000 of the several million now unemployed in the United States lost their jobs for the same reasons. Whenever 600,000 American workers join the ranks of the unemployed, the market for goods and services of at least 400,000 additional American workers disappears; and so the number of unemployed continues to snowball. Unemployment compensation funds for these unfortunate victims of the present foreign invasion must be obtained by imposing higher taxes on the declining number of other American employers and workmen. This increases survivors' costs of production and makes their manufactured products more vulnerable to low-wage imports.

10. The proposal to subsidize American industries and workers who suffer as a result of the low-wage foreign goods invasion of our home market only means higher taxes, and, therefore, higher costs, on employers and workers now able to compete. This will gradually, but inevitably, again reduce the number of American manufacturers able to meet foreign low-wage competition. (See exhibit No. 7.)

11. The claim that the United States will benefit in worldwide trade as a result of the goodwill engendered by opening our domestic markets to a heavier foreign invasion cannot offset the counterclaim that our Government's policy of dumping American farm products on the world markets and restricting foreign farm product imports has antagonized all foreign countries whose world export market prices of farm products are hurt by this unfair competition. (See exhibits Nos. 9 and 10.) The subsidies paid American farmers for raising and storing surplus crops, and the taxes to cover the usual additional losses when these products are dumped abroad, increase the tax load again and again on all tax-burdened American industrial employers and workers. The promises of a lower cost of living to American consumers through the lowering of import tariffs on manufactured goods are ridiculous because of the certainty that the cost of domestic food for American consumers has been raised by Government policy of high farm price supports, which require more taxes to pay storage, handling, and interest costs on $7 billion worth of perishable crops now withheld from American consumers by our own Government.

12. The impossibility of any country competing with another country where transportation charges are insufficient to offset marked wage differences was

demonstrated in Europe in 1953. Belgium removed its tariffs on imports from Holland, where both wages and the cost of living are 25 percent lower. Just 6 months later, Belgian workers' and employers' protests against the ensuing unemployment brought about by the Dutch imports forced the Belgian Government to pass laws which prohibited any imports from Holland that reduced employment of Belgian workers. The cartels, which are legal in both Belgium and Holland, also took prompt action.

13. To recall the demonstrated benefits of American protective tariffs, Americans should be reminded that English and Welsh producers of tinplate had a monopoly on tinplate sales in the United States up to 1892. About that time, a protective tariff bill was passed, which enabled American steel companies to produce and sell tinplate at a profit.

In 1946, our plant, which requires tinplate for the manuafcture of domestic or residential gas meters, was notified by Government authorities that we could not buy American tinplate because our Government bureaucrats had allocated American tinplate production to foreign countries, chiefly in the United Kingdom and British colonies, so they could conserve and preserve their domestic food production. American manufacturers were told they could buy tinplate if they could find any outside of the United States. We then purchased tin plate from the United Kingdom at the exorbitant cost of $.17 per pound. In 1946, the United States Government was taxing our workers to raise funds so American products could be given away to foreign countries, and, at the same time, we had to buy the same type of product at exorbitant prices from a foreign beneficiary.

It is a logical conclusion that if the 19th century protective tariff had not encouraged the establishment of our American tinplate industry, American manufacturers and consumers of the 20th century would be buying imported tinplate and paying at least twice the $0.07 per pounds paid to domestic producers. Tin cans are indispensable to provide food for the armed services, fighting thousands of miles from the United States and our foreign critics sarcastically say that half our population "lives out of tin cans."

In recent years, American workers were taxed to provide the money to build the finest, most modern and most efficient tinplate plant in the world in Britain and, if tariffs are lowered, that plant will find a market in the United States at prices, which cannot be met by American producers.

14. The Rockwell Manufacturing Co, because it includes several scattered small specialized product plants, has been described by financial writers and analysts as "the biggest small business in the world," so we are qualified to speak for small business employers and workers.

The methods by which automation can reduce labor costs have been fully described by previous witnesses, but particular emphasis should be placed on the fact that automation is not available to small manufacturers because of the tremendous capital investment required, and it cannot possibly prove economical, unless the cost cutting results permit prices which either create or induce mass-buying sales volume. (See exhibit No. 6.)

One of our plants produced an item 20 years ago in which the direct labor cost was 20 percent, but by progressively applying mass production methods, direct labor costs are now below 3 percent. If, through some miracle of automation, all direct labor could be eliminated, the price to consumers could only be reduced 3 percent. The present total direct labor cost is far lower than the direct labor cost of our foreign competitors in Western Europe and the United Kingdom. But, material costs for purchased forgings, iron and steel and nonferrous castings comprise the largest cost item, and the lowest cost American sources of supply for these material requirements quote prices over 50 percent higher than paid by our affiliated company in England. For example, iron castings, which meet our minimum specifications, sold to us by the most efficient foundries in the United States at $0.12 per pound are purchased form English foundries at $0.06 per pound. American steel foundries charge a minimum price of $0.21 per pound for our required specifications, which is 50 percent higher than prices quoted by English steel foundries for small quantities. Small American jobbing foundries cannot compete with gigantic American captive foundries, so small business is doubly handicapped. These examples should convince anyone that Europe's low wage scales eventually will kill off small manufacturers in this country, if import tariffs are not raised.

To illustrate the higher cost to American manufacturers of many absolutely essential services which must be paid by American manufacturers, we call attention to the fact that some English railway union groups are currently fighting for a minimum wage of $18 a week, while an American union railway group is fighting for a minimum wage of $18 a day. That means the American worker receives 400 percent higher wages than the corresponding English worker.

15. Today, when several million American workers and war veterans can find no jobs, Britain brags there are more job openings than job seekers—Britain boasts of a balanced budget, and a business boom. The United States Government claims it cannot balance the Federal budget, though predicting the second best production year in our history. If Britain's current success is based on protective tariffs twice as high as ours, plus the two insurmountable barriers to our American exports, of currency controls and import licenses, who can justify lowering of our tariff barriers? The British Chancellor's contempt for our Government's intelligence is exposed in exhibit No. 5.

16. One hundred dollars paid by any American citizen in our Atlantic coast cities for a manufactured product imported from the United Kingdom or Western Europe and admitted duty free to our market does not return $1 to our Federal Government, or to any investor in American agriculture, commerce or industry—it does not provide even one day's employment for an American worker. On the other hand, $100 paid for goods produced entirely in the United States filters back to many American workers and investors, after at least $26 is turned over by employer and employees to pay the taxes deducted from wages and profits of every American who furnishes a service, a particle of ore, a farm product, or any one of the thousands of ingredients purchased by the assembler and manufacturer as an essential part of the finished product for which the customer pays $100. The percentage distribution of all purchase payments remains approximately the same whether an American citizen or the United States Government itself spends $1 or $100 million for manufactured goods.

17. In view of the failure of our Government's foreign representatives to obtain any important concessions in return for our lowering of tariffs and removal of other barriers to the foreign invasion of low-wage goods, the use of the word "reciprocal" in the description of the proposed law appears to be deceptive, if not fraudulent, especially as the unwary will assume that United States producers are to receive reciprocity from the favored nations. Actually it is proposed to offer Europeans tariff reductions if they extend reciprocity to Japan—not to our producers.

The Wall Street Journal of February 23, 1955, states that our Government "is getting ready to discuss cutting tariffs," so that a number of nations may increase their exports to the United States, and in return, they will, "help Japan sell her goods around the world. This would be in addition to the long list of goods on which the United States began discussing tariff cuts with Japan in Geneva on Monday. Under the plan worked out by the State Department, the United States would cut tariffs on part or all of these additional goods bought from countries like Britain, France, Italy, and other lands, if these countries in return would cut tariffs on their imports from Japan." This is reciprocity with a vengeance.

18. To avoid a charge of prejudice, the attached exhibits include comments on tariffs, photostatic copies of European and British Government statistics on wages, etc., clipped from European papers. Although many facts were submitted to the House Ways and Means Committee, it was anticipated correctly that testimony unfavorable to H. R. 1 would receive scant attention; while the spotlight would be played on the theorists who hold the pious hope or quaint belief that world peace can be attained through universal free trade; though they can name no industrialized country in the world which has ever tried to practice it.

The New York Times has been an ardent and vociferous advocate of H. R. 1, and, therefore, there is no grounds for any complaint that it has printed a press report prejudicial to the House action on H. R. 1. The proceedings before the House were reported in an article by Mr. Allen Drury in the Sunday, February 13, 1955, issue of the New York Times, under the headline, "Low-tariff advocates win opening skirmish." Quotations from that article admit that the proponents of the bill discussed theories because they had no facts to back their theories; while the opponents made accurate statements of losses to American workers, American management, and American investors. We are told that the facts were discarded because of a general "hunch":—which suggests that H. R. 1, mislabeled the "Reciprocal tariff bill," would be more properly labeled if it were called "The hunch-backed tariff bill." Here are the pertinent quotations from Mr. Drury's article:

"It is evidently impossible—for no favoring witness before the House committee has done it—to say exactly what percentage of this country's postwar prosperity is traceable to lowered tariffs. Opponents have often been able to say exactly what percentage of their losses has been due to foreign competition aided by low tariffs.

"Yet the administration and a majority of both Houses of Congress are acting on a general hunch that the overall public good has been best served and will continue to be so served by a policy of lowered tariffs. Since this hunch is held by more people than the contrary hunch, the program is expected to be continued."

And so the free-trade advocates admit that they are working on a hunch in promoting a measure which may lead to the loss of jobs for millions of American workers. And we thought hunches were used by gamblers, not legislators. Quoting again:

"The House Ways and Means Committee heard 67 witnesses, including 7 Cabinet members, call the bill to extend the Reciprocal Trade Agreement Act a fine thing that would help this country's overseas trade and strengthen the free world's economy.

"The committee also heard 155 witnesses, including spokesmen for a broad cross-section of smaller industries, assert that the bill would 'bring financial disaster to many domestic concerns and throw thousands of American wage-earners out of work.'

On Thursday the committee endorsed the opinions of the 77 [1] and rejected the advice of the 155 by approving the bill, 20 to 5. It thus moved to extend for 3 years the reciprocal-trade program, which started life in 1934 as the natural-born child of a Democratic administration and is about to turn 21 as the adopted child of a Republican administration." [2]

"While opponents' arguments were not strong enough to defeat the bill in committee, their objections carried enough weight to indicate that some modifying amendments may be written into the measure on the floor.

"This has been due to a condition more characteristic of this particular issue than of most on Capitol Hill. Most proponents of the bill have based their case on generalities embodying faith, hope and charity. Opponents in most cases have been specific citing the number of plants shut down and workers unemployed as well as the decline in profits."

Here we have the plain admission that theorists have won, in spite of actual figures and facts which refute the theories. The House passed a gag rule to prevent any amendments. Could it be that the proponents fear free speech would prevent free trade? They cheerfully base their case on faith, hope, and charity for foreigners, while the practical opponents are specific in citing cases of American plants permanently closed, and others forced to reduce their employment. Does charity begin at home? Quoting again:

"One of the major reasons—perhaps the major reason—was expressed succinctly by Charles P. Taft, brother of the late Senator Robert A. Taft, in testimony on the last day of the committee's hearings.

"Mr. Taft, president of the Committee for a National Trade Policy, warned the committee that unless Japan were permitted to find a market in the United States, she would inevitably turn to the Communist states for an outlet."

As a result of Red Russia's suppression of the truth in 1944—that the Japanese had approached them to arrange a peace with the Allies—United States representatives at Yalta, in 1945, obtained a promise from Red Russia's rulers to enter the war against Japan, after our leaders agreed to give Red Russia domination and control over many free lands and free peoples, some of whom had fought on our side and had every right to expect justice from us. We committed the awful blunder of giving away what was not ours to give, and placing free men under the heel of the most dastardly dictatorship on earth. Does anyone believe that we should pay for past mistakes of our misguided leaders by punishing American workers, investors, and producers now, to compensate the Japanese?

Washington warned us against entangling alliances, and Jefferson warned us repeatedly against what he described as the "brigand nations of Europe." But Charles Taft warns us that the Japan that stabbed us in the back at Pearl Harbor must be supported by us in the future or Japan will join our enemy, Red Russia. Quoting again:

"Continuation of the program in substantially the form desired by the administration is likely, but protectionist sentiment seems to be finding an increasing

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[1] The 67 witnesses mentioned in a previous paragraph have increased to 77.

[2] In seeking election in 1952, the Republican promised to protect American workers. This "natural-born" "adopted child" will surprise voters who believe political promises are made in good faith.

broad geographic base on Capitol Hill. Congressmen from New England are finding allies in the South and spokesmen for western agricultural and fishing areas are also making common cause with them. They may not yet be able to force major changes in the law, but their numbers are growing."

Let us hope that this prophecy comes true, and that the Senate recognizes the disastrous trend before it is too late to prevent irreparable damage.

In the January 31 issue of Time, on page 76, this bald, bold statement is quoted and attributed to Charles H. Percy, of Bell & Howell Co., appearing before the House Ways and Means Committee:

"The highly paid American worker has become the most efficient in the world, 2 to 10 times as productive as his European counterpart."

It is no wonder that the American people and their Congressmen are so badly confused on the tariff question. It is no wonder that Europeans consider us to be a nation of braggarts. Surely no intelligent American would claim that he, or any other American, has either 2 or 10 times as much productive mental or physical power as his European counterpart. Of course, the American worker who is supplied by management with facilities costing from $20,000 to $100,000 of stockholders' money supplied by America's thrifty investors, can turn out 2 to 10 times as much as his European counterpart who works with bare hands or obsolete tools under primitive conditions. But who would be so asinine as to assert that our European counterpart cannot produce the same amount of work if he is given the same training and facilities? And who believes he will not get the same facilities if, under the international socialism which is proposed, his masters are given free-trade access to the American mass-buying markets which support the profitable use of our American mass-production methods?

The British protest they cannot meet the competition of the Germans because German wages are 25 percent lower than British wages; they add that Japanese wages are 50 percent lower than German wages. Does Britain advocate free trade? Not after seeing many Belgian plants shut down some months ago when free trade was tried with Holland, where both wages and cost of living are 25 percent lower. Six months of that flood, and Belgium closed its borders to any Dutch import that caused unemployment in Belgium.

Our increasing shortage of strategic raw materials not obtainable in this country guarantees an expansion of imports, but the hunch boys won't wait for that sad, but certain, eventuality. Or, perhaps, they hope to have us import everything so we can conserve our labor and natural resources for some unseen emergency. Gen. Jacob Coxey, who claimed that poverty could be eliminated if our Government would print paper money and give it to all who are short of dollars, never guessed that his inflationary plan would eventually be proposed as a solution to world-peace problems.

In the last 60 years, just the threat of free trade has brought on panics and depressions in these so-called United States. In 1913, as a result of threatened tariff reductions, the citizens of this country saw the first soup lines in our history, and it was only the cutting off of European imports by the outbreak of World War I and receipt of large war orders from Europeans which ended a serious depression.

If the so-called Reciprocal Trade Agreement Act is passed, it will not take more than a year to throw more millions of American workers out of their present jobs. The only consolation to American management, investors, and workmen is the hope that recognition of the facts will soon teach us not to rely on hunches, and will force Congress to restore protective tariff walls before irreparable damage is done by the threatened flood of low-wage imported goods.

Even now, our companies are forced by competition to buy component materials and parts from low-wage foreign countries, which, prior to 1950, we purchased from small American producers.

19. Since we have learned that this administration has been planning to reduce protective tariffs, the Rockwell Manufacturing Co. has made contracts in Britain and Western Europe which will assure Rockwell stockholders of income through foreign use of our patents and know-how in the manufacture of our products where we are unable to sell our products because of currency or other trade restrictions. We have also made arrangements under which, if, and when, it becomes impossible to manufacture our products at a profit in the United States, our company will act as a sales agent in the United States for these foreign producers. We believe that we can provide partial protection to the Americans whose investments and professional talents have enabled us to produce and sell superior products, but only the Congress of the United States can protect the jobs

of our workers or restore jobs to those now unemployed, by refusing to pass H. R. 1, or by amending the bill so that true reciprocity will be obtained for the benefit of all Americans. During the debate in the House, it was pointed out by Democratic Congressman King of California that the issue was not so much the extension of the Trade Agreements Act, as the lack of proper administration of the act and the threat imposed against various established business (see exhibit No. 8).

20. We do not advocate protective tariffs to protect inefficient American industries and thereby raise the cost of living. We advocate a protective tariff to protect all manufacturing industries essential to national defense, and such other protective tariffs as may be needed to prevent small business (always our best source of new ideas) from being wiped out by low-wage foreign competitors, whose invasion of our markets can only result in a lower American standard of living and the promotion of international socialism.

The attached exhibits include photostated copies of clippings from British and European newspapers, which will confirm various statements made in this testimony.

EXHIBIT NO. 1

[New York Times, January 23, 1955]

GERMAN WAGES STUDIED—AVERAGE IN FRANKFORT IS $22 FOR WEEK OF 50 HOURS

BONN, GERMANY, January 22.—Workers in the factories of Frankfort put in an average of 50 hours a week for pay, including overtime, of $22, according to a study just completed.

The study throws considerable light on Germany's strong competitive position in the world markets. Wages were studied in the metal, chemical, shoe, clothing, and construction industries.

The average workweek in the metal industries was found to be 51½ hours. The legal basic work week in Germany is 48 hours.

There is a marked difference between the wages paid men and women, the report showed. Among the skilled workers in the chemical industry, which has a high wage scale, men average 56 cents an hour and women 31. Women workers in the clothing industry earn $11 for a 44-hour week and men $19.

[Approximately 200,000 German civilians in the Frankfurt-Bonn area were employed by the American Government and Armed Forces agencies in 1953, so the average wage of 44 cents, including overtime for a 50-hour week, is much higher than prevailing wages in other West German areas.]

[Wall Street Journal, March 4, 1955].

Tariff increases as well as reductions will be proposed by the administration if Congress extends the reciprocal trade program, Treasury Secretary Humphrey said. He testified before a Senate Finance Committee hearing on a bill to continue the program another 3 years and broaden the President's tariff-cutting powers. Action on tariffs will be based on a case-by-case study of individual industries, he pledged.

[Small American manufacturers who reported loss of trade since 1950 are still waiting for tariff increases. Empty promises are no help to starving industries or their workers. H. R. 1 holds only the certainty of lower tariffs.]

EXHIBIT NO. 2

[Pittsburgh Press, December 28, 1954]

IMPORTS—FOREIGN GOODS IN STORES

By John W. Love, Scripps-Howard Staff Writer

It may be only an impression, and figures would be hard to come by, but Christmas merchandise in the stores this year seemed to include more imported goods than the merchants have offered for a long time.

In a store in Dallas a few weeks ago practically everything that caught my eye in gift sections was imported.

Many a well-remembered article from happier days now is back in the stores in larger quantity than any time in 25 years, no less. The goods were coming in before the war, but in no such quantities during the long depression. To name a few of my favorites: British chocolates and "biscuits," Danish cheese and Dutch cookies.

The amount of foreign merchandise this season is evidence of recovery in a number of the exporting countries of Europe.

TARIFF FIGHT

Not everybody in America is happy about these imports. It is not so much the Christmas business, but imports in general that disturb a number of industries in this country. They are shaping up their presentations to the Tariff Commission and Congress.

This is partly seasonal—the movement usually starts before the session of Congress opens.

One of the stronger efforts is being made against goods from Japan, and one of the toughest dilemmas is thereby shaping for the Congress and administration. The Tariff Commission is being told that duties can't be lowered without injuring this country's producers of glassware, photographic equipment, and lamp bulbs, growing lines of Japanese exports.

The puzzle for the American Government is how to keep the Japanese, first, from trading with China, and then from lining up in association with the Chinese. The Japanese have restored their industries, their population is increasing, but their trade is diminished with the East Indies. It threatens to slip into depression.

COTTON POLICY

American cotton manufacturers are lining up against more tariff cuts on their favorite goods, including notably the products of Japan. The United States is Japan's second customer for cotton textiles.

The return of Democrats to majorities in the House and Senate improves the chances of the Reciprocal Trade Agreements Act being extended again, this time for 3 years. When the renewal came up last spring the Republicans held its term down to 1 year.

The fight will be a close one, however, for in the cotton textile industry, the interests of the South are now larger than those of the North.

The dilemma of policy toward Japan is only a part of the grander one. How to keep other industrial countries on our side to keep down our outlays for foreign assistance, and to keep our manufacturers happy at the same time.

[Few American citizens know that $9 billion of United States foreign aid appropriations are available now to foreign competitors for future subsidies.]

EXHIBIT NO. 3

[British Ministry of Labor Reports, 1954, Daily Express, September 30, 1954]

Mr Average is now earning £9 17s. a week—and with the news comes a shock—

TEEN-AGERS CORNER THE PAY RISES

Teen-agers, it is revealed today, are getting a bigger share of pay rises than their fathers and mothers.

Girls are taking home wages which are 3½ times greater than the amount their mothers earned when they were spinsters.

Youths, too, are earning more than treble the prewar figure.

Figures issued today by the Ministry of Labor show that the undertwenties outstrip fathers, whose pay has just about trebled since 1938.

