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**1945 EXTENSION OF THE RECIPROCAL
TRADE AGREEMENTS ACT**

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EXTRACT FROM HEARINGS

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

SEVENTY-NINTH CONGRESS

FIRST SESSION

ON

H. R. 3240

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

Statement of

H. WICKLIFFE ROSE

Representing the

AMERICAN TARIFF LEAGUE

NEW YORK, N. Y.

JUNE 1, 1945

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STATEMENT OF H. WICKLIFFE ROSE, WILMINGTON, DEL., REPRESENTING THE AMERICAN TARIFF LEAGUE

Mr. ROSE. I am employed by American Viscose Corp., Wilmington, Del. I am speaking on behalf of the American Tariff League.

In parts 11 and 12 of the unrevised print of the hearings in the Committee on Ways and Means, covering May 1 and 2, will be found the program for handling tariff proposed by the American Tariff League. In it is much testimony and information, including several studies and new information. The committee majority report failed to recognize some of the main points, misunderstood a few, and attempted to brush aside others. We urge you gentlemen to give serious consideration to our proposals, and we submit that if you rely on the summary of the majority report, you will not be aware of the constructive, broad, positive program which we advocate as a basis for legislation to replace the present Trade Agreements Act. A number of these points are to be found in the minority report.

On page 38 of the majority report, in the Analysis of Opposition Arguments, the first point made is,

It is urged, therefore, that we do nothing constructive at this time, but merely extend the present legislation for another year.

Such a statement completely overlooks the proposal which we offered and the reasons which we gave for urging it, namely, the necessity for us to provide a more flexible way of handling tariffs than the Trade Agreements Act, and the necessity of doing so at this time to meet changing conditions after the war. It overlooks the fact that those who advocate extension of the present act for another year do so not in approval of the principles in the act but as a practical expedient to allow time to provide the necessary improved legislation to replace it.

We will rely on your reading our record and will not take time here to repeat the information and argument. We do have some additional information, however, that bears directly on the question here, and which has not been offered before. It has to do with public opinion on the trade-agreements program.

In the analysis of The Record Before the Committee (p. 14 of the report) is the following:

Although a simple numerical count indicates more witnesses in opposition than those favoring the program, when account is taken of the interests represented by all the witnesses and the number of people for whom they spoke, the testimony is overwhelmingly in favor of the passage of the bill.

This statement completely overlooks the numerical value of opinion in opposition represented by entire industries, industry associations, and groups such as the National Association of Manufacturers, representing most of the industries in the country. It overlooks the fact that, while representatives of the American Farm Bureau and the National Farmers Union spoke in favor, yet many State branches of

both wrote or wired disapproval; and representatives of the National Grange, dairy and poultry products, livestock, wool growers, vegetable, fruit, and nut growers, and specialty crops such as sugar producers, and the Commissioners of Agriculture of all the States, joined with industry in opposition to this bill. These agricultural groups combined represent the vast majority of all the agricultural producers of the United States.

The report cites the full membership of the Congress of Industrial Organizations, the Textile Workers Union, the General Federation of Women's Clubs, the National League of Women Voters, and the American Association of University Women as favoring the trade-agreements program. These figures are offered in the majority's summary as though all those people had been polled and were urging Congress to rush this bill through. That leads us to present what we consider to be the only public poll which has been taken on the issue in this bill.

The Marshall Field Foundation, Inc., of New York, by a grant, established, in association with the University of Denver, the National Opinion Research Center. That organization, within the past 2 years, conducted, and this year, in a report, has referred to a poll on public opinion as to definite questions on our foreign policy. I will read six of the questions and the percentage distribution of the replies.

In order to try out a union of nations as a possible way of preventing war, would you yourself be willing or not willing—

	Yes	No	No opinion
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
A. To stay on a rationing system in this country for about 5 years to help feed the starving people in other countries?.....	82	14	4
B. For part of the American Army to remain overseas for several years after the war to help establish order?.....	75	19	6
C. To pay more taxes for a few years while the new union was being organized even if people in other countries could not afford to pay as much?.....	64	28	8
D. To consider most of the lend-lease materials as aid to the Allies and not expect any payment for them?.....	41	49	10
E. We give up our Army, Navy, and Air Force if all others would do the same?.....	41	55	4
F. And this is the one that has a bearing on this bill: To allow foreign goods to come into this country and compete with the things we grow or make here even if the prices were lower?.....	28	63	10

This poll is particularly significant. The State Department, other Government officials, and many proponents of this bill have beclouded the real issue by means of emotional appeals of peace and prosperity, and by accusing opponents of building up for World War III, and of being isolationists and selfish. This poll, financed by an interest that is generally known as a left-wing liberal, could hardly be pre-conceived to oppose this bill. The poll very clearly, and for the first time, so far as we know, sorts these various factors in our foreign policy and obtains an opinion on each separately.

The descending percentage of affirmative replies shows a great spirit of charity toward the distressed people of the world, a firm military policy to establish order, a firm business policy on business affairs, and only about one-quarter willing to sacrifice our home production and jobs for foreign imports. There is no overwhelming public opinion in favor of this bill on the real issue.

The other countries of the world are determined to protect their production, industries, and jobs and have expressed their intentions. Great Britain expressed it in the Atlantic Charter, where, as pointed out by Mr. John Foster Dulles and Mr. Churchill, in paragraph 4, in one sentence, Great Britain and the United States are in direct conflict on tariff policy.

The Latin-American countries expressed it at the Chapultepec Conference, where they insisted that they must maintain or increase tariffs to protect their new rising industries. Since then Brazil, as only one example, raised the duty on a number of textiles 105 percent. Obviously they are getting into a trading position, so that if they are forced to cut 50 percent they will still have at least their former rate.

When we realize that we will have what Mr. Clayton called a "lopsided economy" after the war, and that he and other proponents of this bill advocate maintaining our economy in a lopsided condition, that is, with a vast overproduction of machinery and other capital goods, we see how unrealistic our national policy is becoming. Mr. Clayton denied that he is a free trader, but he is generally considered to be so, and the other cotton shippers, like other export groups, have been using all the influence in their power for free trade.

Karl Marx favored free trade, also. In a speech before the Democratic Association of Brussels, January 9, 1848, he stated in part:

Generally speaking, the protective system in these days is conservative, while the free-trade system works destructively. It breaks up old nationalities and carries antagonism of proletariat and bourgeois to the uttermost point. In a word, the free-trade system hastens the social revolution. In this revolutionary sense alone, gentlemen, I am in favor of free trade.

He could not have stated the case clearer, and it is well to bear in mind the true value of this factor in the conduct of our own social revolution. There are a number of current warnings of where such policies are taking us, as in *The Road to Serfdom* by F. A. Hayek. The danger lies in our failure to recognize the road or the signs. Still greater danger lies in the misinterpretation of our public opinion and the assumption that a past national election is a referendum on each bill that comes before Congress.

As to this bill, we must keep the real issues in mind:

1. Should rates of duty be established by the State Department in secret political trading, or should they be established by a strong, independent, tariff commission, with a time allowed for review by Congress before their proclamation?

2. Should this country continue its rapid progress toward free trade as a national policy, or should tariffs be established and maintained on an equitable basis for the protection of our economic system and domestic strength?

I should like to state at this point that we consider an equitable tariff to be one which permits a competitive manufacturer to sell on at least an equal basis with the product produced abroad.

We are agreed on the other major points. We all want expanding foreign and domestic trade. We all want prosperity and a just and durable peace for all nations. We can approach those goals by keeping our domestic production diversified and busy. Only through strength in our own economy can the United States take a constructive part in world affairs.

Mr. Chairman, I have a further mimeographed analysis of the poll and I would like to insert it as a part of the record, with your permission. It gives more information on how the poll was conducted, which might be of interest to anyone analyzing the results of the poll.

The CHAIRMAN. Is it a very lengthy document?

Mr. ROSE. No, sir; it is an extract of the whole poll. The whole poll is about a 44-page document, but this is a 6-page extract.

The CHAIRMAN. It may be inserted. We just don't want to build up the record to an unusual size.

(The document referred to is as follows:)

ATTITUDE TOWARD WORLD UNION AND POSSIBLE SACRIFICES

QUESTION: "If a union of nations is formed after the war, do you think it would be a good idea or a bad idea for the United States to join it?"