A youth's average is now £4 2s. a week, taking overtime into account. Girls are getting £3 5s. 10d. By the time they are 18 they are earning £5 5s.

The average figure used by the Ministry includes skilled and unskilled workers For men the average is £9 17s. 8d.

YOUTH NEEDED

The scramble among booming industries for young agile hands is one of the reasons why the teen-agers' wages graph has climbed at a steeper angle.

A Ministry spokesman said bigger pay packets had been achieved through the development of training schemes.

A breakdown of trades shows that the best paid workers are in metal and engineering, chemicals and printing.

Workers whose wages are below the £9 10s. a week average are in textiles, clothing, and food industries. The lowest at £7 11s. 9d. are in national and local government service.

[British Ministry of Labor reports average wage of skilled and unskilled workers is less than $27.75 per week.

[Average pay of workers in largest United States steel mill machinery producer and one of largest automotive parts makers exceeds $100 per week plus fringe payments exceeding $10 per week.

[British workers receive 33⅓ percent overtime when they exceed 44 hours per week. American workers receive a minimum of 50 percent overtime when they exceed 40 hours per week.

[Can American manufacturers pay 300 percent higher wages, and compete with the British manufacturers who complain they cannot compete with German manufacturers because the German manufacturers pays 30 percent less than his British competitor?]

EXHIBIT NO. 4

ENGLAND DEMANDS PROTECTIVE TARIFF AGAINST LOW-WAGE COUNTRIES

[Daily Telegraph and Morning Post, of London, England, September 30, 1954]

ENGINEERS' MOVE TO MEET GERMAN COMPETITION

Shareholders in engineering companies have recently had several reminders from their chairmen of the need to keep a watchful eye on German competition. A clear warning in the same sense now comes from Mr. Edward Barford, chairman of Aveling-Barford, Britain's leading makers of road rollers.

In announcing the acquisition of a controlling interest in Goodwin-Barsby & Co., the Leicester manufacturers of asphalt, quarry, and gravel plant, Mr. Bradford makes it plain that this is a move toward larger units to meet German competition, which has become vastly intensified in recent months.

With the immense advantage of wage rates about 30 percent below those in Britain, German road-roller manufacturers are seriously undercutting their British competitors, and are getting about 75 percent of the European export orders. Prices quoted by the German makers have latterly been on an average about 17 percent below British.

During the past year American manufacturers of earth-moving equipment—already much larger concerns than their British competitors—have been regrouping or have been absorbed by some of the largest companies in the United States. Mr. Barford is clearly of the opinion that similar moves must be made in this country to meet the German threat.

[Largest British manufacturer of road rollers states that German competitors pay 30 percent lower wages, and after quoting 17 percent below British prices, have taken over 75 percent of the European export orders.]

[London Daily Express, September 30, 1954]

A DANGER SPREADS

A bombshell drops through the letterbox of a firm of British textile exporters—in the form of a polite note from one of its Middle East customers.

Courteously the note points out that the customer has decided not to order British worsted cloth. The reason, it explains, is that the Japanese are now selling worsted cloth at a third under the British price. September 30, 1954.

Take note, Yorkshire. Now the wool industry is threatened by Japan just as the cotton industry of Lancashire is imperiled.

And the danger will grow. It is sure to grow until the Government gains the courage to claim tariff freedom. And with it the right to protect Britain's vital industries through the extension of Imperial Preference.

[Britain demands protection for vital industries because competitors in low-wage countries pay 30 to 50 percent less than British employers.

[Britain demands tariff reductions in the United States, although British employers pay as much as 50 to 75 percent lower wages than the competitive United States employers.]

EXHIBIT No. 5

[European edition, New York Herald Tribune, October 9, 1954]

AT TORY CONFERENCE—BUTLER CITES WARNING GIVEN UNITED STATES ON TRADE

[By Joseph Newman, from the Herald Tribune Bureau]

LONDON, October 8.—Chancellor of the Exchequer Richard A. Butler revealed today that during his recent visit to Washington he told the American Government in words of one syllable that the United States must improve its trade practices before Britain will make another move in lifting restrictions.

Mr. Butler, holding the spotlight on the second day of the Conservative Party's annual conference in Blackpool, propounded in effect a doctrine of "we'll do what you want, if you first do what we want."

The United States wants Britain to lower trade barriers and permit free convertibility of sterling. Britain already has taken several tentative steps in this direction, but Mr. Butler made it clear that before it takes another, it wants the United States to lower its tariffs and ease controls so as to admit a greater volume of British goods to the American market.

Mr. Butler had previously insisted on favorable American action as a precondition for more liberal trade practices by Britain. But today he put his point more sharply than before.

Discussing the problem of lifting trade barriers, he told the conference: "We shall not move until the conditions which I described in America are fulfilled—namely, that other people do something for us if they expect us to do something for them.

"That is what I explained in words of one syllable to the United States administration—that we expect some improvement in their trade practices before there is any question of our lowering our barriers any further or indulging in any further nondiscrimination."

He advised his audience "not to underrate public statements or the good intentions of the President of the United States."

If the opening day of the conference yesterday was Foreign Secretary Anthony Eden's day, as was generally conceded, then today was certainly Mr. Butler's. Reporters and politicians discerned in their performances a note of competition in playing to the gallery.

The gallery on this occasion was much more than the 4,100 delegates who filled the large Empress Ballroom of the Winter Gardens—a monument of Victorian bad taste, yet in keeping with the architecture of the seaside promenade of this northwest England resort. The gallery extended to the millions throughout the country who sat around their TV sets to watch the proceedings. It was the first time a political party conference in Britain had ever been televised.

[British Chancellor of the Exchequer, R. A. Butler, who originated the phrase, "Trade, not aid," explains sarcastically to the Tories that he told the American Government "In words of one syllable"—"that we expect some improvement in their trade practices before there is any question of our lowering our barriers any further or indulging in any further nondiscrimination."

[The Chancellor's low opinion of American intelligence may be upheld, if he is not promptly informed that American tariffs have been reduced 75 percent since 1930; that more than half of American imports are free of duty; and balance carry duty averaging less than 13 percent.

[Our American machines shipped to England prewar in spite of high tariff are now completely barred—first, by refusing to permit dollar payments; second, by British Board of Trade which refuses import license if any similar machine is made in Britain, regardless of price or efficiency of operation.

[American workers and manufacturers have been taxed billions of dollars for postwar British aid, which further increases American manufacturing costs and has lowered the burden on British manufacturers.

[Are the American Government and the American taxpayer properly and fairly charged with discrimination?

[The above facts show that the British have discriminated against American manufacturers, and the Chancellor's remarks only add insult to injury.]

EXHIBIT NO. 6

[Pittsburgh Sun-Telegraph, February 26, 1955]

THESE DAYS—LOW TARIFF HURTS SCISSORS INDUSTRY

(By George E. Sokolsky)

It is easy to be theoretical about what does not affect one's own affairs. Actually, for the amount of shears and scissors I would ordinarily buy, it would make little difference where the cutting steels come from. However, if I were manufacturing shears, scissors, surgical instruments, or manicure sets in the United States at this moment, I would be looking around for something else to do or I might even move my business to some other country and export the goods from there to the American market. It could be more profitable under H. R. 1, now before Congress.

Before World War I, most of the surgical instruments and supplies came to this country from Germany which specialized in this kind of commodity. Then during the war, the United States was caught short. Appeals were made to American manufacturers of scissors and shears to go into surgical instrument production, which required particularly skilled labor, workers with a high capability for precision. If this work group is lost by American firms going out of the surgical instrument business, it will be difficult to reassemble the workers.

For many years, this industry was protected by a tariff which it regarded as reasonable. Meanwhile, American surgeons found it easy to get their own inventions and improvements manufactured here in the United States.

FIRMS CLOSING DOWN

The tariff on shears and scissors has now been lowered twice and probably faces a third reduction. The American manufacturer is required to pay wages that are four times higher than wages paid to similar workers in Germany, and he cannot translate the difference into a competitive price.

Result: American firms are closing down. The Shears, Scissors & Manicure Implement Manufacturers Association states that the following firms have already discontinued manufacturing these commodities:

Berridge Shear Co., Sturgis, Mich.; Belmar Instrument Co., Belmar, N. J.; Birmingham Cutlery Co., Birmingham, Ala.; Case-Smiley Co., Fremont, Ohio; Cameron Manufacturing Co., Emporium, N. Y.; Arthur Dorp, Newark, N. J.; Harjan, Inc., East Orange, N. J.; Kafelt Manufacturing Corp., Keene, N. H.; Metroloy Corp., Canton, Ohio; Carl Monkhaus, Ellicotville, N. Y.; Progress Cutlery Co., Fort Smith, Ark.; Rex Cutlery Corp., Irvington, N. J.; T. E. Schneider Corp., South Norwalk, Conn.; Tri-Ess Products, Inc., Jersey City, N. J.; International Edge Tool Co., Newark, N. J.

Others are expected to follow. It is reported that in Solingen, Germany, and vicinity, there are about 800 manufacturers of cutlery, ranging from family work at home to small factories. In addition to manufacturing at about one-quarter the American cost, this industry is subsidized by the West German Government, which receives subsidies from the United States. American manufacturers cannot compete with low wages and indirect American subsidies to German firms, plus a low tariff.

CANNOT COMPETE

The largest American manufacturer of quality shears and scissors is J. Wiss & Sons. They have now gone out of the surgical scissors business because they cannot remain in it competitively with Germany. The Clauss Cutlery Co. reports that it will have to do the same because "our production is almost down to nothing."

It is possible to say: Who cares? If Messrs. Wiss and Clauss cannot afford to make surgical instruments, let them go into some other business. They are not like dairy farmers who have to be subsidized; they do not have that many votes. On the other hand, if we get into world war III, are our boys to die because surgical supply necessities cannot be imported from Germany? That is the real issue—not whether individual firms will survive or not.

There is a theory that when American manufacturers cannot compete in the American market with manufactures from other countries, they ought to omit making this particular commodity and devote their capital and skill to something else.

That theory might be sound in time of peace. But we are living in a world that is continually within a prospect of war. Therefore, it is essential to conserve those American industries which are needed for war production and those skilled laborers who are becoming all too rare in a period of automatic machine production.

That is a factor in our manufactures that ought to be weighed against the advantage that may come from supporting the economies of those nations which we want to keep on our side. The American industries involved are comparatively small and do not involve huge investments of capital or large numbers of workers. But what they do may be irreplaceable in time of war.

[After Mr. Clarence Randall had made his economic report on tariffs to the President, he was asked if anything was to be done about the foreign imports which are subsidized by foreign governments. He replied that the United States has an antidumping act which forbids subsidized foreign imports. Mr. Randall may know the theory, but he has shown a sad ignorance of the facts. Foreign imports to the United States have been subsidized for years, by both foreign governments and the United States.]

EXHIBIT NO. 7

[Pittsburgh Sun-Telegraph, March 3, 1955]

IUE SEEKS WORK FOR PLANTS HERE

Government orders for Pittsburgh plants are being sought in Washington, D. C., today by a delegation for Local 601, IUE–CIO.

Thomas Sullivan, business agent for the local at the East Pittsburgh plant of Westinghouse Electric Corp., said that about 2,000 of its 10,000 members are out of work. Lack of orders, he said, has brought layoffs of men with 13 years' seniority.

With Sullivan are P. L. O'Connor, president; Clyde Bowman, vice president; and Joseph Bachy, legislative chairman.

They are trying to land orders for heavy electrical equipment.

The delegation carried its plea to Senators James H. Duff and Edward Martin and Congresswoman Vera Buchanan and Congressmen Augustine Kelley and Robert J. Corbett.

[Pittsburgh Press, March 3, 1955]

UNION DELEGATION SOLICITS BUSINESS—WESTINGHOUSE GROUP VISITING LAWMAKERS

WASHINGTON, March 3.—A delegation from the Westinghouse Electric Corp., East Pittsburgh plant, is here to promote new business for the electrical industry of the Pittsburgh district.

The group, headed by Patrick O'Connor, president of Local 601 of the International Union of Electrical, Radio, and Machine Workers (IUE–CIO), has been calling on district Senators and Representatives to try to influence the executive department to place orders with Pittsburgh area plants.

The group has called on Senators Edward Martin and James H. Duff, Representatives Vera J. Buchanan, Augustine Kelley, and Robert J. Corbett, and Rocco C. Siciliano, Assistant Secretary of Labor for Employment and Manpower.

The group explained there are now approximately 2,000 men idle in local 601 and many of those furloughed have long years of seniority. They asked that orders for heavy electrical equipment, in particular, for defense or for hydroelectric dams built by Army engineers, be placed in their district.

Local 601 recently protested farming out valuable Government orders to foreign nations.

[Pittsburgh Post-Gazette, March 3, 1955]

CIO ELECTRICAL LEADERS PLEAD FOR ORDERS—GO TO CAPITAL SEEKING CONTRACTS FOR DISTRICT PLANTS

WASHINGTON, March 2.—A delegation for Local 601, IUE–CIO, is in Washington, trying to promote work for the mills and factories of the Pittsburgh area.

[East Pittsburgh plant union says 20 percent of 10,000 members out of work now. Men with 13 years' seniority laid off! Union business agent says orders would aid small business.]

They are trying to have Government orders for heavy electrical equipment in particular—for defense or for the hydroelectric dams built by the Army engineers—placed with Pittsburgh area firms.

CALL ON CONGRESSMEN

Thomas Sullivan. business agent; P. L. O'Connor, president; Clyde Bowman, vice president, and Joseph Bachy, legislative chairman of the local, have called today on Senators Edward Martin and James H. Duff and on Congressmen Vera Buchanan, Augustine Kelley, and Robert J. Corbett. All promised to try to influence the executive departments to place orders near Pittsburgh.

Mr. Sullivan explained there are now about 2,000 men out of work in the local out of a membership of 10,000. Men with 13 years' seniority are being laid off, he said, for lack of orders.

Help to the area would benefit not only Westinghouse Electric Corp., but also the steel mills, and many smaller businesses.

[Tariff reductions destroying Pittsburgh small businesses. Small-business example: Taximeter manufacturers who supplied 85 percent of all in use prior to 1952 located now in Pittsburgh. Foreign imports negligible prior to 1952. In 1953, $50,867 imported—1954 incomplete government report shows $93,562 imported. Rate of increase indicates imports will wipe out American manufacturers by 1957, who employed 300 people prior to tariff reductions.

[Plant in Amsterdam, Holland, pays 25 cents per hour to semiskilled workers who average 35 cents per hour on piecework basis. Corresponding American workers in United States plant average $3.11 per hour plus fringe payments exceeding 40 cents per hour. Present tariff rate of 12½ percent forecasts elimination of competing American industries and vast spread of unemployment.

[American small business is faced by a condition, not a theory.]

PROMISES SPECIAL PLEA

The plant where these men work is in Mrs. Buchanan's congressional district. She has promised to make a special plea to the Army engineers for them.

Late today the men saw Rocco C. Siciliano, Assistant Secretary of Labor for Employment and Manpower, and urged him to help them find jobs for Pittsburgh area men.

The delegation is also seeking support for a $1.25 minimum wage law, and for flood control for the Turtle Creek Valley.

To Editor, Pittsburgh Sun-Telegraph:

PROSPERITY

Your paper says "Business here best since 1953." Steel, coal, electric power output, plus freight and river tonnage, are all booming according to Pitt's Bureau of Business Research. And yet "free food" has to be given to 160,000 people in Allegheny County. What is prosperity?

CURIOUS.

[One million population in Allegheny County, 16 percent receiving relief. Pittsburgh is in Allegheny County.

["Buy American" Act passed by Democratic Congress during depression to aid unemployed now nullified, though millions are unemployed in recent months. Why?]

EXHIBIT No. 8

[Wall Street Journal, March 3, 1955]

TRADE BILL WOULDN'T HURT UNITED STATES FIRMS, WEEKS TELLS SENATE GROUP

WASHINGTON.—Commerce Secretary Weeks declared the House-passed foreign trade bill will not damage domestic industries and urged the Senate Finance Commitee to approve it.

The commitee opened hearings on the measure yesterday. The bill would extend the Reciprocal Trade Agreements Act 3 years and give the President much broader authority to lower tariffs. Chairman Byrd (Democrat, Virginia) hopes to hold the Senate hearings to 2 weeks. Treasury Secretary Humphrey is to testify today.

Mr. Weeks said the bill does not provide automatic tariff reductions, and only authorizes the President to carry out profitable trade negotiations with other countries.

"There is, in fact, implicit in the authority an obligation to negotiate in such a way as to maintain adequate tariffs that would avoid imperiling American industry by opening our door to excessive imports," he said.

In his first state of the Union message, the President declared trade policies "must not ignore legitimate safeguarding of domestic industries, agriculture, and labor standards," Mr. Weeks said.

[The New York Times (which emphatically favors passage of H. R. 1) on February 13, 1955, reported on the House hearings as follows:

["The House Ways and Means Committee heard 67 [1] witnesses, including 7 Cabinet members, call the bill to extend the Reciprocal Trade Agreement Act a fine thing that would help this country's overseas trade and strengthen the free world's economy.

["The committee also heard 155 witnesses, including spokesmen for a broad cross section of smaller industries, assert that the bill would 'bring financial disaster to many domestic concerns and throw thousands of American wage-earners out of work.'

["On Thursday the committee endorsed the opinions of the 77 [1] and rejected the advice of the 155 by approving the bill, 20 to 5. It thus moved to extend for 3 years the reciprocal trade program, which started life in 1934 as the natural-born child of a Democratic administration and is about to turn 21 as the adopted child of a Republican administration." * * *

["Most proponents of the bill have based their case on generalities embodying faith, hope, and charity. Opponents in most cases have been specific, citing the number of plants shut down and workers unemployed as well as the decline in profits."

[In view of the fact that 155 witnesses report damage to their industries, it is impossible to understand Secretary Weeks' statement to the Senate Finance Committee that the "trade bill wouldn't hurt United States firms."

[The witnesses gave facts and figures to prove the error in President Eisenhower's first state of the Union message promising not to "ignore legitimate safeguarding of domestic industries, agriculture, and labor standards."

[On March 3, 1955, Senator George pointed out that the State Department is trying to maintain amicable relations with foreign countries, but its administrators are persons without practical business experience or practical business minds. He said our "lovable visionaries" are quite different from practical administrators.

[The foreign governments negotiating through GATT at Geneva are not represented by visionaries, but by thoroughly trained and experienced experts who know what they want, in contrast to our visionaries. As the Spanish proverb says: "You can hire a servant, but you cannot buy a friend."]

EXHIBIT NO. 9

A MODEST PROPOSAL

When the idea was first advanced for the Government to support farm prices, it was really a very modest proposal.

All its proponents proposed was to put a little cushion under one part of the economy. It was a bit of favoritism to the farmers, of course. But, after all, it was going to be limited to a few farm commodities—and that shouldn't cause too much trouble, should it?

Well, some of the trouble it caused has already been pretty well publicized In the space of a few years this modest proposal turned our domestic farm problem into a major headache.

Now the reverberations of this little effort to help out a few farmers here at home have begun to echo through the capitals abroad. Today the domestic farm program is also a major foreign policy problem.

Our foreign policy is aimed at winning friends and getting them to stop their economic warfare against each other so their economies can become self-sustaining and less dependent on our own costly foreign aid. We are urging them, rightly and righteously, to stop such practices as import restrictions, export

[[1] Difference between "67" and "77" noted, but is exactly as reported to Times' readers.]

subsidies, and state trading. A conference about this has been going on for months.

But, as our corespondents report from Geneva, this morning, our poor diplomats have been getting nowhere. And the biggest stumbling block is the modest plan to help our farmers.

Urge European countries to abandon export subsidies? They point to our subsidized farm exports. Preach against state trading? Foreign diplomats note that the United States Government sells butter and grain in world markets—and at subsidized cut rate prices. Flay import quotas? We are reminded of our own import quotas on many farm commodities.

It's all very embarrassing. It's also all very inevitable.

Once the United States Government undertook to support farm crops at high prices regardless of circumstances it set off a chain reaction. With the market eliminated as a governor, production piles up. Beset by an avalanche of production at home, the Government must put on import restrictions to prevent foreign crops from wrecking the home market. With warehouses bulging, there is no place for domestic production to go except abroad and it can only be sold abroad at less than United States prices, with the Government making up the difference. This dumping in turn plays hob with foreign farm markets and impels counteraction. And so it goes in an ever-widening circle.

So we start out to do a little political favor for the farmers, and we end not only with a big domestic economic problem but with a threat to our foreign policies throughout the world.

Once more we are learning there's no such thing as a little tinkering with a nation's economy. The intention may be modest but the consequences can be monumental.

EXHIBIT NO. 10

[The Wall Street Journal, March 4, 1955]

FOREIGN FUROR—UNITED STATES FARM PROPS ANGER ALLIED NATIONS AND IMPEDE UNITED STATES PLANS FOR FREER TRADE

(By Henry Gemmill and Mitchell Gordon)

GENEVA.—It is becoming increasingly clear that a domestic policy of the United States Government—its propping of farm prices—is losing America friends abroad and in large degree defeating its foreign economic policy.

The situation has been painfully evident here in Geneva, where weary delegates are rounding out 4 months of talks on a revision of the 34-nation General Agreement on Tariffs and Trade. The United States representatives came to these sessions eager for a "stronger agreement attuned to today's realities." Assistant Secretary of State Samuel Waugh defined the ideal: "A code of principles and rules which will guide the conduct of trade among all the countries of the free world and assure that such trade is carried on with the maximum possible freedom."

Today the American delegates concede that under the revised GATT Pact the barriers to trade will continue, on balance, about as now. And one major reason for the American lack of success at Geneva is that every time our delegates have pressed for a specific objective the delegates from other lands have thrown in their faces the protectionist practices which have grown out of the United States farm program.

For example, the United States has been insisting that nations should end quantitative restrictions on imports—specifically the widespread discriminations against goods bought with dollars. Time and again the Americans have been hooted down because the United States itself has slapped import quotas on many a farm product to protect its high-priced domestic market. And it has demanded a waiver in the revised GATT Pact to permit this to continue.

A LAUGHING MATTER

For another instance, the United States representatives have been pressing here for tighter rules concerning the disruptive effect of what is called state trading—governmental buying and selling of the raw materials and products of industry. But they have been laughed at by other delegates, who cite sales of butter and grain from the vast surplus stocks of the United States Commodity Credit Corporation.

The GATT Conference also tackled the perversion of normal trade through export subsidies. The United States delegates were sympathetic as far as rules against industrial subsidies were concerned, but they were forced to say that under congressional instructions their country will keep right on subsidizing exports of the farm surpluses which have been encouraged by price props—though it will try to minimize the disruption of world markets in the process.

The American position, an inevitable consequence of the domestic farm program, has done more than infuriate the diplomats gathered here. It has aroused the farmers and farm blocs of efficiently producing agricultural nations, and it has given the United States a "bad press" on a global scale.

The president of Australia's National Farmers Union took to the local newspapers the other day to say: "By her irresponsible disposal of agricultural surpluses the United States is flagrantly breaking the spirit of GATT." In Wellington, New Zealand, William Marshall, chairman of his nation's Dairy Products Marketing Commission, is calling United States Government attempts to sell butter abroad at cut prices "pure and unadulterated dumping of surpluses."

European newspapers headlined the recent visit to Washington of Canadian Cabinet members Howe, Pearson, and Harris, emphasizing that they spoke not only for Canada but for Europeans when they asked United States Secretaries Dulles, Benson, and Humphrey for relaxed restrictions on farm imports and fewer subsidies on farm exports.

The influential Manchester Guardian pictures America as asking GATT for "legal permission to live in a state of sin." The London Economist, internationally read and usually pro-American, depicts the United States insistence on quotas for farm imports as "sadly retogressive." Other publications have played up the official protests registered by Denmark, the Netherlands, Australia, and New Zealand against United States efforts to sell surplus butter abroad and have featured the contention of Burma and Siam that the United States is cutting into those nations' export market for rice.

It is possible the sentiment is running higher than the facts justify. American officials emphasize that every subsidize sale abroad of United States commodities is managed as carefully as possible to avoid hurting the competing producers of friendly nations.

MORE, MORE

Certainly many Congressmen would like to see the United States go farther in the direction of spilling its surpluses overseas. Recently the House Appropriations Committee criticized the CCC for failure "to discharge its responsibilities to sell commodities competitively in world markets." It indicated specifically that it wanted more sales, even at heavy loss to the taxpayer, of surplus cotton, cheese, corn, rice, naval stores, tobacco, and wool.

More than a year ago President Eisenhower's Commission on Foreign Economic Policy, headed by Inland Steel Chief Clarence Randall, explained the adverse international effect of the domestic farm program, though the explanation has been little heeded. The group said this in its final report:

"To put the matter boldly, it is necessary to emphasize that inflexible price-support programs which hold domestic prices above world prices become price-fixing programs and result in accumulations of surpluses that would otherwise have moved into consumption here or abroad.

"To maintain such price-fixing programs it may become necessary for the United States to apply trade restrictions of various kinds, including import quotas, to keep down foreign importations. To move high-priced surpluses into export markets it may seem necessary to use export subsidies or dumping procedures that, if practiced with respect to imports into this country, would involve the application of our antidumping and countervailing-duty laws.

"INHERENT INCOMPATIBILITY

"Price-fixing, particularly with reference to commodities moving in international trade, is inherently incompatible with a pattern of private trade, free enterprise, and nondiscriminatory commerce among nations."

There are people elsewhere in the world, of course, who themselves have reasons for wishing to violate the patterns of private trade, free enterprise, and nondiscriminatory commerce. Some have farm blocs of their own. Some have infant industries with a case for protection. Some contend their entire national economy is underdeveloped and requires pampering.

Such nations are only too happy to discover the United States asking for waivers of the rules of international trade. As things stand now, the United States cannot effectively oppose them.

EXHIBIT No. 11

THE SINISTER SHADOW OF COMING EVENTS

On October 29, 1954, bids were submitted to the State Administration of Sanitary Works, Republic of Uruguay, South America.

51,000 half-inch watermeters. Prices c. i. f. Montevideo. Prices submitted as follows, in equivalent U. S. dollars by manufacturers in various countries:

1. Japan	$6.80	5. Holland	10.43
2. Germany	8.36	6. France	10.51
3. England	8.79	7. Canada	13.23
4. Belgium	9.44	8. U. S. A	17.10

Wages in Japan are not over 19 cents per hour. Wages in United States of America in watermeter plants over $2 per hour. This recent example of export competition is by no means an extreme case.

With the exception of the United States of America and Canada, all other manufacturers are subsidized by their own governments to aid their exports, and also subsidized by the United States Government, directly or indirectly. Their governments have been relieved in part of war damage costs—have received billions in postwar gifts and loans, while both the United States and Canadian manufacturers have been burdened with the taxes which permitted the loans and gifts to foreign governments

Can any sensible individual expect American manufacturers to compete against low-wage countries, and also pay taxes to subsidize them?

Senator MALONE. Colonel, I am interested in your testimony since I do know that you have been a very successful businessman. In how many States do you operate plants in this country?

Mr. ROCKWELL. I say that our 40 principal plants have been located in 16 States and I name the States. I point out our factories in peacetime produce articles strictly for peacetime civilian use but nevertheless these plants are used in wartime and in the recent war and during Korea produced over a billion dollars of military goods.

If we did not produce them I don't know who could.

Senator MALONE. You do have plants in 16 States.

Mr. ROCKWELL. Yes, sir.

Senator MALONE. United States of America.

Mr. ROCKWELL. Yes, sir.

Senator MALONE. In how many foreign nations do you operate plants?

Mr. ROCKWELL. We have allied plants in a number of foreign nations. We have agreements with them under which we can sell their products in this country.

You have the statement in here which was published in Time in which one of the witnesses said the American worker can turn out 2 to 10 times as much as his European counterpart, and that of course is a very serious misstatement and I don't think it was made.

I think that is a half-truth. I think he said the American worker could do it with the kind of equipment he is given by the thrifty investor who puts his money into the company.

Senator MALONE. When you have the same equipment in foreign nations which in many cases has been paid for by the American taxpayer and in almost every case where an American investor has put his money into a new plant there, is not it just as efficient a plant as if it were built here?

Mr. ROCKWELL. This country built the finest tinplate plant in the world in Wales and that mill will compete with us and they will find out about that very, very soon.

I point out in here, Senator, how we never would have had a tinplate industry in this country if it had not been for a protective tariff.

I pointed out how after the war our Government said to us "you can't have any tinplate unless you can find it somewhere else."

So we bought it in England at a cost of 17 cents a pound. Where do you think the American tinplate was going? It was being shipped free to Canada, Australia, New Zealand, and England so they could preserve their food with it.

Senator MALONE. You have plants in Georgia, Kansas, Oklahoma, and you have a plant I understand under construction in Kentucky.

Mr. ROCKWELL. Yes, sir.

Senator MALONE. I understood you a little earlier to say that if this were extended for 3 years you might make different arrangements in foreign countries. What would you do? Would you continue the construction of the plant in Kentucky?

Mr. ROCKWELL. We certainly would cut it down in size because one of the products we expect to make there we could not possibly make in competition, under a lowered tariff rate.

I have just been over in Italy where they have a plant that is going to build one of our products. It is one of the finest plants I ever saw in my life.

Incidentally the Italians who never shipped sewing machines into this country before the war, are shipping them in (together with some of the Germans) at a rate of $60 million a year.

Senator MALONE. We understood that Singer Sewing Machine and others are very seriously disturbed.

You say you have these affiliated plants in England, France, Germany, and Italy, and of course, those products can come in here and compete.

Mr. ROCKWELL. I couldn't say that about all of them under present tariff rates.

Senator MALONE. From your talk today you have been worried about the American employees. Why do you worry about them if the Congress of the United States doesn't worry about them?

Mr. ROCKWELL. I just say if the Congress of the United States doesn't worry about it I don't know who is going to take care of our workers.

Certainly the union leaders who talk about free trade are not considering the matter very deeply.

I have served as a consulting engineer for 40 years. I worked in some of the biggest machine-tool plants in this country as a consulting engineer. I know you can build machine tools 35 percent cheaper in England than here and you can build them 40 percent cheaper in Germany.

Senator MALONE. Did you ever see a plant built by American capital in any nation in the world that was inferior to a plant built in America of the same kind?

Mr. ROCKWELL. No, they can always copy.

We make the finest drill presses in the world. They copy them over in Italy. They even copy our trade-mark. They make some of our products in Austria and they take the prints out of our catalog and use our prints in their catalog.

Senator MALONE. The crockery representative here yesterday showed the same thing, they even adopted their trade name in Japan.

Mr. ROCKWELL. We formerly sold in Argentina—until they had no dollars. Very sad case. You have heard so many of them. So they wanted to buy more of our products; we couldn't sell them because they had no dollars; so we arranged for our affiliated Italian plants to sell them. They sold them on a barter deal between Italy and Argentina.

Italy takes wheat and meat from the Argentine and the Argentine takes finished products from Italy.

The only risk we have in the Italian plants is that we might lose the engineering fee. So, we can protect our stockholders. But only Congress can protect our employees.

Senator MALONE. The American employees.

Mr. ROCKWELL. That's right.

Senator MALONE. As yet I have seen no evidence of their being protected but I wondered what your idea of it was.

Do these nations in Europe trade with each other as a general rule?

Mr. ROCKWELL. Only two nations that have no barriers between them, Belgium and Luxembourg.

They tried to include Holland as I told you, but the difference in wages and cost of living brought a breakdown.

So they don't include Holland any longer, in spite of what my good friend Mr. Cortney says.

If our Government merely wanted to save money, they could have one of our aircraft carriers built in Germany for a hundred million rather than for the $200 million cost in this country, to help both the German economy and the American taxpayers.

Senator MALONE. What we are doing—and it is something that ought to be investigated by a congressional committee—we are letting contracts at fantastic prices in Europe for repairing our own airplanes.

Mr. ROCKWELL. We spent over $30 million, you know, over there to tool up Fiat on an airplane. We didn't want to give them our design so we left it to the English and let them give them their design. The English are very bright people. They gave them a very good obsolete plane and after they collected the millions for tooling costs they decided not to build it. But it was a very nice gesture.

Senator MALONE. I respect the British people because they do have brains and they use them. If they go into a conference and can't win, they don't sign.

When we send anybody into a conference they think they have to come back with an agreement. So they sign anything.

Mr. ROCKWELL. They have signed our business away to England.

In conclusion, they are very prosperous in Britain. The most prosperous they have ever been, and one of the ways they have done it is to raise the tariff barriers on everything they can make in England and to buy every raw material that they can buy over here for less than they can buy it in England.

Senator MALONE. I have been very much interested in your testimony because you are a successful businessman and you have come here and testified differently than most of the large investors in America.

Most of the large investors have testified here that they would like to be the judge as to the extent of imports, how much of their product should be produced here, and that they are against any protective tariff at all.

You have heard it stated in the testimony of the president of Standard Oil of New Jersey that they should be the judge of how much oil should be brought in and on what basis, and how much should be produced in the United States.

I asked him if he would go along with that policy for every other producer that was importing material and had a business here, and he thought that they too should be the judges.

What do you think that broad policy would eventually lead to?

Mr. ROCKWELL. I think it is a fact that the oil companies have been very smart in their public relations by reducing their imports of oil. I think they want to do what is right. But they have to have some help from the Government. When I was in Spain I saw high officers over there corresponding to our Secretary of the Interior and Secretary of Commerce, and so on. They told me that 1 or 2 or 3 of our wandering Government agencies have promised these foreign governments that we will give them 3 atomic power plants.

As you know, we haven't got an atomic powerplant in this country. But there is a chance to use some of that foreign fuel oil.

Spain, as you know, is on the Mediterranean. They can use that fuel oil to make power in Spain.

But instead of spending some money over there to build powerplants—they need power all right—instead of building them to use fuel oil to give them cheap power and help them to industrialize, our people are promising them three atomic powerplants when we don't have one ourselves—and no one will tell you that an atomic powerplant can be operated cheaply.

Senator MALONE. The desert and mountain areas and wide areas where a relatively small amount of power is needed for a long-distance powerline is where it will become feasible first.

We wanted the first one built in Eureka, Nev. It is being built in Pittsburgh.

Mr. ROCKWELL. They build it in Pittsburgh where you can get the cheapest coal in the world, and this puts some more miners out of work.

That was not a clever scheme. I am surprised John L. Lewis didn't complain.

Senator MALONE. I was overruled on my suggestion that the first plant be built where it would first become feasible. At least, however, they will learn how to build a plant.

Colonel, I probably did not frame my question just right. Do you understand what happens if you don't get this act. We would be back to the basis of fair and reasonable competition enunciated in the 1930 Tariff Act where there is only one criterion in fixing the tariff. That criterion is that the Tariff Commission conducts studies of the situation and on a flexible basis keeps current with the differential between cost of production here and the chief competitive nation on each product.

Are you for that principle on a basis of fair and reasonable competition, completely adjustable, to give the American workers and investors equal access to the markets here and to go back to that 1930 principle?

Mr. ROCKWELL. That is what I am in favor of.

I don't favor holding high tariffs to protect any inefficient industry.

Senator MALONE. Did you ever hear of anybody advocating high tariffs or a tariff beyond that fair and reasonable competitive principle?

Mr. ROCKWELL. If you are trying to industrialize a country, you have to advocate high tariffs. That is the way the United States and Australia were industrialized.

If you will put a plant in Australia to manufacture something they don't have now they will raise the tariff wall as high as you need it so you can establish yourself in Australia.

Senator MALONE. Did you ever hear anybody here advocate a tariff that went above that differential of the cost of production in this Nation and in the chief competitive nation?

Mr. ROCKWELL. We can compete with any country on a relative basis of wages.

Senator MALONE. On an even competitive basis?

Mr. ROCKWELL. Yes.

Senator MALONE. You can compete with other producers in this country on any basis at all because you pay about the same wages and about the same taxes and if the wages are cheaper someplace industry heads that way and finally it evens up, but what Congress established nearly a century ago and continued in 1930 was an evener with foreign competition, not on some scatter-brained idea of taking into consideration all the political factors in every nation of the world but on a principle. So you are for returning to the principle of fair and reasonable competition by law?

Mr. ROCKWELL. Absolutely.

Senator MALONE. And the Constitution of the United States?

Mr. ROCKWELL. Yes, sir. You can see the textile business moved from New England to the South because they could produce it cheaper there.

They go to England because they can make it cheaper and they are sure going to move to India because now they can make it cheaper there.

Senator MALONE. If you have free trade or a lower tariff it doesn't represent that differential between the cost of production.

Mr. ROCKWELL. That's right.

Senator MALONE. You have been another breath of fresh air so far as the acting chairman is concerned and I appreciate your appearance here very much. If you think of anything that you think will be helpful to the committee, please mail it to the committee and it will be inserted in the record.

Mr. ROCKWELL. Thank you.

Senator MALONE. We have disposed of Seymour Harris of Harvard, we will hear from Mr. Metcalf of Cordage Institute.

Mr. Metcalf, proceed in any way you see fit.

STATEMENT OF E. R. METCALF, CORDAGE INSTITUTE

Mr. METCALF. Thank you.

Senator MALONE. For the record, do you have anybody here with you that you would like to sit with you?

Mr. METCALF. I have five people but they can sit there unless they can provide expert testimony.

My name is Edwin R. Metcalf, I am president of Columbian Rope Co., of Auburn, N. Y., and the Edwin H. Fitler Co., of Philadelphia, Pa., with a factory at New Orleans, La.

Senator, I don't plan to read my statement word for word but I would like to have it made a part of the record, if that is permissible.

Senator MALONE. It will be accepted as a part of the record and you may make your points.

Mr. METCALF. I would like to comment on it briefly.

I have heard testimony here for the last 2 days and some of the industry representatives who have testified have claimed under cross-examination that their industries were not hurt by the tariff, some of them apparently never had a large share of the American market, but the cordage industry, which manufactures rope, bailer twine, binder twine, industrial and fishing twine, and for whom I appear as a spokesman, is an industry that has been hurt by the tariff reductions.

I might say we are opposed to H. R. 1. We would like to see the bill killed in the Congress, or we would like to see the present trade program expire in June.

Senator MALONE. You are just against the extension of the 1934 Trade Agreements Act?

Mr. METCALF. We are against the extension of the 1934 Trade Agreements Act.

Senator MALONE. You are about as plain a talker as we have had and I like that.

Mr. METCALF. In 1948 when we testified several times before different Congressional committees about the effect of the trade-agreements program on our business, imports amounted to 14 percent of sales by the United States industry.

In the first 10 months of 1954 imports had increased to 72 percent. In other words let me emphasize the fact that for the first 10 months of 1954, 72 percent, as much as we made, was imported and was sold in this country.

In the interval between the institution of the Trade Agreements Act in 1934 we have had cuts on our wrapping twine from 40 percent ad valorem to 15 percent.

We have had reductions in the duty on rope, manila rope, three-fourths inch and larger, from 2 cents per pound and 15 percent to 2 cents per pound and 10 percent.

Senator MALONE. Has this reduction reduced the duty below the differential between the cost of production here and in the competitive country?

Mr. METCALF. Yes, sir. If the duty was reinstated to what it was in 1930 we don't feel today would equalize.

Senator MALONE. Is that because the effect of inflation on a fixed duty has practically halved the duty in any case?

Mr. METCALF. The largest reason is that our labor cost is approximately 60 percent of the cost of the finished product.

Senator MALONE. That is expanded.

Mr. METCALF. Our labor costs have gone up in far greater proportion than they have in foreign countries so that the differential is far more now than it ever was before.

Senator MALONE. Has the labor cost gone up any more than the inflation justified if a dollar is now worth about half what it was when you started?

Mr. METCALF. Yes, sir.

Senator MALONE. It has gone beyond that point?

Mr. METCALF. Yes.

Senator MALONE. How much?

Mr. METCALF. I couldn't tell you exactly. I am not enough of an economist.

Senator MALONE. I was trying to get an idea how much the inflation had affected your fixed tariff. That is, has it lowered it through inflation?

Mr. METCALF. Yes.

Senator MALONE. In addition to the actual lowering of the duty through so-called trade agreements?

Mr. METCALF. Yes, sir. In addition to wishing that something would happen to H. R. 1.

Senator MALONE. You mean kill it?

Mr. METCALF. Kill it, we might as well face the result that there is the possibility that H. R. 1 will be passed by the Senate and we therefore wish to plead our case on the basis of a definite industry. Just as so many others have been asked the question during the past 2 days in my hearing as to whether certain industries had an amendment or a change in the present trade extension act which they would like to offer or would like to recommend and I have one here which with your permission, Senator, I will read for the record.

Section 4 of H. R. 1 is amended by adding a second paragraph to read as follows:

> Section 3 of H. R. 1 will not apply to any product determined by the President to be essential to national defense and necessary for projected national-defense requirements, and subsection (a) of section 7 of the Trade Agreements Extension Act of 1951 as amended (19 U. S. C., sec. 1364) is hereby amended by inserting after the word "products" the following "or that the domestic production of a product needed for projected national defense is seriously threatened"; and subsection (b) of Section 7 of the Trade Agreements Extension Act of 1951 as amended (19 U. S. C., sec. 1364) is hereby amended by changing the period at the end thereof to a comma and adding the words "and shall further take into consideration the fact that a product is essential to national-defense requirements when such essentiality is determined by the President on the application of an interested party."

As you will note this amendment has two interdependent features. The first eliminates the application of section 3 of H. R. 1 to products determined by the President to be essential to national defense; and the second are amendments to subdivisions (a) and (b) of section 7 of the Trade Agreements Act of 1951 to provide that in an escape-clause application to the Tariff Commission the Commission must give consideration to the fact that a product has been declared by the President essential to the national defense, if such is the fact.

I should like to emphasize that we are not suggesting that the Tariff Commission be authorized to determine the essentiality of a product to the national defense. This determination should be left to the President or such agency as the Congress may designate. The amendment merely requires of the Tariff Commission that it consider, together with the economic factors prescribed in subdivision (b) of section 7, the defense essentiality of the product.

Senator, we base our case on the fact that at the present time we are a defense industry, we want to point out three different factors which we would like to have seriously considered by the committee. The first of these is that the manufacture of manila, sisal, and synthetic ropes is necessary in time of war. The pre-World War II capacity was adequate in 1943 to make four times the normal peacetime requirements.

There is no reason to believe that as much rope would not be required in another emergency. In order to meet wartime rope requirements it is necessary that the capacity of this industry be maintained.

I would like to read a letter dated July 23, 1946, addressed to the cordage industry of the United States.

> Until recently I did not realize what an enormous amount of cordage is used by the United States Army. After looking into the matter I found that the Army probably used more cordage in World War II than any other agency in the United States.
>
> The cordage industry did a tremendous and important job in furnishing the Army with rope, twine, and cable without which the Army could not have operated.
>
> Not only was common rope supplied for its many varied purposes, but new types of cordage were developed, such as nylon cords on parachutes, the famous "snatch cable" used for picking up gliders, and various forms of camouflage netting.
>
> A brilliant record was achieved by the cordage industry in its services to the United States Army. It is a record of which the industry justifiably can be proud.
>
> Sincerely,
>
> DWIGHT D. EISENHOWER.

Point No. 2 is a question of rotating the present stockpile of manila and sisal fiber. Because it is a vegetable fiber it must be rotated to be fresh at the time that it has to be used, as many other products from the soil, that deteriorate in time. I don't know the size of the stockpile, that is a secret that has never been revealed to me by the United States Government. I do know our industry has an advisory committee which occasionally comes to Washington and the problem of how to rotate this is discussed with them and from the information I get from those gentlemen, the question of whether the industry at present is operating at a sufficient rate to use this stockpile before deterioration.

Senator MALONE. Do you know what length of time it retains its vitality, this material in the stockpile?

Mr. METCALF. We don't know for sure, Senator.

At the time of World War II we used to figure that manila fiber would have to be rotated in 3 years. Sisal fiber would have to be rotated in 5 years. But what experiments have been conducted since indicate that it will go a longer time and the industry is now cooperating with one of the Defense Department agencies who are conducting experiments by which the fiber is buried, and all different things that are known to encourage it to deteriorate are being experimented with at the present time.

But I would like to insert in the record at this time that if there is any feeling in the mind of the Congress that the industry is one that can be sacrificed, the Congress would certainly be doing the American taxpayer a favor if they decided to sell the fiber, while the fiber was of some good, and reduce the size of the stockpile.

In addition to that I might say that as far as the stockpiling is concerned, that there is an act of Congress—I forget which Congress actually passed it, authorizing that a stockpile of manila fiber may be maintained in the ground in Central America. There is an acreage of fiber in several countries in Central America at the present time which is being cultivated and kept in condition to be ready to be used at the time of emergency. And again I would submit that if the Congress feels that the stockpile is necessary, whether it is in the ground or in warehouses in the United States, that there must be an industry to use it if we do run into trouble.

The third point I would like to make is the question of the manufacture of baler twine and binder twine in time of war.

Those twines are used solely in the production of agricultural crops and are vitally necessary. Since 1937 or 1938 an automatic hay and straw baler has been invented and this requires either twine or wire. Actually in the last war it was as easy to get twine as it was to get wire because of the shortage of steel. What the condition would be in another emergency we don't know. The machines are not interchangeable, so that the twine machines that are out in the hands of the farmer and are now being used would have to be supplied with twine if they are going to be used at that time.

I would like to state further in connection with our case that in view of the drop in the production of the American mills and the poor outlook we have, for after all we are a part of the textile industry, that during the past few months, 2 State prisons manufacturing cordage in Michigan and in Missouri have given up the ghost.

The Michigan prison at the time they decided to discontinue announced publicly that they could no longer meet the labor rates of a foreign country.

Now if the prisoners in Michigan can't meet the rates, I would certainly like to confront some of the gentlemen I have heard talk here today with the question as to how we are expected to do so.

That ends the statement.

Senator MALONE. Your statement has already been made a part of the record and I think you have made a very fine statement and presented your case in a very fair manner.

I understand that you would like to see this act lapse and return to the 1930 Tariff Act, where the principle upon which protection is afforded is the basis of fair and reasonable competition, the difference in cost between this Nation and the chief competing nations, and that was the order of the Congress to the Tariff Commission in 1930.

Mr. METCALF. Yes, sir.

Senator MALONE. And letting this act lapse is an initial step to that return and then cancellation of the trade agreements by the President would put the tariff regulation on products on which there is now a trade agreement, back in the Tariff Commission.

Mr. METCALF. Yes, sir; we hope it would follow shortly.

Senator MALONE. You also understand that those trick organizations like the General Agreements on Tariffs and Trade at Geneva and the International Materials Conference, the State Department creation, and the U. N. creation of a World Trade Organization through resolution by the assembly would automatically lose their status to negotiate trade agreements.

Mr. METCALF. Senator, we have opposed GATT every opportunity we have had.

Senator MALONE. Do any good?

Mr. METCALF. No, sir. We don't know which rib the knife may be between tonight.

Senator MALONE. You don't believe that a change from a principle based on the differential in cost of doing business in this country and in the chief competing country should be made or that international and other factors should be taken into consideration in the adjustment of the duty?

Mr. METCALF. No, sir.

Senator MALONE. Thank you very much.

(The document referred to is as follows:)

STATEMENT OF E. R. METCALF, IN RE H. R 1, ON BEHALF OF CERTAIN HARD FIBER CORDAGE AND TWINE MANUFACTURERS OF THE UNITED STATES

My name is Edwin R. Metcalf. I am president of Columbian Rope Co., of Auburn, N. Y., and the Edwin H. Fitler Co., of Philadelphia, Pa., with a factory at New Orleans, La. I appear here on behalf of the United States private hard fiber cordage and twine manufacturers listed at the end of this statement. Our cordage products are rope, baler twine, binder twine and industrial and fishing twines.

Certain of these products were classified essential by the War Production Board during World War II, on the same level as ammunition plants and aircraft factories, and we have no reason to believe that the status has been changed.

The manufacturers I represent have from the outset opposed and continue to oppose the Trade Agreements Act and its extensions. With only a small part of the United States demand for cordage products satisfied by foreign goods at the outset of the trade agreements program, in 1948 imports were only 14 percent of the United States manufacturers sales, but the imports rose in the first 10 months of 1954 to a 72 percent average of United States manufacturers sales.

For the purposes of this presentation, I am assuming that H. R. 1 will be passed by the Senate in some form. Therefore, my comments will be directed to the consideration of an amendment providing a basis for relief for products essential to national defense particularly those products such as cordage that have been seriously affected by tariff treatment.

We believe that an amendment to H. R. 1 must be made if many United States industries are to be in a position in time of emergency to manufacture articles declared essential for the national defense.

The amendment to H. R. 1 we recommend is as follows:

"Section 4 of H. R. 1 is amended by adding a second paragraph to read as follows:

" 'Section 3 of H. R. 1 will not apply to any product determined by the President to be essential to national defense and necessary for projected national defense requirements, and subsection (a) of section 7 of the Trade Agreements Extension Act of 1951 as amended (19 U. S. C. sec. 1364) is hereby amended by inserting in the ninth line of the third paragraph after the word "products" the following "or that the domestic production of a product needed for projected national defense is seriously threatened"; and subsection (b) of section 7 of the Trade Agreements Extension Act of 1951 as amended (19 U. S. C. sec. 1364) is hereby amended by changing the period at the end thereof to a comma and adding the words "and shall further take into consideration the fact that a product is essential to national defense requirements when such essentiality is determined by the President, on the application of an interested party.' "

As you will note this amendment has two interdependent features. The first eliminates the application of section 3 of H. R. 1 to products determined by the President to be essential to national defense; and the second are amendments to subdivisions (a) and (b) of section 7 of the Trade Agreements Act of 1951 to provide that in an escape-clause application to the Tariff Commission the Commission must give consideration to the fact, that a product has been declared by the President essential to the national defense, if such is the fact.

I should like to emphasize that we are not suggesting that the Tariff Commission be authorized to determine the essentiality of a product to the national defense. This determination should be left to the President or such agency as the Congress may designate. The amendment merely requires of the Tariff Commission that it consider, together with the economic factors prescribed in subdivision (b) of section 7, the defense essentiality of the product.

In justification of our proposed amendment let us examine the law and administrative procedures now available for safeguarding essential defense products against serious tariff concessions.

To obtain relief against tariff reductions already imposed, an application must be made to the Tariff Commission for relief under the escape clause in the Trade Agreements Act of 1951. The factors to be considered by the Tariff Commission in such application are specified in section 7 (b). It will be noted that these are economic and there certainly is no reference to the essentiality of the product involved. Section 7 (a) requires that the recommendation of the Commission must be predicated upon financial injury only.

A step in the right direction is found in the so-called Symington amendment to the 1954 Trade Agreements Extension Act. Assuming that proper standards have been set up by the President or whomever he has designated, an essential industry can now be protected against further tariff reduction as a result of trade agreement negotiations. We do not know that such standards have yet been established. Please note, however, that this amendment has nothing to do with the escape clause and in no way affords help to essential products already injured by imports such as cordage.

Under the present jurisdiction of the Tariff Commission in an escape-clause application, if the Commission finds that an industry is not being seriously injured financially as a result of concessions previously granted, it makes no recommendation to the President. It merely renders a report of its findings. Thus, in those escape-clause applications where no recommendation is made to the President, he will not have an opportunity to remedy a situation where a defense industry requires relief to maintain skills and productive capacity needed in time of national emergency.

There is no administrative procedure in any other branch of the Government, whereby an industry seeking relief for a product through an escape-clause application can, as a matter of right, petition for a determination of its essentiality and have such determination, if made, considered by the Tariff Commission. Therefore such products are today in a helpless condition from a tariff point of view.

Considering our products essential, we believe that we are sound in urging the above amendment. For your consideration we would like to list three reasons why we consider this industry essential.

1. To manufacture manila, sisal and synthetic ropes necessary in time of war. The pre-World War II capacity was adequate in 1943 to make four times the normal peacetime requirements. There is no reason to believe that as much rope would not be required in another emergency. In order to meet wartime rope requirements it is necessary that the capacity of this industry be maintained.

2. To rotate the present stockpile of manila and sisal fiber. Because none of the vegetable fiber used by the industry is grown domestically the Defense Department has provided that stocks of fiber be within this country in time of emergency. The 16 companies operating 21 mills in the following 11 States: California, Illinois, Louisiana, Massachusetts, Missouri, New Jersey, New York, Ohio, Pennsylvania, Washington, and Wisconsin, are expected to buy fiber from the Government stockpile and replace it with new fiber so that the Government stocks will not deteriorate because of age. Because of our present rate of operation our ability to do this is seriously questioned.

3. To manufacture baler twine and binder twine in time of war. These twines are used solely in the production of agricultural crops and are vitally necessary. An emergency might well mean that many of the sources of these twines would not be available just as in World War II and the domestic industry would be expected to make those quantities. Machinery and a trained force to manufacture must be at hand.

We earnestly submit that favorable consideration should be given to procedures whereby products essential to defense can secure relief. In certain instances this can be done by increased tariff and in other instances by the imposition of quotas. Regardless of the method used, the Tariff Commission should be authorized to take appropriate action for a product declared to be essential to the national defense, and the authority should be granted to the President or an agency selected by the Congress to determine the essentiality.

UNITED STATES PRIVATE HARD FIBER CORDAGE AND TWINE MANUFACTURERS

American Manufacturing Co., Brooklyn, N. Y.
St. Louis Cordage Mills, St. Louis, Mo.
Badger Cordage Mills, Inc., Milwaukee, Wisc.
Cating Rope Works, Inc., Maspeth, N. Y.
Columbian Rope Co., Auburn, N. Y.
Edwin H. Fitler Co., Philadelphia, Pa., and New Orleans, La.
Cupples Co. Manufacturers, Inc., Brooklyn, N. Y.
Hooven & Allison Co., Xenia, Ohio
Thomas Jackson & Son Co., Reading, Pa.
New Bedford Cordage Co., New Bedford, Mass.
Peoria Cordage Co., Peoria, Ill.
Plymouth Cordage Co., North Plymouth, Mass., and New Orleans, La.
Rinek Cordage Co., Easton, Pa.
E. T. Rugg Co., Newark, Ohio
Tubbs Cordage Co., San Francisco, Calif.
Tubbs Cordage Co., Seattle, Wash.
Great Western Cordage Co., Orange, Calif.
Wall Rope Works, Inc., New York, N. Y., and Beverly, N. J.
Whitlock Cordage Co., New York, and Jersey City, N. J.

Senator MALONE. The next witness is Ralph Lazrus, president, Benrus Watch Co.

Mrs. SPRINGER. He has submitted his written statement for the record in lieu of appearing.

Senator MALONE. Where is his statement?

Mrs. SPRINGER. Here is a copy.

Senator MALONE. Did Mr. Sinkler, president of the Hamilton Watch Co. submit a written statement also?

Mrs. SPRINGER. That's right.

Senator MALONE. As I understand this statement of Mr. Lazrus, the president of the Benrus Watch Co., the statement is that he is for the extension of the act because he represents American companies that import and assemble watches and he is for the manufacture abroad of these parts of watches that they import and assemble here because these parts can be manufactured cheaper in Switzerland than in this country.

I only regret that I did not have an opportunity to question Mr. Lazrus, but his statement dated March 11, 1955, has been accepted for the record.

(Mr. Lazrus statement appears on p. 1065.)

Senator MALONE. I understand from Mr. Arthur B. Sinkler's testimony or statement, president of the Hamilton Watch Co. before the Senate Finance Committee regarding H. R. 1, March 11, 1955, and he ends by saying, "I do not see how the program can be administered more favorably to foreign countries or to importers if the interests of the American people are to be preserved and that was that the watch industry was recognized as important to national defense and the tariff rate was adjusted. If this good is to be ignored and the United States is to be assailed for this type of administration, then our trade agreements program is doomed to failure."

(Statement of Mr. Sinkler appears on p. 1082.)

Senator MALONE. Now, Mr. Bernard Weitzer, national legislative director of Jewish War Veterans of the United States of America.

You have a statement; you may proceed in any way you see fit.

STATEMENT OF BERNARD WEITZER, NATIONAL LEGISLATIVE DIRECTOR, JEWISH WAR VETERANS OF THE UNITED STATES OF AMERICA

Mr. WEITZER. The best way I could proceed is simply to read the statement. As you see it is quite brief.

Senator MALONE. Go ahead. You have been very patient today. I have observed you sitting there all day.

Mr. WEITZER. On behalf of the Jewish War Veterans of the United States of America, I am happy to express appreciation for this opportunity to present to your important committee, our views on the Trade Agreements Extension Act which you are considering.

I am testifying before you in favor of this legislation by virtue of the following resolution:

> Whereas the continuation of the cold war has intensified the effects of the disruption of world trade brought on by World War II, thus increasing the economic problems and difficulties in nations friendly to our country, and
>
> Whereas these problems and difficulties will take many years for solution even though a reasonable accommodation may be reached in the cold war; and
>
> Whereas such countries and ours are agreed that trade not aid should supplant as rapidly as possible the grants-in-aid which have been made under the mutual security program; and
>
> Whereas sales of the products and produce of our friendly world neighbors will provide them with the dollars to pay for the products and agricultural commodities which they must import from us and which we are eager to export: Now, therefore, be it
>
> *Resolved*, That the Jewish War Veterans of the United States of America in 59th Annual National Convention assembled in Richmond, Va., October 13–17, 1954, urge a 3-year extension of the Reciprocal Trade Agreement Act in a form which will make it easy to intensify activities under that act; and be it further
>
> *Resolved*, That offshore procurement be expanded in every way possible so that friendly nations may earn the dollars which will decrease the need for loans and grants and make aid by trade a reality.

I am pleased that the key members of the President's Cabinet have appeared before you and testified in terms which strongly support the resolution I have just read.

While I am mindful that these Cabinet members are like all men, not infallible, they are men who have had broad experience with the problems of commerce, economics, and foreign trade.

Furthermore, they are the very men whom the members of this committee along with the other Members of the Senate confirmed for membership in the President's Cabinet.

You have stamped them as patriotic men of integrity and ability.

I am proud to find our organization in harmony with such a goodly company on this subject, Extension of the Reciprocal Trade Agreements Act.

As a war veterans organization, the Jewish War Veterans of the United States of America are now in their 60th year, the oldest active war veterans organization in the country, our major interest in this legislation is the national interest. The defense and security of our country.

The national interest is advanced by foreign trade, which brings to us, numerous materials, essential to our defense and which are unavailable or in limited supply in our own country.

The money we pay for these products and others which can be marketed in our country under the concessions of the reciprocal trade agreements, becomes the means of paying for the goods we export to those countries and others.

We thereby strengthen our economy which is the basic foundation of our defense capacity.

Likewise, each of the countries with which we make these agreements is strengthened by its ability to sell to us and to buy the things it needs.

That added strength helps them to resist the terrorism, beguilement, subversion and infiltration which the Communist regimes in Russia and its satellites are continuously directing at all the countries in the world.

The cost of adequate military defense can be met only when a country's economy is thriving. I believe it is clear that the countries we help to strengthen through this Trade Agreements Act will be better able to defend themselves against possible aggression by Soviet Russia and its satellites. As a consequence, our own burden under the mutual security pact will be lightened and we may be justified in further retrenchments in our defense appropriations.

Our national policy is to deter aggression. That is why we maintain the growth of our armed forces and encourage our allies to do likewise.

To the extent that we are successful in deterring aggression, we can hope to avoid war.

Military strength, alone, is not enough. The added economic strength which the reciprocal trade agreements provide for ourselves and for the countries friendly to us, are an important element in deterring aggression. Success in our policy to prevent war will save hundreds of billions of dollars and untold thousands of deaths and casualties. In that perspective, the complaints about reciprocal trade agreements seem puny.

Surely, we have the skill to take care of the justifiable complaints without jeopardy to the defense and the security of our country.

That is aside from the fact that the peril-point provision practically ties the hands of our negotiators in any situation which may endanger a particular industry. In addition, should the Tariff Commission prove to have been mistaken in setting the peril point, there is an adequate safeguard in the escape-clause procedure.

Just as one illustration of the complaints made in these hearings, I would like to have you include in the record of your hearings, an item from the New York Times of March 9 dealing with the report of the American Zinc Institute for February.

The caption is "Zinc Production Rose in February—Auto and Electric Appliance Industries' Demand Sends Shipments to 7-Year High."

From the body of the article, I quote two short paragraphs:

> The American Zinc Institute reported yesterday that shipments in February amounted to 99,964 tons. That compared with 93,202 tons the previous month and was the highest delivery figure on the institute's records since the 129,046 tons reported for October 1947.
>
> The shipments reported for that month more than 7 years ago, however, were not comparable because they reflected a change in the status of zinc held by a Government buying agency.
>
> Some market authorities said last month's shipments probably represented an industry record.

I hope your committee will recommend a minimum 3-year extension of the act in the form passed by the House.

Senator MALONE. Thank you for your statement.

I think from your point of view you have made a very good witness. I would like to ask you a couple of questions. What do you mean by cold war?

Mr. WEITZER. What is going on, it seems to me, in many parts of the world today.

Senator MALONE. What is it?

Mr. WEITZER. That is a threat of aggression, subversion by some of the Soviet agents or Communist agents in various parts of the world trying to undermine the civilian governments, trying to infiltrate those governments with their agents so they will be an easy prey, and to that end they welcome any degree of economic weakness which they see in any part of the world that tend to progress in that direction.

Senator MALONE. Are you aware that all of the European countries are trading with Russia and the Iron Curtain countries and Communist China almost without stint?

Mr. WEITZER. As I understand it, they are trading only in those products which are not supposed to be war products or war potential products.

Senator MALONE. We have been in two of these wars and for your information all of the material in which they are trading is war material when you are getting ready for war.

We are trading in steel, ball bearings, engines, everything they need to fight a war with us. During the Korean war these materials were going from the satellite countries and Russia into Korea. Two-thirds of the kids who were shot in Korea were shot by these materials, paid for by their American fathers.

Mr. WEITZER. That is not a cold war.

That was a hot war.

Senator MALONE. Do you think anybody is fighting a cold war but us when we are the only ones who are supposedly not trading with the very nation most apt to fight a war with us. Is that a cold war?

Mr. WEITZER. Senator, as I see it, we are faced with a very difficult problem. If these countries have had their channels of trade and markets destroyed, the normal channels of trade that existed prior to World War II, to the extent that they were normal in face of what Germany was doing, have been taken away from them.

They have no markets that they can use in a sense unless we open our markets completely to them.

Senator MALONE. That is what you are in favor of?

Mr. WEITZER. What is that?

Senator MALONE. You are in favor of opening your markets to them?

Mr. WEITZER. Yes.

Senator MALONE. I think that is a very clear statement of your position.

Mr. WEITZER. Through the activities of the act.

Senator MALONE. In other words you want to trade the method laid down in the 1930 Tariff Act of fair and reasonable competition, for a situation in which we try to divide our markets with foreign countries regardless of any effect it might have in this country?

Mr. WEITZER. I would say that the act provides for a very careful consideration of the effects that it might have on various industries.

Senator MALONE. Then let us put it another way: From a policy of fair and reasonable competition we changed over to give one man—some say it is the Cabinet, some say it is the President, but the laws say the President—authority to take into consideration any of the various factors for meshing the economic factors of agriculture, mining and industry; also he can take into consideration any political situation that might occur in Europe, in deciding whether or not you lower the duty. You are for that?

Mr. WEITZER. I think we have to look at it from the standpoint of the defense of this country. We take men when they are needed and put them into battle and I think that is perfectly fair. As a veteran I think that the method we have used through selective service when there weren't sufficient volunteers to maintain the Armed Forces to the extent that we felt was needed, have worked effectively.

I think you must feel the defense of this country can be strengthened by preventing or attempting to prevent to the degree that it is posible, the overcoming of the people whom we might count upon in case of attack. To strengthen them, I think, strengthens the defense of our country.

Senator MALONE. You have every confidence that India and those nations will come to our defense when the time comes?

Mr. WEITZER. Yes. In a degree. I don't mean to say that we will have every one of those countries unless there is an all-out attack by Russia.

I think if there is an all-out attack by Russia we will have them.

I don't say that we will have them right now in Formosa. As a matter of fact, just looking over the story in the Daily News yesterday by Jim Lucas it looks to us as if we have enough stuff over there right now to take care of that situation.

If that should turn into an all-out war, I believe that the countries of the world that value freedom, value their independence, want to retain their sovereignty, will want to fight communism.

Senator MALONE. Do you have any idea how long it would take Russia to subdue Europe if an all-out war were started?

Mr. WEITZER. I suppose anybody could make any kind of a guess or estimate.

I have seen estimates from 48 hours to 2 months.

Senator MALONE. I don't make estimates but the military strategists do and they believe the time would be short. You got into the zinc business here I noticed.

Do you have any idea how much the production of zinc has dropped in the last few years as a result of this very policy?

Mr. WEITZER. I don't know what you mean by the last few years.

Senator MALONE. I do and I will explain it to you.

Mr. WEITZER. This item referred to the highest shipments since 1947.

Senator MALONE. We produced about two-thirds of the zinc consumed in this country. We are producing about a third now.

It is decreasing every day on account of our foreign trade policy.

They are operating at a loss in the hope that Congress will change the trade policy. Probably 50 percent of the miners, zinc miners and lead miners are on the street. If this act is continued probably 90 percent of them will be on the street within a very short time because there will be no hope and these mines will be closed down.

You have as much right to your opinion as anyone but I thought I would tell you the facts as far as zinc production is concerned.

Do you think or do you know that under any amendment that has been proposed here except to make the President's decision subject to approval by Congress or make the Tariff Commission's action under the escape clause or peril point applications mandatory, do you know that the President's decision, whether it is made by the State Department or somebody else, is final in any case?

Mr. WEITZER. That is right. I think that is proper.

Senator MALONE. I just wanted to get the record straight. You mentioned a dollar shortage. Americans have that same dollar shortage to buy American products which occurs when they spend more than they buy. But a nation has another way of creating a dollar shortage and that is by fixing a price in dollars on its currency above the market price so no one will pay it.

So that is two methods by which they have a dollar shortage. They coined that phrase "dollar shortage" to sell us on the theory that we must support their people and pay their taxes. They sold us on that slogan, just as they sold us on the phrase "reciprocal trade," which has never occurred in any act that Congress has passed but which we have mouthed for 21 years. A London banker invented that just like "trade not aid" was invented in the same place by Butler, Chancellor of the Exchequer of England.

They keep feeding us slogans and catchwords and we live on them.

So a dollar shortage was the greatest hoax ever sold to this country; when you try to buy more than your current earning power you have a dollar shortage or if a nation fixes a price on its money in dollars higher than the market price they have a dollar shortage.

There also is GATT—spelling it with one t would be more nearly what it means, because it really is a "gat" held at the head of American workingmen and businessmen. GATT meets in Geneva.

No one knows how they operate. They are there with 30 or 35 nations with our markets in the pot and are proceeding to divide them. They are there waiting like a cat at a rathole to proceed with a further division, if we extend this Act.

Mr. WEITZER. I am quite satisfied with that arrangement if it achieves the end result that we are in favor of.

Senator MALONE. Do you think it is getting the end result by shuting our own industries down?

Mr. WEITZER. I don't know to what extent industries have shut down. When I testified before the House I made a breakdown of the efforts made to get application of the escape clause. I found since the escape clause has been in effect that there had been only 59 complaints.

Unfortunately I did not copy the names of the industries——

Senator MALONE. That is all right.

Mr. WEITZER. Out of those 59 applications the Tariff Commission turned 44 of them down; that is, practically 3 out of 4.

Senator MALONE. How many did the President turn down?

Mr. WEITZER. Fifteen recommendations were made to the President. In only five cases did the President decide to invoke the escape clause.

Three times it was President Truman and twice it was President Eisenhower.

In 10 cases the President declined to invoke the escape clause.

Twice it was President Truman who was involved and eight times it was President Eisenhower who declined to accept the recommendations of the Tariff Commission.

None of these industries struck me as embracing any large number of people. I didn't have the time to dig into all the census figures and find out the exact number of people that were involved.

I don't know to what extent any of those people might have been trained or what opportunities might have been developed for those people to get jobs but I do know that one way or another, we are selling $15 billion worth of stuff around the world.

I happen to be a farmer aside from this work—I have a 50-cow dairy farm out here—so I read the agricultural magazines a little bit and I know the farmers are looking for a market and I think it is very important that we try to help defend that market by offering the workers of Europe in these countries that are friendly to us the opportunity to ship their goods here.

Senator MALONE. I get your point perfectly. You believe there should be a shifting in industry and whenever there is an industry at a place that can be reduced, even if it will throw them out of work, you are in favor of that?

Mr. WEITZER. I am not in favor of throwing them out of work.

Senator MALONE. You know that that is what they are doing.

Mr. WEITZER. This has puzzled me all day long as I sat here. I heard Colonel Rockwell. I know a good deal about his companies.

Senator MALONE. Is there anything wrong with his companies?

Mr. WEITZER. Not at all. They are well-managed companies, as well managed as any in America.

Senator MALONE. He said he doesn't have to run them here, he can take them abroad.

Mr. WEITZER. I know he is still running them in this country and is making more money than ever.

Senator MALONE. He said they had lost business and they can increase their business by going to foreign countries and that is what he intends to do.

Mr. WEITZER. In the face of the operation of the act and despite the fact that this may have caused some unemployment, we are employing more people than ever before in this country.

Senator MALONE. There are quite a few more people in the United States now than there were 20 years ago.

Mr. WEITZER. Certainly the population is growing by leaps and bounds.

Senator MALONE. But you are in favor of determining the duty on tariff upon the criteria of foreign political and economic factors—making friends and influencing people.

Mr. WEITZER. I am not talking about foreign nations. I am talking about the United States, Senator.

Senator MALONE. What I am saying is, and you must understand it because you are down here with a written statement, that the President of the United States or the State Department, whoever does the manipulating through these so-called trade agreements may consider these problems in Europe and, if through such adjustments we could wet down some of these nations and make them more satisfied for a while you can reduce a duty on any industry in this Nation for that reason.

Mr. WEITZER. As I understand it, this present act limits the reduction to not more than 15 percent over the next 3 years.

Senator MALONE. An additional 15 percent?

Mr. WEITZER. Yes.

Senator MALONE. After the 50 percent and 25 percent, the 75 percent and then the inflation cutting it in half to start with?

Mr. WEITZER. That is right.

Senator MALONE. That is quite a substantial reduction.

Mr. WEITZER. Any of these actions that increase our defense power I think are justified when that is the judgement of the President after considering the facts presented to him by the Tariff Commission and I just pointed out to you that 3 times out of 4 in 59 cases over a period of years the Tariff Commission found no merit.

Senator MALONE. Three times out of fifteen?

Mr. WEITZER. Three times out of four, I say, a Tariff Commission turned complaints down.

Senator MALONE. And then 10 times out of 15 the President turned them down?

Mr. WEITZER. Five times two Presidents support them. I can't conceive of the President of the United States after getting this information from the Tariff Commission and getting further advice regarding the many problems that are involved and particularly the defense of our country, I can't imagine the President of this country deliberately undermining employment in this country unless it was essential to the defense of the United States.

Senator MALONE. The President does not do it deliberately but no human mind and no group of men can envisage the measuring of the economy of one nation, let alone 60 nations. The Constitution does not trust anybody. It pointedly separates the regulation of foreign commerce (trade) and regulation of foreign policy.

Mr. WEITZER. Yes, sir.

Senator MALONE. Do you want the President to judge what should be done for the good of the whole world instead of having it on the basis of fair and reasonable competition with the only criterion laid down by Congress to protect the investor and the workingman, through setting the principle of fair and reasonable competition between this Nation and the chief competitive nation.

Are you in favor of allowing one man a free hand in regulating foreign commerce?

Mr. WEITZER. With one exception in the way you worded your question, sir.

I say I am willing to leave it to the President to decide what will help the defense of the United States in relationship to these nations, not what is going to help another country.

Senator MALONE. The Constitution of the United States does not leave it to the President. Neither did Franklin, Washington, or Jefferson advocate leaving it to one man.

Mr. WEITZER. Simply to strengthen our defenses——

Senator MALONE. It doesn't say that in the act or in the Constitution of the United States.

Mr. WEITZER. That is the only basis on which he can act so as to strengthen their economy.

Senator MALONE. Yes; that is true, the whole 1930 Trade Agreements Act was to strengthen our economy.

Mr. WEITZER. Strengthen their economy to strengthen their ability to fight the beguilement, the terrorism, and the subversion the Communist enemy is firing at them all the time just as if they were bullets almost. You know that. I know what an opponent you are to communism.

Senator MALONE. That is what our tariff act was for—to strengthen our economy. They are doing that in this country. But if we now weaken it and go down economically, we could very well wake up having the government we are afraid of.

Mr. WEITZER. In the face of this act our population has grown. They are living better than they ever did.

Senator MALONE. They are living off the fat—the Nation itself.

Mr. WEITZER. They are creating their own fat.

Senator MALONE. We are creating a greater debt.

Mr. WEITZER. They certainly are; our national product is increasing.

Senator MALONE. We are in more debt here today.

Mr. WEITZER. I don't know whether you give adherence at all to some of these prognostications that have been made by some of these economists regarding what the total population will be 10 or 15 or 20 years from now and what the total national production will be but certainly if we look at what has happened in the last 10 years we know that the national production has increased.

Senator MALONE. We know our national debt has increased when we owe more money today, if we add the States' debts and United States' debts, than the taxable valuation of the United States property. If you think that is making money you have a very funny approach.

Mr. WEITZER. We are living better than we ever did. I go out to my farm and see shacks with televisions and antennas along the road there. They have been there for 2 or 3 years and they must have paid off the bill if they bought them on time, which they probably did.

Senator MALONE. You know how you are selling your farm products abroad; don't you?

Mr. WEITZER. A lot has been sold as a consequence of grants-in-aid.

Senator MALONE. A lot has been sold or has been given away, or we sell it at the world price and the taxpayers make up the difference between the support price and the world price.

Mr. WEITZER. And we are getting paid roughly now in dollars, in products that we can use to our advantage to the extent of about $4 out of every 5 that we sell them.

Senator MALONE. You are getting paid in zinc, you are getting paid in textiles.

You are getting paid in crockery, you are getting paid in the things that you can manufacture here and when the work has been transferred to foreign nations then our boys are going to lose their jobs.

I want to ask you one more question and we will close it up.

Just to keep the record straight, you are in favor of the principle, changed from a basis of fair and reasonable competition in the regulation of foreign trade to the principle of transferring the constitutional responsibility of Congress to the Executive who can take in additional factors such as the entire national economy and that of foreign countries.

You are in favor of the change in the principle?

Mr. WEITZER. In the first place I am not a lawyer.

Senator MALONE. It is not necessary, commonsense will do it.

Mr. WEITZER. So we are even on that score.

Senator MALONE. We can use commonsense.

Mr. WEITZER. To the extent that you say that is not the constitutional prerogative of the President.

Senator MALONE. It is not the constitutional prerogative of the President to set duties or to regulate foreign commerce (trade).

Mr. WEITZER. The Congress for 25 years almost now, or 20 years now the act has been in effect, I don't know what——

Senator MALONE. There is suit in the courts now to test the constitutionality of the act.

Mr. WEITZER. Oh, it is in the courts now.

Senator MALONE. Yes.

Mr. WEITZER. They waited twenty-odd years to get there.

Senator MALONE. I was not in the Congress at that time. This is one of the reasons I came to Congress. You are breaking the business, out in the country.

New York and Washington are two of the most dangerous towns to the United States of America. They can only see across major oceans for one economic world.

Mr. WEITZER. I am shocked to hear that because I was born and brought up in New York and I live now on the outskirts of Washington but I have traveled all over the United States and all over the world at various times on business.

Senator MALONE. So have I.

Mr. WEITZER. Your opinion may be right. I would hate to think that my birthplace and my living place are sources of danger to the welfare of the United States.

Senator MALONE. They built those office buildings so high in New York city that when you look out of the windows in the offices you can see Africa and Europe and Asia much easier than you can see these little States west of the Hudson River, and in trading under this very act for 21 years our producing industries have been traded for a bunch of waterfront brokers who take an override on everything that goes through the ports of about 5 to 10 percent and produce nothing.

It is a very fine business for a few if you can get it and will support it.

Mr. WEITZER. I think what is happening is that the farmers of Kansas and Iowa and the other Midwestern areas are certainly considered under this act and helped by this Reciprocal Trade Agreements Act.

Senator MALONE. I don't think they are helped at all because it is the taxpayers of America that are making up the difference between the world price and the support price.

How could you lose? I am not against price supports. I voted for them.

I think we have to do something to keep the balance. But I think we have to relieve the taxpayers once in a while too.

You're not selling this stuff over there. You are giving it away.

Mr. WEITZER. That is simply from the way you look at it.

Senator MALONE. Correct, but when we have to set a tax rate so that 50 percent of it comes out of the taxpayers' pockets you would not think that is a real solution of our problem; would you?

Mr. WEITZER. I would not say it is a permanent solution by a long shot but we are in a situation where under the stress of war, the farmers of this country went to work and produced the greatest food crops that the world ever saw and they practically fed the whole world.

Senator MALONE. And have increased them ever since.

Mr. WEITZER. Now we are faced with a situation where our farmers would go broke in spite of the fact that I think he is the smartest farmer and most efficient farmer there is in the world, if we did not have some kind of a support price.

Senator MALONE. We all voted for the act. But it is not the solution for it and you know it as well as I do when you say that this act has helped the farmer.

Mr. WEITZER. I am talking about the Reciprocal Trade Agreements Act.

Senator MALONE. Where do you get the words "reciprocal trade agreements"?

Mr. WEITZER. That is what it is called.

Seantor MALONE. By whom?

Mr. WEITZER. Isn't it known by that title?

Senator MALONE. It is of course not reciprocal trade. You can't find the two words in the title and you can't find it in the act. That is what the London bankers called it in 1934 or thereabouts just like Mr. Butler coined "Trade not aid" in your statement.

I think you used it. I doubt whether you know where it came from.

Mr. WEITZER. I heard many of them say that at the Press Club.

Senator MALONE. Then you adopted it immediately? We have lived by those slogans coined by London bankers and European diplomats for 21 years.

Isn't it time we coined one of our own? Let this act expire—get back to the Tariff Commission—let them adjust the duty or tariff on the basis of fair and reasonable competition.

Mr. WEITZER. I always thought the slogan was an American product. One of our best, too.

Senator MALONE. You have mouthed them for 21 years "dollar shortage," "reciprocal trade."

Still we mouth them here and our taxpayers make up the difference.

Mr. WEITZER. Most of us are descendents of people that came from Europe.

Senator MALONE. Of course we are. I am too. Why did they leave the old countries? Because they couldn't make a living there then and they cannot now.

Mr. WEITZER. That is right. In spite of that Reciprocal Trade Agreement Act we are making the best living we ever did today.

Senator MALONE. We are living off the fat, we have the greatest national debt our country has ever had.

Mr. WEITZER. I don't think we can say a country producing at an annual rate of $300 billion——

Senator MALONE. More than that.

Mr. WEITZER. Is living off its fat. It is coming off the sweat of men's brows and muscles every day in the week every week in the year.

Senator MALONE. Of course.

If you had business, a business that owed more than you could sell the business for, you would not think the business was in very good shape, would you?

Mr. WEITZER. The United States is not for sale but if it were I think it would be the greatest investment in the world.

Senator MALONE. In the first place no one could raise the money to buy it. If you add debt of the 48 States to the $275 billion of national debt, it is greater than the taxable property valuation in the United States of America.

And they are pounding at the door every year for a raise in the national debt limit. The past year was no exception.

We are just as bad as the past administration who were always pounding at the door to raise it.

I am very glad you appeared before this committee.

Mr. WEITZER. Thank you for staying so late.

Senator MALONE. You have a theory here that is very interesting and I want to thank you on behalf of the committee for being so patient because we are building a record that I hope people will read.

Thank you.

We will adjourn until 10 o'clock Monday morning.

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

DEPARTMENT OF WATER AND POWER,
CITY OF LOS ANGELES,
Los Angeles, Calif., March 25, 1955.

Re Importation of Crude Oil and Residual Fuel Oil.

Mr. NORTHCUTT ELY,
Tower Building, Washington, D. C.

DEAR MR. ELY: The tremendous increase in kilowatt-hours furnished to population and industry by the public utilities, both publicly and privately owned, is largely being met by increased consumption of fuel. In the West this is principally from residual fuel oil. Accordingly it is to our interest not to place limitations upon the importation of foreign crude oil and residual fuel oils.

Oil is a nonreplenishable resource. While it is true that discoveries of new oilfields have kept ahead of oil consumption, still the available supplies are finally limited to what nature has placed underground. Accordingly, it would appear contrary to longtime interests of the Nation to prevent the importation of crude oil and residual fuel oils, the consumption of which in this country will extend the available local supplies.

I believe we should watch this legislation and do what we can to liberalize the importations.

Sincerely,

SAMUEL B. MORRIS,
General Manager and Chief Engineer.

(Whereupon at 8:40 p. m. the hearing was recessed to reconvene at 10 a. m., Monday, March 14, 1955.)

TRADE AGREEMENTS EXTENSION

MONDAY, MARCH 14, 1955

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

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

Present: Senators Byrd (chairman), George, Kerr, Frear, Long, Smathers, Barkley, Millikin, Martin, Williams, Flanders, Malone. Carlson, and Bennett.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order.

The witness this morning is the Secretary of State, Mr. Dulles.

I want to announce to the committee that Mr. Dulles has to be at the White House at 12 o'clock, and will have to leave the committee room at 11:45.

Mr. Secretary, will you proceed, please.

STATEMENT OF HON. JOHN FOSTER DULLES, SECRETARY OF STATE

Secretary DULLES. Mr. Chairman, I appear before your committee to express my conviction that the Trade Agreements Act should be extended for 3 years by the enactment of H. R. 1.

I do not appear as an expert on tariff matters. I depend on others to advise me as to the intricacies of this highly technical field. I do feel able, on my own responsibility, to inform you as to the bearing of the pending legislation upon the international situation.

H. R. 1 would continue a policy which was inaugurated many years ago. The heart of that policy is recognition that our foreign trade is a matter of international concern and that accordingly a limited discretion to deal with tariffs should be given the President as the person who, knowing both domestic and international factors, can best judge what will serve the welfare of our Nation.

Under this policy, the United States has prospered and our economic ties with friendly countries have been greatly strengthened. Our commercial exports and imports have risen to an alltime high.

Today, trade with the United States is vital to the economic wellbeing of most of the free nations, and especially to our allies.

If the United States were now to abandon the policy which has so well served our own country and others, the international repercussions would be major and their consequences would be grave.

The strategy of international communism is to divide the free nations, so that they can be taken over piecemeal. As against that strategy, the United States has espoused the policy of collective security. We have sought to develop a spirit of partnership as between the free nations, so that each will strengthen the other and provide a cohesion which can withstand assaults from without and within.

The collective security we seek depends partially upon collective military measures. However, the menace is as much from subversion as from open armed attack, and in any event military arrangements are never dependable unless they rest on a foundation of economic health and mutual respect.

Our concern for the good health and the respect of other free peoples is most of all represented by our trade policies. These are far more significant than our so-called aid policies. Thus, our Trade Agreements Act is not a mere piece of technical domestic legislation. It is a symbol of worldwide importance. The Trade Agreements Act symbolizes a willingness of the world's greatest economic unit to follow a self-interest that is enlightened by a decent regard for others whose destiny has become inevitably interlocked with our own.

I do not believe that any Member of Congress judges the danger from international communism to be past or, indeed, to be lessened. There was virtual unanimity in the Congress when it recently recognized that the threat from Communist China was so grave that it had become appropriate to authorize the President to employ the Armed Forces of the United States in the Formosa area.

Within the Soviet Union, the decision has been taken to deny the people the consumers' goods they badly need, in order that priority should be given to war industries.

Both in Europe and in Asia international Communist leadership expresses itself in a manner that is increasingly threatening. It is seeking with renewed intensity to press issues which could divide the free nations.

I returned last week from Asia encouraged by the determination of our Asian friends to remain free. But also I returned vividly conscious of the massive malevolence represented by Chinese communism and its determination to extend its domination until it is stopped by superior force backed by a resolute will.

The need for allied unity remains great and the strains placed on that unity are severe. Under all the circumstances, I deem it of the utmost importance that the United States should continue the present trade agreements policy which takes account of our international relations.

It is understandable that there is, in the Congress, some reluctance to delegate to the President a discretion, the use of which might affect adversely certain particular business activities. I was myself a Senator long enough to appreciate the reasons for such concern. Each Senator and each Representative properly knows, and is sensitive to, business and employment conditions within his particular State or district.

But it is not possible for every Senator and Representative, or for the Tariff Commission, to know with intimacy the international implications of our trade policies. Oftentimes, indeed, these implications are so delicate that they cannot be publicly discussed without endangering the security interests of the United States.

One man, and one man alone, is so situated as to have the complete, overall picture. He is the President of the United States. He comprehends both the domestic and international aspects of the problem. If the President is not entrusted with discretion within the closely prescribed limits contemplated by H. R. 1, then that means that the tariff policy of the United States will be operated without due regard to international considerations. That will inevitably endanger our Nation.

I am well aware of the fact that in this situation the Department of State plays an unpopular role. Each department concerned with foreign trade has a duty to advise with respect to the aspects falling within its particular jurisdiction. That leaves it to the State Department to advise with reference to the international factors that are involved.

We would all feel happy if the international situation were such that international factors could safely be ignored and if the United States could prudently act with exclusive regard to domestic factors.

Even if that happy situation existed, it could, nevertheless, be powerfully argued that the Trade Agreements Act should be extended, because it promotes essential exports of agricultural and manufactured goods and consequent gainful employment. However, others are more competent than I to present that case. My responsibility is to advise you that, quite apart from domestic considerations, major international factors are involved.

Someone must have the duty of presenting this aspect of the matter. It is not a pleasurable duty. But it is a duty which has to be performed lest inadvertently the United States should take action which will lead it into grave peril.

It is in performance of that duty that I urge extension of the Trade Agreements Act by enactment of H. R. 1.

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

Senator George, do you have any questions?

Senator GEORGE. No, I have no questions.

The CHAIRMAN. Senator Millikin?

Senator MILLIKIN. Mr. Secretary, for several years we have extended the Trade Agreements Act for a year or two, never for 3 years, at least in the last few years, because we wanted to have before us—and I think I voice the sentiment of the committee—we wanted GATT before us and we wanted it considerably revised because it sets up an international organization which has considerable control over our tariff policy which some of us think, belongs to the Congress under the Constitution.

What is going to be done about GATT, may I ask?

Secretary DULLES. GATT has been the subject of extensive negotiations, which have taken place over, I think, approximately a 4-month period at Geneva. As a result of these negotiations GATT has been divided into two parts: One, the so-called organizational provisions and the other, the trade rules and practices, which are pursuant to and designed to enable the successful carrying out of negotiations which may take place under, for example, H. R. 1, if it is made law.

The organizational provisions of GATT will be brought back here to the Congress for its approval.

Senator MILLIKIN. May I ask—there is some difference of opinion as to what is meant by organizational provisions—what do you mean by "organizational provisions"?

Secretary DULLES. The provisions which provide as to how the organization to administer GATT should be established, who shall be represented there, how the representatives will function; in other words, from the standpoint of the operation of the mechanics of the trade organization itself.

Senator MILLIKIN. Is it intended to give each member of the organization one vote?

Secretary DULLES. I believe so.

Senator MILLIKIN. Is it intended to give the organization control over quota matters and over changes in rates that may seem feasible and desirable? There are a dozen changes that I think you are quite familiar with, because I believe you were in the Senate when we made the change in the reciprocal trade law.

Secretary DULLES. Right.

I said as to each nation having a single vote, there is no power on the part of any one nation or group of nations to impose its views upon any other nation. The trade operation procedures, as I understand it, are those which are made pursuant to our law, the present Trade Agreements Act, and any renewal that is made and designed to enable the tariff arrangements to be made effective and to avoid their being evaded by technical devices which would, in effect, nullify the advantages we would hope to gain from the standpoint of reciprocity in relation to working out trade agreements.

Senator MILLIKIN. I don't believe there has been any objection around here to advisory and consultative functions of GATT, but there was considerable objection to putting in what a number of us think are matters peculiarly within the province of the Congress or within our own constitutional processes—making them subject to the judgment of all the foreign nations and subject to one-vote rule by each nation.

Secretary DULLES. I would think that that was objectionable, but I don't understand that will be done.

Senator MILLIKIN. You understand that will be corrected?

Secretary DULLES. Yes, sir.

Senator MILLIKIN. When will we get that new GATT?

Secretary DULLES. It will be published in about 2 weeks—the 22d.

Senator MILLIKIN. The 22d of this month?

Secretary DULLES. Yes.

Senator MILLIKIN. Will it come to the Congress then?

Secretary DULLES. Yes.

Senator MILLIKIN. For approval?

Secretary DULLES. The texts of the agreements will be available soon for congressional study; approval of membership in the organization will be requested at an early date.

Senator MILLIKIN. Can you give us any kind of an outline as to how you are proceeding on that? I keep hearing confusing reports that you are building one organization on top of an other. I don't know what that means.

Secretary DULLES. No. I am afraid I cannot enlighten you about that. I am bound to say that GATT is an extremely complicated business, I find. The negotiations were concluded while I was out of the country, and I have not had time to familiarize myself with them in detail, but I do know that the final result, for example, is regarded as quite satisfactory by the Government departments that are involved, some of which are, of course, primarily concerned with our internal affairs rather than external affairs.

For example, we did have great difficulty in obtaining a general acceptance of the so-called waiver under section 22 of the Agricultural Act, but we did obtain that, so that we are now in a position where they have all agreed that it is entirely proper for us to impose restrictions upon the importation into this country of agricultural goods which are the subject of sustaining programs by the United States Government.

That was an extremely difficult negotiation, and the acceptance of that waiver was given very reluctantly. However, I think it is an exercise of good will and faith in the United States by some countries who objected to it very strongly.

I believe the interests of the United States are fully protected by the GATT arrangement, but I don't profess to be an expert on all the provisions of GATT, which are somewhat intricate.

Senator MILLIKIN. I want to add a word of friendly advice. In committee, while differing in some matters, we all seemed to be unanimous on the point that there were a number of things in GATT, which you call of an organizational nature, which I am quite sure the majority, if not all of the members, of the committee, felt that too much authority was delegated to GATT, more than could constitutionally be delegated, and we will take a very close look at it when it comes here, and the judgment on the whole problem is affected somewhat by what we do about GATT.

Many of us think that GATT contains the heart provisions of ITO, which was proposed at one time and which was abandoned because of the objection to it in Congress. Without going into all the details—I have written you on the subject and written your assistants, specifying the things that were objected to—I am just repeating that if GATT should come along here similar to the present GATT, or merely multiplying the difficulties of the present GATT, I believe there would be some objections to it, and I say that has some relation to the whole problem of reciprocal trade and was the direct reason why we did not feel like extending the reciprocal trade system for 3 years as we had on prior occasions, and as was recommended.

We thought we had a right to look at this basic document which affects all of our reciprocal trade agreements and approve it before we gave blind acceptance to it.

Secretary DULLES. It was the view of the Executive that Congress did have a right to look at that and, for the first time, the organizational provisions will be submitted to the Congress.

Senator MILLIKIN. I am delighted that they are coming here, and I hope the objections on that which were bothering this committee, against which this committee put several caveats into its report, are taken care of.

Secretary DULLES. Yes.

The CHAIRMAN. Do you have more questions?

Senator MILLIKIN. No.

The CHAIRMAN. Senator Kerr?

Senator KERR. Mr. Secretary, what do you conceive to be the fundamental justification for this legislation?

Secretary DULLES. The fundamental justification for this legislation, in my opinion, is this fact:

International trade has become, what you might call, the lifeblood of the anti-Communist coalition. You could not safely put obstacles in the flow of trade without judging whether it is going to create a clot which might be fatal to the life of that coalition. The only person that I know of who was able to form a balanced judgment as to the factors involved, the balance of the domestic versus international considerations, is the President of the United States, and I believe that it is essential that he should have a limited, but appreciable, measure of discretionary authority to deal with the flow of what I call the lifeblood of the allied coalition.

Senator KERR. First, I want you to know, and I want it in the record, that I favor the principle of reciprocal trade, but I am wondering if, in your judgment, this legislation is primarily a function of regulating trade with other nations and levying excises and imposts, or if it is fundamentally a vehicle to improve the relations between this and other nations.

Secretary DULLES. I believe that under present world conditions it does serve very largely as a vehicle for obtaining good relations between the free world countries. That is the reason I put that emphasis on it, in my own statement.

Senator KERR. You are one of the great constitutional lawyers in the country. Is it your judgment that the regulation of trade with other nations and the levying of imposts on tariffs is exclusively a function of the Congress or is it exclusively a function of the Executive, or is it in part a function of both?

Secretary DULLES. It is, to some extent, a function of both in the sense that the action it deals with in the form of law requires the concurrence of the President, unless it is overriden by veto. It is primarily a function of the Congress, but it is a function, in my opinion, where the Congress can, within prescribed limits and for defined purposes, delegate a limited responsibility to the President.

In other words, from a constitutional standpoint I do not have any doubt but what the degree of delegation which is contained in this pending legislation and in the preceding legislation is constitutional. Even conceding, which I do, that the responsibility is primarily that of the Congress, that does not mean that the Congress cannot, if it sees fit, give a limited and defined delegation to another person, such as the President.

Senator KERR. Do you think its greatest value is in the field of promoting trade and commerce with other nations from a commercial standpoint, or in the field of promoting more friendly relations with other nations?

Secretary DULLES. Well, the two things are closely connected, sir.

Senator KERR. Yes, but in view of the fact that the Constitution makes this exclusively a function of the Congress, and foreign relations exclusively a function of the Executive, the intermingling of the two functions must not depart from that fundamental foundation; should it?

Secretary DULLES. While it may have been the original conception of the authors of our Constitution that, as you now put it, foreign affairs is exclusively a function of the President and that the levying of duties is exclusively a function of the Congress.

Senator KERR. And the regulation of foreign commerce.

Secretary DULLES. The regulation of foreign commerce is exclusively a function of the Congress.

Experience has demonstrated that that sharp division cannot be maintained. It is no longer, in fact, an exclusive function of the President to conduct foreign relations. I have been down, so far, since I have been Secretary of State, approximately a hundred times dealing with various aspects of foreign relations. I wouldn't be down here a hundred times, I can assure you, if the conduct of foreign relations was exclusively a function of the President.

Senator KERR. Have you been down, Mr. Secretary, to get foreign relations policies fixed or to get means with which to carry out the foreign relations policies which the Executive fixes?

Secretary DULLES. Both.

Senator KERR. What foreign relations policy has the Congress fixed?

Secretary DULLES. What foreign relations policy has Congress fixed?

Senator KERR. Yes.

Secretary DULLES. Let's take the foreign policy which was reflected in Public Law 4, which was passed a few weeks ago. That is a major, almost unprecedented, measure of foreign policy.

Senator KERR. What was that act?

Secretary DULLES. Public Law 4?

Senator KERR. Yes.

Secretary DULLES. That was the law which authorized the President of the United States to employ the Armed Forces of the United States in defense of Formosa and the Pescadores and related areas, as he deemed it appropriate for the defense of Formosa and the Pecadores.

Senator KERR. Didn't that just arm him to carry out decisions which he himself exclusively was to make, and before it was passed by the Congress didn't he make the announcement, and wasn't it read on the Senate floor by the Chairman of the Foreign Relations Committee, that decisions under that program would be made exclusively by him?

Secretary DULLES. That action was recommended to Congress only after there had been prior consultations between the Executive and the congressional leaders.

Senator KERR. Is the answer to my question "yes" or "no?"

Secretary DULLES. Well, I am sorry, I would have to ask the reporter to read the question again before I can answer it yes or no.

Would you please read the question?

(Question read.)

Secretary DULLES. I am sorry, I cannot answer that by a yes or no, partly because I do not know whether the chairman of the Foreign Relations Committee, who is present here, made that statement or not. I am not sufficiently familiar with the record.

Senator KERR. Are you familiar enough that the President made an announcement that was given to the press before that act was acted on by the Senate that any decision to use those Armed Forces under that law would be made exclusively by the President and none other?

Secretary DULLES. The President said that if the Congress, by Public Law 4, gave him the responsibility he would exercise it himself and would not delegate it.

Senator KERR. Did it give him the responsibility, Mr. Secretary, or did it give him the power to use the Armed Forces?

Secretary DULLES. It gave him the power to use the Armed Forces, if he judged it necessary or appropriate, for the purposes defined in the law.

Senator KERR. Did he announce that if that act were passed he, and he alone,would make that decision?

Secretary DULLES. He made the announcement that if Congress gave him that responsibility, he would exercise it personally.

Senator KERR. Now, Mr. Secretary, let's not you and I get into an argument about words.

Do you think the Congress gave him that responsibility, or do you think the Congress gave him military power with which to carry out a responsibility which the Constitution had placed on him?

Secretary DULLES. The President could not and would not have taken that responsibility unless it had the concurrence of the Congress.

I think you must know, Mr. Senator, that it is the fact today that in the complications of the world you cannot have a sharp division of responsibility where the Executive, without regard to the Congress, carries on, and where the Congress without regard to the Executive, carries on, in matters that relate to foreign relations. There is the most intimate contact all the time between the President and the Congress, particularly through the Foreign Relations and the Foreign Affairs Committees, with relation to foreign policy, and that is a tremendous factor in influencing the President in making up his mind as to what the foreign policy is to be that he will pursue. Otherwise, this Nation would be getting into a very great disaster.

It would be a disaster, in my opinion, if the Congress felt it could deal exclusively with matters relating to the foreign trade and commerce of the United States without regard to the international aspects of the matter. Again, we would be in a very grave difficulty.

Senator KERR. I think the Congress should give consideration to foreign relations, but there is no doubt in my mind, either what is in the Constitution or what is in your mind as to what is in the Constitution, and that that is that our power is vested exclusively in the Congress, and that the carrying on of the foreign relations is vested in the Executive.

But here is the question I would like to ask you now:

Don't you think it is possible if the President has too much power in the matter of giving or denying advantages to other nations in the field of tariff and imposts and foreign commerce, that it might be embarrassing to him in his discharging his responsibilities in connection with our relations with other nations?

Secretary DULLES. If you said that if he had too much power, it would be a mistake, I would, of course, agree.

Senator KERR. I said if he had too much power, it might embarrass him.

Secretray DULLES. The question, of course, is, "What is too much?" I do not think the amount of power that is delegated by H. R. 1 would embarrass him at all. On the contrary, lack of that power would embarrass him very greatly.

Senator KERR. Suppose that one of the countries with whom we have great mutual interest in the matter of mutual defense, that is pretty sound as a basis on which to establish an international alliance or relationship.

Secretary DULLES. That alone, no.

Senator KERR. It is a pretty substantial basis, isn't it? If England and the United States have a common enemy, isn't that of some influence in drawing them together to act on a common ground for the common objective of the preservation or survival of both of them?

Secretary DULLES. Very substantial?

Senator KERR. Some slight significance—would you admit that?

Secretary DULLES. Yes; I covered that in my opening statement, where I said that the military security arrangements of a collective nature are, of course, extremely important, but they are not dependable unless there is also the ability of the different countries to survive economically.

Senator KERR. You think if they have a common interest in survival; do you know of any stronger cohesive element than that?

Secretary DULLES. The major factor in survival is to be able to exist I suppose. One can die, as well through starvation, as he can through an atomic bomb.

Senator KERR. I will agree with that. The major interest in surviving is to be able to continue to exist. Isn't that consideration as compelling to an Englishman as to an American?

Secretary DULLES. That is right.

I also point out that you can fail to survive as a result of economic conditions as well as you can of war conditions.

Senator KERR. You presume it is?

Secretary DULLES. Yes.

Senator KERR. But it is a different field of danger, though, isn't it?

Secretary DULLES. It may be a little more painful and long drawn out to starve to death than it is to be killed by an atomic bomb, yes.

Senator KERR. You don't think that they are identical considerations, do you, Mr. Secretary?

Secretary DULLES. They certainly interplay, yes. If a nation cannot survive economically through proper relations between the free nations, almost inevitably it will try to make the best terms it can with the enemy.

Senator KERR. Hasn't the British Commonwealth of nations survived under the trade agreements we have had?

Secretary DULLES. Yes. That is the reason I want them to continue.

Senator KERR. Is that the reason you want the President to have the power to give them additional concessions, other than those which have resulted in their vigorous rehabilitation and improvement?

Secretary DULLES. The principal purpose is to have a flexibility in the situation, because trade conditions are constantly fluctuating. What served 10 years ago or 20 years ago may not serve next year.

Furthermore, we have had extremely grave troubles incident to the economic future of Japan, and the problem of accommodating the free world to the economic survival of Japan as a member of the free world raises very grave questions, indeed. It is extremely important to be able to have a flexibility and discretion in the President to meet with that type of problem which is recurrent.

Senator KERR. Does England have a balanced governmental budget today and a comfortable surplus?

Secretary DULLES. I think so, yes; approximately so.

Senator KERR. Aren't there a number of other European nations who also have?

Secretary DULLES. I might say the British balance of trade, however, has turned adversely recently and is causing very considerable concern.

Senator KERR. Well, we haven't yet achieved a balanced budget, have we?

Secretary DULLES. No; but we have a balance in our international payments.

Senator KERR. Have what?

Secretary DULLES. A balance in our international payments.

Senator KERR. But I am talking about the economy of our country producing enough revenue for the Government to balance its budget.

Secretary DULLES. But a nation situated as the United Kingdom is cannot survive just on a balanced budget. It has to have imports, and to have imports they have to have foreign exchange. You can have a most perfectly balanced budget in the world in the United Kingdom, and still have the British people die of starvation. The balanced budget doesn't keep them alive. They can keep alive on the food and raw materials they import.

Senator KERR. If we are to be effective in the long run as the strongest of the allies against communism, isn't our ability to do so going to depend just as much on our own economy as it does on the economy of our allies?

Secretary DULLES. Yes, it depends on both.

Senator KERR. Since the primary responsibility is upon us, isn't it just as compelling a consideration to maintain the health and vitality of our economy as it is to do what we can to develop theirs?

Secretary DULLES. Certainly.

Senator KERR. You are aware of the fact that a very considerable number of American industries are slowly being forced out of business, aren't you, Mr. Secretary, by reason of imports and foreign competition taking this market here in the United States?

Secretary DULLES. I am not aware of any substantial sections of industry that are being forced to the wall by foreign competition.

Senator KERR. Whether they are substantial percentages of the whole economy or not, if they are being forced out of business, it is just as painful to the individuals involved as though they were a substantial percentage of the entire economy, isn't it?

Secretary DULLES. The whole theory of the American economy has always been a competitive economy.

Senator KERR. Competitive within itself or with the rest of the world?

Secretary DULLES. Both.

Senator KERR. Do you think——

Secretary DULLES. It is just as painful, I would suppose, to be forced out of business by domestic competition as it is by foreign competition.

Senator KERR. But if you are able to survive domestic competition and then destroyed by foreign competition, it is just as fatal as though it had been by domestic competition, isn't it?

Secretary DULLES. That is right.

Senator KERR. You are aware over the last few years imports, for instance, of lead and zinc, have increased to the degree that today over half of the lead and zinc consumed in this country is imported into it, aren't you, Mr. Secretary?

Secretary DULLES. I would accept that. I don't know, myself, the precise figures.

Senator KERR. And that the percentage of the total domestic consumption coming from foreign sources continues to increase, and in spite of the fact that consumption today is at an all-time peacetime high, three-fourths of the mines in this country are shut down, or more. Did you know that?

Secretary DULLES. I know that the imports are not increasing at the present time. I think that is correct. I checked on that recently, and was informed that the imports were not increasing and, indeed, had substantially decreased from most of the countries, and the net balance there has shown a decrease.

Senator KERR. Would you be surprised that the leaders of that industry had given contrary testimony before this committee within the week?

Secretary DULLES. Yes, I would be surprised.

Senator KERR. This other point: Do you think that the development of this program is beneficial when it results in American companies, in part or in completely, abandoning domestic production and seeking supplies in foreign countries where both the materials sought are far cheaper and labor is, say, 10 to 15 percent what it costs them here, and developing the source of supply there from which the American companies bring into this country supplies for domestic consumption, which eliminate domestic production? Do you think that we should have a law on the books that results in that kind of a development?

Secretary DULLES. I would certainly not favor legislation which would prevent that kind of development. The strength today not only of the United States but of the United States and our friends is due to the fact that just such developments have taken place historically. How was the United States developed? Largely by foreign capital that came here to the United States and developed it. How was Canada developed? Largely by American capital that went there and developed it.

Senator KERR. That is a wonderful point. Suppose America had been developed by foreign capital instead of American owners borrowing foreign capital, do you think it is as beneficial for Americans to come in and develop their resources and own them as it would be for the nationals to develop them and trade with us? If you are looking at it strictly from the standpoint of strengthening your allies——

Secretary DULLES. I am a little confused as to what your question is.

Senator KERR. Let's say there is an American copper company or an American lead and zinc company that goes into another country, like Mexico or Canada, or Africa, and gets a large concession and produces great quantities of those minerals and brings them in here to this country and sells them. Is that as beneficial as development for those countries as it would be for those countries themselves, or their own nationals, their own citizens, their own industries, to develop those resources and sell them to the United States? Which would make the greater contribution to the health and vitality and economic welfare of those friendly countries?

Secretary DULLES. If they had the resources to do it themselves, of course, it would be better if they did it themselves, but in many cases they do not have the resources.

Senator KERR. What do you mean by the resources?

Secretary DULLES. Money.

Senator KERR. Well, if we helped develop by Americans borrowing foreign capital, wouldn't it be of the same pattern if those countries have resources to borrow American capital and develop them over there?

Secretary DULLES. I thought your question was: Would it be better if they did it with their own resources.

Senator KERR. The question I was asking you is this: Which would be more beneficial and more strengthening to those countries, to develop their own resources if they were able, if it will help you answer the question, or to have their resources developed and owned by Americans who take the output and bring it to America.

Secretary DULLES. It is more advantageous to them if they have the resources to do it themselves.

Senator KERR. If they have everything but the money, if we want to do it on an effective basis, wouldn't it be wise for us to arrange credit for them, rather than to develop a program, the principal result of which, in certain fields of endeavor, are for American companies to go over there and develop the resources, and then compete with other American companies or their own production here, and put American industry in America out of business?

Secretary DULLES. It isn't a question of putting American business out of business because the same process is putting other American companies into business. In other words, when the foreign goods come in, it is true they compete with certain segments of American industry; it is also true that they set up a purchasing power which very largely benefits the United States. So it is not possible to generalize and just look at one-half of the transaction and conclude that it is bad, without taking into account the other half, which demonstates that it is good.

Senator KERR. Don't you know when an American lead and zinc company goes into Mexico and gets a lease, they don't leave more than 5 or 10 percent of the income of that mine in Mexico? They bring it here.

Secretary DULLES. Yes, I suppose they do.

Senator KERR. Well, is that better for the United States than it is to have a hundred percent of that same amount of production paid for here?

Secretary DULLES. Well, it is not as good for the mine and zinc people, no. It may be better for the automobile and other people.

Senator KERR. Do you subscribe to the theory that what is good for America has to be good for American industry, or do you think that what is good for American industrialists, regardless of where it is, has to be good for America?

Secretary DULLES. I believe that whatever produces greater economic activity, better employment, gainful wages, is good for the United States, and oftentimes foreign trade does that.

Senator KERR. And something which has forced three-quarters of the American lead and zinc miners into unemployment isn't good for them, is it?

Secretary DULLES. No, it is not good for them.

Senator KERR. That has been the result of this program.

The same thing is true of glass workers. I would say that half the glass workers in Oklahoma are out of employment because of the importation of foreign products.

Secretary DULLES. Have you ever calculated, Senator, how many are in employment for that same reason?

Senator KERR. I cannot figure out what Americans have gotten jobs in lieu of those lead and zinc miners that are out of work. Can you tell me where they are?

Secretary DULLES. There are approximately $12 billion of exports at the present time going out of the United States. That employs a very large segment of American industry and American agriculture. Would you like to cut that off, and do you think America would then prosper?

Senator KERR. No. But since you have brought that up, I think, in fairness to the committee, you should detail it and show what part of it is the result of this program.

Secretary DULLES. It doesn't take a great deal of detail, I think, to demonstrate that countries cannot get $12 billion to buy American goods with unless America does some importing.

Senator KERR. All right. I think that it would be well for you to advise the committee about American imports, and what part of it is of products that we do produce and what part is products we do not produce. We are going to buy as much coffee from foreign countries and pay for it in American dollars, let's say, without this program, and I am not against this program on the right basis. I want that understood.

What I want to see happen and what I believe you agree to in principle, is that this program be developed in such a way as to benefit our friends without destroying segments of our own economy.

Secretary DULLES. I agree. I say that the way to do that is to give a limited discretionary power to the President, who is the only person I know of who can adequately take into account both sides of the picture.

Senator KERR. I am not right sure that he is the only human being in the world, or in this country, that has that much sense. I would question that. I think he is a great man.

Secretary DULLES. I am not talking about any individual President, Senator. I am talking about the fact that the Presidency is the one position and the only position which adequately carries with it a full knowledge of foreign relations and also a full knowledge of domestic relations. As I said in my opening statement, I do not know of any agency in government, whether it be Congress or the Tariff Commission, who is adequately informed about the foreign relations of the United States, which today is a matter of extreme delicacy.

Senator KERR. Is there any reason he couldn't give the Congress the benefit of his knowledge that he has that they don't have in order to enable them more wisely and officially to carry out that function which the Constitution exclusively places on them?

Secretary DULLES. There are often reasons, as I have pointed out. Oftentimes these matters are of such delicacy that they cannot be publicly discussed.

Senator KERR. Then I would say you had better change the Constitution, because so far as I know, for good or bad, we more or less have the obligation to operate under that authorization.

Secretary DULLES. I thought you said earlier that you thought the President has exclusive responsibility for forgein relations.

Senator KERR. Yes; under the Constitution.

Secretary DULLES. Now you say that every Member of Congress shares that responsibility.

Senator KERR. I did not. I said before you do that you would have to change the Constitution or ignore that, and I don't believe you, a man of your regard for basic law, would recommend that.

Secretary DULLES. I don't believe that this law which has remained on the books for 21 years unchallenged is unconstitutional; if that is your point.

Senator KERR. I was not talking about the constitutionality of the act, I was talking about the constitutional responsibility, either to meet the obligations of the Congress in the matter of regulation of foreign trade and the President in the matter of foreign affairs, or surrender the responsibility and authority in the Constitution.

If you care to, I would like for you to answer the question I asked you awhile ago. If you don't think it possible that the President in carrying out his relations with other nations with reference to the mutual military security might not be embarrassed if Congress gives him the authority to be exceedingly generous in the matter of trade concessions and relations.

Secretary DULLES. I think he would be extremely embarrassed if he did not have the degree of discretion which is embodied in H. R. 1.

Senator KERR. My own judgment is that if he has to have the authority provided in the Constitution for both the executive and the legislative in order to carry out the responsibility placed upon him by the Constitution, then we are either going to have to change the Constitution or fix it so he gets better help to do his job.

The CHAIRMAN. Senator Martin?

Senator MARTIN. Mr. Chairman.

Mr. Secretary, we have heard much discussion from various sources about the President modifying the trade agreement concession on watches. I feel it would clear the air considerably if you would answer some questions about it.

In this case the Tariff Commission found injury and the President modified the concession. At the same time, it was pointed out that the preservation of the skills of the watchmakers was considered essential to our national security. They are the men who could work in our precision industry factories. Since that time we have had a veritable flood of testimony from one industry after another that has been devoted largely to proving that each one in turn was essential to the national security. In talking to some of these representatives, the point has been brought out that they feel that they must qualify as essential; otherwise the President would not grant them relief.

I can see how the inference might have been drawn, because the President did make the point of the necessity for maintaining a watch-making industry for our national defense. Nevertheless, the Tariff Commission found injury and the President withdrew the concession.

Will you please clear up that matter for the sake of the many industries which are not able to get under the essential for national security tent? Do you believe from the information that you have that the President would have given the relief to the watch industry, regardless of the fact that they are an essential industry for war protection?

Secretary DULLES. I wouldn't feel able to read the President's mind in that particular case, but I would answer to your question by saying that I do not understand that it is necessary that an industry qualify as being essential to get the benefit of the escape clause.

Senator MARTIN. That is my own understanding but, Mr. Secretary, in my own office I have so many inquiries relative to it. Is it necessary in order to qualify to be an essential defense industry? I felt it would be very helpful to have your position. I think your answer is entirely satisfactory, that it isn't necessary, that in the watch industry, while that was a point in favor of making the concession, that wasn't the necessary thing, that it probably would have been done even if it hadn't been an essential defense industry.

Secretary DULLES. I agree entirely with your analysis of the case, without attempting to predict what the President would have done. When you are making a decision you marshal generally all the facts you can to support that particular decision. I suspect the decision might have been much the same had some of those facts not been present.

Senator MARTIN. Mr. Chairman, to save time, I won't ask any further questions.

The CHAIRMAN. Senator Frear?

Senator FREAR. No questions.

The CHAIRMAN. Senator Flanders?

Senator FLANDERS. Mr. Secretary, there are 2 or 3 questions I would like to ask which will clear my own mind.

First, am I correct in my understanding that the extension of the act makes no difference with respect to agreements now in force; that agreements in force still stay in force?

Secretary DULLES. That is my understanding.

Senator FLANDERS. And the extension of the act is for the purpose of making it possible to extend the coverage of the act to other articles of commerce in foreign trade?

Secretary DULLES. Yes, sir.

Senator FLANDERS. The next question is: I would like to understand a little bit better the place of GATT in this thing. Do I understand, first, that the ITO is no more?

Secretary DULLES. Yes, sir.

Senator FLANDERS. GATT is the only international organization which is concerned in H. R. 1, now before us? Is this the relationship of GATT to the international trade-agreement procedure, that it negotiates or comes to an agreement with other nations as to new areas in which the international agreements may be, to which it may be extended, that it has no authority to extend them, but that it recommends to the President that they be extended in these new areas? Is that the position of GATT? What is its authority?

Secretary DULLES. I do not understand that GATT has any authority at all. GATT is an organization where representatives of some thirty-odd countries subscribe to certain, what you might call, good business principles, and it provides primarily a forum or a place for carrying on multilateral negotiations, if you want to carry on multilateral negotiations. You don't have to carry on multilateral negotiations or go through GATT at all. You can have a bilateral negotiation. If you want to have a multilateral negotiation, GATT provides a convenient background and forum for conducting those negotiations. It has no authority to impose its will.

Senator FLANDERS. Does it, in fact, negotiate bilateral, multilateral, or overall negotiations on matters of trade, and what becomes of them?

Secretary DULLES. GATT itself is not an entity which carries on negotiations. Only the national governments carry on negotiations. They carry them on in the environment, under the auspices of this group which has been formed by the nations coming together.

Senator FLANDERS. Is GATT just simply a forum which exists for the sake of discussion, and to which activity ends with discussion?

Secretary DULLES. Essentially that. It is a little bit more in that it provides certain principles of what you might call good international conduct, which are subscribed to and which enable these reciprocal trade agreements and tariff agreements, and so forth, to be carried out in good faith and without evasion, and things of that sort.

Senator FLANDERS. Are they subscribed to just simply as personal subscriptions of the membersof GATT, or does any authority whatsoever go with the subscription to these principles?

Secretary DULLES. I don't understand any authority goes at all, except as they are embodied in actual agreements negotiated under, let us say, H. R. 1 or the present trade-agreements law.

Senator FLANDERS. So that nothing that comes out of GATT becomes a binding international agreement by the fact that GATT has agreed to it?

Secretary DULLES. No, sir.

Senator FLANDERS. That clears up that matter; at least, I hope it clears it up. But still, would it not be true that anything——

Secretary DULLES. I hope I am right in my answers. I would reserve the right to check with my experts, because GATT is a pretty complicated affair.

Senator FLANDERS. Should you find that you are wrong, will you notify us?

Secretary DULLES. I will, indeed.

Senator FLANDERS. Thank you.

One of the things that has come out of these hearings is what looks, on the face of it, like an impossibility for the textile industry to maintain itself over very large areas of its operations, to maintain itself in this country as against foreign competition. We may have had the case too strongly presented. I am using the textile industry as an example. There are others, such as glass and crockery and other such industries.

I mention the textile industry because it is the big one. I also have a feeling of sympathy for the little ones to which, it seems to me, the legal doctrine of de minimis ought to be applied, yet in my experience with certain little one-industry villages in Vermont, it looks as if bureaucrats are always hopping around for something to busy themselves with.

I suggest the application of the principle of de minimis to some of these things, but the textile industry doesn't come under that category represented by de minimis. It is a major thing.

Would you feel it is to the interests of this country, in view of the desirability of expanding trade in general, in view of the desirability of making business profitable and raising the standard of living and affecting the stability of our allies, to bring about a major crisis in a major industry?

Secretary DULLES. I would say no in answer to that question. In answering your question that way, I don't necessarily assume the facts because I don't know about the facts in any particular case.

That is the job of the Tariff Commission, primarily, to point out; also other departments of Government have a responsibility. I am not familiar with the facts as to whether, in fact, the textile industry would be so threatened.

Broadly speaking, I would certainly agree with you that unless the international considerations were more compelling than I would judge them to be in relation to textiles, that action should not be taken which would seriously devastate a great industry like textiles.

Senator FLANDERS. Now, using textiles as an example, does there not appear another principle analogous to that of the consideration of national defense, but still having a little different slant, and that principle is, perhaps, this: that in a world in which peace is not assured, we have to consider the disruption of important industries which would have to be painfully reestablished with the communications of the world disrupted by warfare?

Do you conceive that to be a consideration that we would have to keep in mind?

Secretary DULLES. Yes, sir.

Senator FLANDERS. That would be a principle that would apply, for instance, to textiles?

Secretary DULLES. Yes, sir.

Senator FLANDERS. I am using textiles as an example because, on the face of it, some very good testimony has been brought before us in connection with that. The textile industry feels it is threatened by European competition—England, more severely, labor rates in Italy, and most strongly from Japan.

Now, the question of Japanese competition which the textile industry feels to be critical in its own cases, comes up in a great many things. I think you would be the best man in the world to make this inquiry of, and you have recently come from the scene of activity to which the inquiry was addressed.

What is the desirability, what is the possibility of reestablishing the commercial relations of Japan as being primarily with the eastern and southeastern Asiatic countries, particularly those which are food-surplus countries and without developed industries? What is the possibility of making possible that exchange of manufactured goods for food, which would give an outlet for Japanese manufactures and commerce which would not be so dangerous for our own industry as the present situation seems to imply?

What I am speaking about is a revival under peacetime conditions of the greater Asian coprosperity sphere, which is a mouth-filling term and which seems, perhaps, to have been economically sound.

In other words, can we get Japan off our necks and find her an area of activity which will be useful to all concerned?

Secretary DULLES. I think that that can be done, Senator, and that is a matter which is concerning the United States very much.

That was one of the purposes of the trip which Mr. Stassen recently took, from which he just returned yesterday, or today. I gave some concern, myself, to that in my recent trip to southeast Asia.

I believe that the future of Japan lies primarily in an exchange of its industrial products for the food and raw materials of the countries of southeast Asia and south Asia. There are peoples there who need the type of goods which Japan produces, the relatively cheap type of goods, and it is the type of goods which is not particularly wanted or desirable in the United States market.

On the other hand, those countries do have surpluses of rice and in Indonesia there is oil, and there is in the area tin and rubber, a certain amount of iron ore, for example, in Malaya, and I believe that there is where lies the economic future of Japan rather than principally upon trade with the United States.

In Vietnam, where I was 10 days ago, I was discussing the practical aspects of that problem with General Collins, who is there as the President's representative. Today, that state is getting dollar aid from the United States. In the past, that was given to the French Government who, in turn, gave it to them in French francs.

Under those conditions, the Government of Vietnam was only able to buy in France. Now that they have dollars, they are planning to buy on a competitive world-market basis, and it seems likely the Japanese, for the first time, will be able to do a substantial amount of trading in that part of the world.

I discussed with General Collins the desirability of promoting that because it is in the interest of the whole Far-Eastern situation to find a suitable market for Japan, and sources of food and raw materials for Japan in the natural area of Asia.

Senator FLANDERS. Thank you, Mr. Secretary.

I will just close by making this remark: I am expecting to vote for H. R. 1. My present inclination would be to confine it to 2 years, without prejudice to the possibility that the President may stay in office longer than that, but I expect to present on the floor a memorandum of what seemed to me to be some of the dangers and some of the opportunities in the present line of administration with which the act has been supported.

Secretary DULLES. Thank you, sir.

Senator MILLIKIN. Mr. Chairman, would the Senator yield to me for just a moment?

Senator FLANDERS. Yes, sir.

Senator MILLIKIN. I would like to ask the Secretary: Does he believe in the provisions of the Trade Agreement Act which state that there should be no serious injury to domestic industry?

Secretary DULLES. I don't know that one could take that as an absolute criterion. Certainly it is a very important one.

Senator MILLIKIN. The law says that. That is what the law says.

Secretary DULLES. You asked, I thought, my opinion as to whether you could take as an absolute criterion the rule that there should be no imports if they involve injury to American industry. I wouldn't be able to agree with that.

Senator FLANDERS. Excuse me.

Senator MILLIKIN. Yes, sir.

Senator FLANDERS. Mr. Chairman, that leads me to ask another question, or to make another observation.

I know that there is testimony here to the effect that the advantages of the trade which are supposed to be served by H. R. 1 and the whole history of the reciprocal trade agreements in general, is based on the idea of relative advantages in manufacture, and the advantages that we get will come from lower prices for some imported goods as compared with domestic prices for imported goods, and that it is assumed that the advantages to the country as a whole will come from an increased export business made possible by that purchase of cheaper goods from abroad.

So it seems to me the theory assumes that some American industries will be hurt. That is the way it looks to me, and I offer that observation to the senior Senator from Colorado.

Senator MILLIKIN. Most respectfully, I offer the observation that there is no such exception in the law. The law contains a provision that there shall be no injury or threat of serious injury to a domestic industry.

Senator FLANDERS. Then it seems to me logically, irrefutably, that the law as at present written and as we expect to extend it, does not lend itself to accepted economic theory as to the advantages of a freer foreign trade.

Senator MILLIKIN. Whether it does that or not, I am just talking about what is in the law.

I thought the Secretary agreed to that when we wrote it in the law. He was quite active at the time. I thought he agreed to the provision in the law.

Senator FLANDERS. I am just saying that the law does not agree with the principles for which it is now being supported in certain important quarters.

Senator MILLIKIN. I would not attempt to support all of the provisions of the law as being consistent. I am driving to the simple point: Shall we adhere or not adhere to the provisions of the law which are very clearly set forth, I think, that there shall not be threat of serious injury to domestic industry through imports, and if the Secretary does not agree with that interpretation, I would like to have him comment on it.

May I read the provision from the law. I am reading from section 6 (a) of the existing law:

> No reduction in any rate of duty or binding of any existing customs or excise treatment or other concessions hereafter proclaimed under section 30 of the Tariff Act of 1930, as amended, shall be permitted to continue in effect when the product on which the concession has been granted is, as a result, in whole or in part, of the duty or other customs treatment reflecting such concession being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products.

I don't know of any exception to that provision. The provision itself seems very clear to me.

Secretary DULLES. That is the so-called escape clause you are reading there?

Senator MILLIKIN. Yes, that is both with regard to the making of peril points and invoking the escape clause.

Secretary DULLES. I would agree with that. Perhaps I misunderstood your earlier question, which was, Could we operate this law without any injury to American industry? I don't believe we can operate the law without some injury to some American industries.

Senator MILLIKIN. Then I would like to ask the second question: Do you agree there is authority in the act to trade away an American payroll to serve an international purpose, if it causes injury to that American payroll?

Secretary DULLES. Conceivably so; yes. We do a lot of other things, sir, which do great injury to American people, to serve an international purpose.

We send a lot of people to be killed, which is a lot worse than going off a payroll.

Senator MILLIKIN. That is not in this law, nor is the exception to which you are referring one which gives you considerable leeway in this law. I think that is the heart of the criticism of this law, that it is believed that we can injure American producers if, for some international purposes, it will better our foreign relations, or we think it will better our foreign relations, and I wonder what the authority for that attitude is.

Secretary DULLES. It is my understanding that the so-called escape clause is not designed to protect from injury every particular element in American industry. I believe that there has been some question about amending it so as to make it read that way.

But as now interpreted, I do not understand that it means that you cannot either reduce the duty or maintain a reduced duty if it has any injury whatsoever to any element of American industry.

Senator MILLIKIN. The law says—it refers to goods being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products.

Secretary DULLES. I think that is interpreted, sir—I am not a great expert on these matters—to mean injury to an industry as a whole and not necessarily injury to every particular concern in that business.

Senator MILLIKIN. I think the result of that, Mr. Secretary, is that if you are a small fellow making one product and are injured, it might apply to him, but if you are a large fellow making several products, making money on the whole, it might not apply to that part of his business because he is making money on the whole business. Do you follow that line of reasoning?

Secretary DULLES. I do recognize that the competition, whether it is domestic or foreign, does injury, and it injures, first, the weaker and less economical units in an industry.

Senator MILLIKIN. Yes.

Secretary DULLES. That is just a law of economic life. I don't believe we can get away from it.

Senator MILLIKIN. Coming back to the main thing, if you have a large business, with several departments, one of the departments is losing money through imports and the rest are not losing money, or making money, let us say, the industry, on the whole, is profitable; should we deny relief where that set of facts is shown?

I think you will appreciate that might cause discrimination between the little fellow who is in one line of business, which is definitely comparable to the same line of business conducted by the big fellow which is being hurt also, but is less painful because, on the whole, the big fellow's operations are profitable.

Secretary DULLES. I think those are matters which, when you have the international factors involved, should be to an extent within the discretion of the President's judgment.

Senator MILLIKIN. That, you think, is proper for the discretion of the President?

Secretary DULLES. Yes.

I do not think you can have imports without some damage, and if your rule is that you will not have imports or tariff reductions or sustain them if there is any damage to anybody, then I think it becomes automatically unworkable.

Senator MILLIKIN. I invite the Secretary's attention to the fact that the law doesn't say that.

Secretary DULLES. I may be wrong in my interpretation of the law. All I can say is if the law means what the Senator suggests that it means, then I am quite sure that the President will carry it out, because the President is the most law-abiding person I know of.

Senator MILLIKIN. That raises a question: What does the law say? The law says that no business shall be injured, and I assume the President will carry out the provisions of the law.

Assuming that an industry would be seriously injured by imports, should the injury be allowed to occur if there exists an international relations problem where the United States might be injured as a whole, if the importations were not permitted? Do you believe that under such circumstances an injury could be imposed upon an industry?

Secretary DULLES. I don't think it is possible to answer those questions in terms of generalizations. It depends upon the degree of injury, whether it is serious injury, whether it is minor injury, whether it affects industry as a whole or only minor segments of an industry, and how compelling are the international reasons which call for the action.

If these things are all to be considered, they are all part of a whole which has to be balanced, and I do not believe they can adequately be balanced except by someone like the President who is in a central position to respond both to the domestic and international aspects of the program.

Senator MILLIKIN. Let's assume a case. Let's assume that an industry, generally speaking, is being seriously injured.

Do you believe that under some international circumstances the injury shall be allowed to take place?

Secretary DULLES. I do not believe that under those circumstances, that under the law, the President would have discretion to commit the serious injury to an industry, as a whole.

Senator MILLIKIN. I mean a particular industry in a particular line of business.

Secretary DULLES. Yes.

If there was an industry as a whole—let's take the textile industry, if you want, and if a serious injury were being done to that textile industry, I think it would be very difficult for the President not to take action, unless very strong reasons of public policy were present.

If there was a minor injury, or if it only related to small segments of the industry, then I think the law does not prohibit the action.

Senator MILLIKIN. That is the same as saying that you can have great injury to a part of an industry, but if you don't injure the whole industry, there shall be no recourse to the injury test.

Secretary DULLES. Well, again, it is a question of balance and appraising the degree of injury that is involved, and I don't think you can do that as an abstract proposition. You have to consider it in the light of the findings of the Tariff Commission and the Department of Commerce.

Senator MILLIKIN. That kind of flexibility is not in this particular law. This law lays out the injury test, and I don't know of any exceptions to it except that the President, in his final action, can conclude that there is some international reason for not recognizing the injury.

Secretary DULLES. I think, sir, does it not lay down the serious injury test?

Senator MILLIKIN. Serious injury, yes.

Secretary DULLES. That is always a question of judgment as to whether injury is serious or not serious.

Senator MILLIKIN. You can exercise that judgment, or you can chop up your problem into pieces, and finally you have the whole industry on its back, by chopping it up into pieces, by saying this particular segment in this particular part of the country is not being injured, but this same particular segment is being injured in another part of the country, and by a process of reasoning of that kind, you would never find any injury.

What I am driving at is: Let's assume injury——

Secretary DULLES. Serious injury?

Senator MILLIKIN. Serious injury. Let's assume it.

Secretary DULLES. All right.

Senator MILLIKIN. Under that kind of a case, would the President have the power, or anybody have the power, to disregard the injury if continuing that injury will serve our international purposes?

Secretary DULLES. I think that under such circumstances the President would take action of some kind to remedy the injury, if in his judgment serious injury existed.

(The Secretary of State later submitted the following statement:)

Section 6 (a) of the Trade Agreements Act of 1951 provides:

"No reduction in any rate of duty, or binding of any existing customs or excise treatment, or other concession hereafter proclaimed under section 350 of the Tariff Act of 1930, as amended, shall be permitted to continue in effect when the product on which the concession has been granted is, as a result, in whole or in part, of the duty or other customs treatment reflecting such concession, being imported into the United States in such increased quantities, either actual or relative as to cause or threaten serious injury to the domestic industry producing like or directly competitive products."

On the other hand section 7 (c) of the same act provides:

"Upon receipt of the Tariff Commission's report of its investigation and hearings, the President may make such adjustments in the rates of duty, impose such quotas, or make such other modifications as are found and reported by the Commission to be necessary to prevent or remedy serious injury to the respective domestic industry. If the President does not take such action within sixty days he shall immediately submit a report to the Committee on Ways and Means of the House and to the Committee on Finance of the Senate stating why he has not made such adjustments or modifications, or imposed such quotas."

Section 7 (c) makes clear that the President has discretion in the administration of the escape clause. During the debate in the Senate on May 21, 1951, Senator George, chairman of the Committee on Finance, pointed out that while the President could decline to follow the escape-clause recommendations of the Tariff Commission, he must transmit to the Congress his reasons for doing so. He stated:

"Mr. GEORGE. * * * when application has been made invoking the escape clause, the way is opened for Congress to have a report from the President and his reasons, I assume that if he declines to follow the recommendations made, inasmuch as Congress would be free to act on them, it would be a very definite limitation upon the power of the President to disregard the recommendations for the escape clause" (vol. 97, Congressional Record, May 1951, p. 5495).

As the report of the Committee on Ways and Means of the House of Representatives to accompany H. R. 1 makes clear (H. Rept. No. 50, 84th Cong., 1st sess., p. 4):

"In making his determination whether to withdraw or modify a concession, the President must take into account all relevant factors, including our national-defense requirements, requirements for carrying on successfully the foreign relations of the United States, and the necessity for maintaining and strengthening the domestic economy of the United States. Consequently, he secures the individual views of the Department of Agriculture, Commerce, Defense, Interior, Labor, Treasury, and State and the Foreign Operations Administration, in order that his decision whether to withdraw or modify the concession may be based upon all the information available in the Government. The Departments of Agriculture, Commerce, Interior, and Labor have primary responsibility for providing economic information and views relating to domestic activity, while the other agencies submit data and views concerning the other factors."

President Eisenhower, in his letters of November 10, 1953, to Chairman Millikin of the Senate Finance Committee, and Daniel Reed of the House Ways and Means Committee, declining to accept the recommendation of the Tariff Commission for certain increases on the duties on brier wood pipes, stated, in part, as follows:

"Under the existing law, the Tariff Commission must make recommendations for remedial action when it finds that a domestic industry is being seriously injured by increased imports resulting 'in whole or in part' from the existing customs treatment under a trade agreement. The law, however, lays upon the President the responsibility of weighing these recommendations and of making a final deermination on the basis of them. Reasons of public policy or national interest which lie beyond the scope of the Tariff Commission's field of inquiry may, from time to time, enter into this final judgment of the Commission's findings; or the effect of a tariff concession on a given industry may be deemed of such little consequence that an increase in the duty would not substantially improve the situation."

Senator MILLIKIN. The letter to which I referred was dated August 24, 1954. It is a long-winded letter, but it contains a lot of things. It is on the matter of GATT, and I think you should perhaps have it digested for you, or read it, if you have time. It has been sent to your assistants. I think the questions raised in that letter will also be raised when GATT comes before us.

The CHAIRMAN. Senator Long.

Senator LONG. Mr. Secretary, you gave the figure $12 billion of American exports. Does that include the $5½ billion rate of foreign aid at the present time?

Secretary DULLES. I believe that the figure which is exclusively of aid is somewhat lower—it is between 11 and 12 billion dollars. I used perhaps a little too high figure——

Senator LONG. Do you have that available? I would like to know what the accurate figure is.

Secretary DULLES. Exports excluding military and FOA aid, were $11,390 million for the fiscal year 1954. I believe that the figures are not available for the full calendar year 1954.

Senator LONG. The last figure on foreign aid was at the rate of around $5½ billions a year. That would make your total exports, including foreign aid, more in the vicinity of perhaps $18 billion, would it not?

Secretary DULLES. If that calculation were correct it would make it around 16 or 17, yes. The total figure——

Senator LONG. $17 billion; five and a half to foreign aid, and $11,390 million commercially.

Can you tell me how much imports we bring into the country at the present time?

Secretary DULLES. Approximately $10 billion.

Senator LONG. So we are exporting perhaps about a billion and a half more on commercial trading than we are importing?

Secretary DULLES. Yes, sir.

Senator LONG. You made some reference to the situation with regard to international communism. And, I take it that you believe the trade method is one of the most effective weapons that we can use in fighting the spread of communism internationally?

Secretary DULLES. I am absolutely convinced of it.

Senator LONG. Do you believe that we should attempt to use our trade policy to help friendly and allied powers raise their living standards?

Secretary DULLES. Yes, sir.

Senator LONG. One thought that did occur to me is that it might be desirable if a proper approach could be worked out to hold out some incentive to allied and friendly powers to raise their living standards in terms of suggesting to them that this country would be willing to make tariff concessions to them to offset their increased cost of production in the event that they did raise living standards. I would be curious to know if that would have some appeal to you.

Secretary DULLES. We have strongly urged upon foreign countries the taking of steps to raise living standards and try to get lower costs through greater volume, and higher wages, that has been the magic formula that has worked so well in this country. I don't know whether any efforts have been made actually to negotiate an agreement which would tie the tariff concessions into such action.

Certainly, that is a thought which is worthy of consideration. We have informally, at least, tied a good deal of our economic aid into trying to get steps taken along that line. The results are not as good as I could have wished, but there has been a certain tie-in in that respect. I don't believe there has been a tie-in as far as in terms of tariff concessions but, as I say, that is a thought worth following.

I can see complications, because tariff is pretty much on the favored-nation basis, and this would force it on a bilateral basis, which would involve some competition.

Senator LONG. The thought that occurred to me is that some of the friendly powers with whom we do business would be better customers for us if their laboring classes were getting a better wage, it would make them better purchasers, and large-scale consumers, certainly beyond what they are at the present time.

I was always dismayed to go into some of these foreign countries and find that the actual cost of production in many instances seemed to have nothing whatever to do with the price that they were charging. In this country labor is usually the biggest item, and the wages that an industry has to pay oftentimes reflects what their price will have to be, and it did seem to me that it would be very desirable to try to find a way of encouraging foreign powers to pay better wages and have better living conditions.

Secretary DULLES. I agree with you.

Senator LONG. There was a news item that concerned me some time ago, relating to the fact tha this country was opposing a prohibition, or efforts in the General Agreements on Tariffs and Trade, to try to restrain and restrict cartels. I wrote to the State Department and received a reply, signed by Mr. Thruston Morton, in December of last year, to the effect that that was actually the case. He made this reference. He said:

> Reference is made to your letter of December 21 concerning the proposal for inclusion of anticartel provisions in the general revision of the General Agreements on Tariffs and Trade. Such a proposal has been made by the German delegation to GATT, and has been supported by several other European countries. The United States is opposing this provision because of the overriding importance of producing during the Geneva negotiations a simplified and streamlined general agreement best suited to operate efficiently in its primary field of responsibility, unhampered by new and complex commitments.

The thing that concerned me, Mr. Secretary, is: How are we going to make any headway toward the kind of international trade in which we believe, if we don't even speak out for it in these international conferences? The United States has spoken out very strongly on this question of cartels. And again, much of our foreign aid has been tied to agreements to abandon certain more extreme forms of a cartel.

Secretary DULLES. Many countries of the world are—we think wrongly—differently committed to a cartel policy as a policy which is designed to keep everybody in business. They are afraid of competition. Our country lives on competition.

Every year people go out of business. They go out of business because other people are more efficient or more productive, or because of new things that develop in the industry, new inventions which change people's buying practices.

And, although that is painful for some, on net balance we believe that the economy of the country is promoted by it. There are other countries who believe that the important thing is to keep everybody going in business, and the only way you can do that is by an artificial cartel system.

Now, I believe that to have injected the cartel issue into the Geneva negotiations would have been to inject an extremely controversial issue. There has been no lack of desire on the part of the United States to speak out on this issue and make our position known.

And, as I say, we have not only spoken about it but we have acted on it in relation to very many of our aid programs where we were in position to more or less impose or attach conditions.

I think the reason why that was not dealt with in Geneva was, as I say, because it is highly controversial. And when we are trying to get a multilateral agreement within a reasonable span of time—even under these conditions it took over 4 months, I believe—it was not deemed expedient to inject in it that particular issue.

Senator LONG. Mr. Secretary, when will we have an opportunity to do something effectively, beyond what we have been doing, to discourage these international cartels?

Secretary DULLES. We have done a great deal. Didn't you point out that Germany was——

Senator LONG. It is my understanding that this Nation did in the past urge Germany to abandon these cartel practices——

Secretary DULLES. That is right.

Senator LONG (continuing). But now the Germans are urging that everybody else abandon them; yet we are not supporting them.

Secretary DULLES. We are supporting them, but not supporting them in doing it this particular way.

The very fact that Germany, which used to be perhaps the most cartel-minded country in the world, is now opposing it, shows that we have been working with good faith. This new look in Germany on the cartel thing is very largely due to United States influence. So we have accomplished something.

Senator LONG. Mr. Secretary, I am one who has to run for office from time to time, and I think you have had some of that experience. It always seems to me that if a man wanted to support me, one of the most effective things he could do would be to vote for me.

And our votes thus far have not been for it, I was rather distressed to learn, because it seems to me that that would be a very fine opportunity for this Nation to do what it could toward discouraging international cartels.

Now, in GATT an agreement is not compulsory upon the members, is it? Is it correct to say that they may follow it, and they commit themselves in principle to follow it, but they do not necessarily bind themselves to follow all the terms of it?

Secretary DULLES. No. That is my understanding.

As far as the United States is concerned, we have only operated under these rules to the extent that they are consistent with our own domestic legislation.

Senator LONG. So we have the General Agreement on Tariffs and Trade as a pattern which we view as more of the ideal thing that all nations should seek, and then each nation is free to work out its own qualifications that it feels it must impose in its own interests?

Secretary DULLES. I think it is a little bit more than that. I think that from the standpoint of an Executive agreement, we do subscribe to certain rules, but those are flexible to the extent that, as an Executive agreement, they are always subject to congressional mandate which has priority.

Senator LONG. Can you tell me whether or not your Department authorized the dropping of the suit that has been filed against the oil companies for cartel practices?

Senator MILLIKIN. Senator Long, will you let me interrupt just a moment?

I would like to respectfully suggest that there isn't the leeway in GATT which seems to be indicated by the Secretary's remarks. GATT is a definite agreement.

It does allow you to do as you please if you are keeping your agreement, if you obey the rules of GATT. I am not saying the rules won't give lots of leeway, but I do dispute the theory that you can do as you please under GATT.

You obey GATT, or you can quit, but since we have been a leader in these international agreements, it would be a very devastating thing to quit.

Senator LONG. I am just trying to find out where we stand. And, of course, Senator Millikin has had much experience in this field and understands it much better than I do.

Senator MILLIKIN. I would like to suggest that any notion that we can do as we please under GATT is a fallacy.

Senator LONG. Where do we stand in that connection, Mr. Secretary? Have we thus far been tied to the GATT agreement to the extent that we have had to obey all of its terms?

Secretary DULLES. Well, we have subscribed to GATT as an Executive agreement which the President has entered into pursuant to the authority which is conferred upon him under the Trade Agreements Act. And, to that extent, it is a binding Executive agreement.

However, it is also made perfectly clear that any provisions in an act of Congress as to what we should do or not do override this Executive agreement.

Senator MILLIKIN. I think that is correct.

If we do something about it, if Congress does something about it. I think that is entirely correct, Mr. Secretary.

Senator LONG. So we are bound by the GATT agreement except insofar as we have an act of Congress on the statute books?

Senator MILLIKIN. I think so.

Secretary DULLES. Yes.

And I would say that we are bound by the GATT agreement—put it another way:

Insofar as that agreement is an exercise by the President of authority given him by the Trade Agreements Act.

Senator MILLIKIN. That raises the whole basic question as to whether GATT is permitted by the Trade Agreement Act. And there is considerable argument on that subject.

Secretary DULLES. Yes.

Senator LONG. Actually, that is a matter upon which many questions can be raised, I take it.

Secretary DULLES. Yes.

Senator LONG. Can you tell me, Mr. Secretary, with regard to the cartel suit that was dropped, I think a couple of years ago, if you were consulted and advised on that, and what your attitude toward that litigation was?

Secretary DULLES. Was that the suit against the oil companies, which involved their arrangements with the Arab countries?

Senator LONG. Yes. It involved the Near East.

Secretary DULLES. My recollection is that that suit, the prosecution of it, we recommended—the National Security Council, as a whole, recommended that the prosecution of the suit should be temporarily suspended because of the pendency of certain delicate international negotiations which we thought would be adversely affected by the publication of certain documents which were then under subpena.

That situation is now over, and I understand the suit is proceeding.

Senator LONG. Then, the suit was not dropped; it was only suspended, is that the situation?

Secretary DULLES. I don't know whether the Department of State has anything to do with that. Actually, it is being prosecuted as a civil suit and not as a criminal suit. But I don't recall that the Department of State had anything particularly to do with that.

What we were concerned about was that there should not at that particular time be published certain documents which were under subpena, and we asked that that be temporarily suspended. But I think the suit is now proceeding.

Senator LONG. Without taking any position with regard to the litigation, I was curious to know your attitude to it, because it has been urged to me that it might be embarrassing for this Nation in foreign affairs for that suit to proceed.

However, I do not know whether the State Department has ever subscribed to that position. Under your administration, then, the State Department has not taken that position?

Secretary DULLES. We take the position that it was not timely to proceed with it at that particular juncture.

Mr. Chairman, could I be excused shortly? I have an engagement at 12 o'clock with the President and the Prime Minister of Australia.

The CHAIRMAN. Several other Senators would like to question you. Would it be possible for you to return this afternoon? The Chair would like very much for that to be done.

Secretary DULLES. What time could we proceed?

The CHAIRMAN. What time would suit your engagements?

Secretary DULLES. I don't know whether it meets the convenience of the committee, Mr. Chairman, but I could drop out of the luncheon which the President is giving at 1 o'clock, and come back here at 1 o'clock.

In other words, I will attend the conference, which I must attend, which precedes the luncheon, but I could drop out of the luncheon and come back at 1 o'clock, if that suits the committee.

Senator MALONE. Mr. Chairman, could he come back at 1:30? Some of us have commitments, but I will be here at 1:30.

The CHAIRMAN. Would that suit you, Mr. Secretary?

Secretary DULLES. I can't tell you in advance as to how long I can stay after 1:30. I don't remember what my other engagements are. I will do the best I can to push them forward so that your committee can complete with me.

The CHAIRMAN. We would like very much to finish with you as a witness today.

AN HONEST WITNESS

Senator MALONE. Mr. Chairman, I think Mr. Dulles has made a very important and an honest witness. He has set down definitely what they are trying to do under the 1934 Trade Agreement Act, which coincides exactly with what I have been trying to establish on the Senate floor for 9 years.

I have long contended that the 1934 Trade Agreements Act changed the principle of adjusting the duty or tariff upon imports from the basis of fair and reasonable competition established for the 1930 Tariff Act—to a consideration of certain domestic adjustments and the inclusion of certain international political factors by the Chief Executive. There, are however, some very important questions which we would like to ask him, and if he does not think he can come this afternoon for a sufficient time, maybe we can make it tomorrow.

The Secretary is exactly right in his statement that any domestic industry can be harmed—unemployment can be caused if the President considers it in his wisdom to be for the overall good.

The CHAIRMAN. I am sorry, Senator Malone, I don't think we can arrange it tomorrow. We start voting after the morning hour.

Senator BARKLEY. Mr. Chairman, I have some questions I would like to ask the Secretary. I probably won't be on the floor this afternoon, not only to vote but to participate somewhat in the discussion. I don't know whether it would be convenient for the Secretary to come back tomorrow. I don't know what the schedule for tomorrow is.

Senator KERR. The Governor of Oklahoma is making a special trip here to testify, the first thing in the morning. A number of us will be greatly disappointed if he is denied that appointment he has made.

Senator BARKLEY. I am compelled to be on the floor a good deal of the time after 12 o'clock, and I have already missed a lot of good questions that I have wanted to ask of all these witnesses.

The CHAIRMAN. What is the pleasure of the committee?

Senator KERR. Could we put this over beyond tomorrow?

Senator MILLIKIN. I was just going to suggest that maybe Mr. Dulles could be taken at the end of the list of witnesses.

The CHAIRMAN. Are you going abroad any time soon?

Secretary DULLES. I am going on an official visit to Ottawa Thursday.

Senator MALONE. Iowa? [Laughter.]

Secretary DULLES. Ottawa.

The CHAIRMAN. Mr. Secretary, we will have this understanding, then that you will return within the next few days to complete your testimony; we will communicate with you as to a mutually convenient date.

(The Secretary of State completed his testimony on Wednesday, March 23. See part 4 of hearings.)

(Whereupon, at 11:55 o'clock a. m., the committee recessed, to reconvene at 10 o'clock a. m., Tuesday, March 15, 1955.)

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