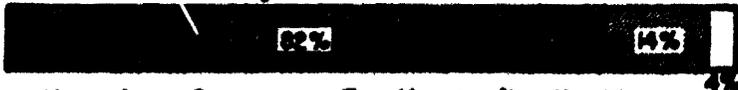
Good Idea Bad Idea
 Qualified No Opinion



QUESTION: "In order to try out a union of nations as a possible way of preventing wars, would you be willing or not willing to:"

Willing Unwilling No Opinion

Continue Nationing for Five Years after the War



Keep Army Overseas a Few Years after the War



Pay More Taxes while World Union Organized



Consider Most Lend-Lease Aid as Gifts



Give up Armed Forces if Other Nations Do Same



Allow Competitive Imports, Even if Prices Were Lower



Forget Reparations from Germany or Japan



PUBLIC OPINION SURVEYS

WHAT THE PUBLIC THINKS OF COMPETITION IN THE AMERICAN MARKET WITH IMPORTS OF FOREIGN GOODS

In Report No. 19, issued by the National Opinion Research Center during recent months under the title, "The Public Looks at World Organization," an answer is given to the question:

"In order to try out a union of nations as a possible way of preventing wars, would you yourself be willing or not willing—

"To allow foreign goods to come into this country and compete with the things we grow or make here—even if the prices were lower?"

The results of the survey showed:

	<i>Percent</i>
The number willing.....	28
The number not willing.....	62
The number with no opinion.....	10
Total.....	100

In a summary, this report by the National Opinion Research Center calls attention to the fact that "about 7 out of 10 favor an international police force and the same proportion think countries should get together in a union of nations to decide the size of their armies, navies, and air forces. Almost 9 out of 10 are convinced that the United States will need to maintain larger armaments after the war than she did before. More than 7 out of 10, however, would deny the right of unrestricted armament to all countries."

"The problems of world trade are more controversial. While 73 percent of the public agree that problems of trade between countries may often contribute to war, 65 percent advocate in principle the regulation of international trade by a world union, and 57 favored the United States joining a union of nations with that understanding. When the problem is put squarely in terms of United States production and protective tariffs, only a minority (28 percent) believe this country should sacrifice certain economic interests even for the sake of a world union."

WHAT IS THE NATIONAL OPINION RESEARCH CENTER?

The public is probably generally familiar with a number of public-opinion polls, such as the Gallup poll at Princeton and the Roper poll, which is associated with Fortune magazine and other publications, but they may be less familiar with the National Opinion Research Center, which was established several years ago by a grant from the Marshall Field Foundation, Inc., of New York City, in association with the University of Denver. However, this research center has for a number of years conducted Nation-wide surveys on all problems of current interest and has published the results in regular bulletins and special reports. Many of these are regularly reviewed in the daily press and elsewhere. These surveys, however, are in such detail that it frequently happens that special surveys on individual topics seldom reach the public through the daily press. It is important, therefore, that an examination be made of pertinent surveys recently reported which have a direct bearing on the problem of American foreign trade and tariffs.

In their official reports the National Opinion Research Center sets forth exactly the size of cross sections of population used as a sample and the method of conducting the surveys. They cite the statistical table copyrighted by the president and fellows of Harvard College as the number of interviews necessary to be within 3 percent correct on questions that divide evenly in a national survey. The number of interviews used by the survey was sufficient (at least theoretically) to satisfy all requirements 997 times in 1,000. Trained interviewers were used.

RESULTS SECURED IN SPECIAL SURVEY

The particular survey to which reference is made in special Report No. 19, circulated during January of this year, submitted the following two statements and seven detailed questions, with results indicated below:

"People who think they've found out why the League of Nations failed are now preparing for a new union of nations, if we win the war. Nobody can say for sure whether a new union would end all wars or only lead to worse ones.

"In order to try out a union of nations as a possible way of preventing wars, would you yourself be willing or not willing * * *

	Willing	Not willing	No opinion
(e) To stay on a rationing system in this country for about 5 years to help feed the starving people in other countries?.....	Percent 82	Percent 14	Percent 4
(b) For part of the American Army to remain overseas for several years after the war to help establish order?.....	75	19	6
(c) To pay more taxes for a few years while the new union was being organized, even if people in other countries couldn't afford to pay as much?.....	64	26	8
(d) To consider most of the lend-lease materials as aid to the Allies and not expect any payment for them?.....	41	49	10
(e) To give up our Army, Navy, and Air Force, if all other nations would do the same?.....	41	55	4
(f) To allow foreign goods to come into this country and compete with the things we grow or make here—even if the prices were lower?.....	28	62	10
(g) To forget reparations; that is, not try to collect any money from Germany or Japan to pay for what the war has cost us and our allies?.....	28	64	8

1 4 percent equals 100.

The point of outstanding significance is that while 82 percent of a cross section would be willing to continue a rationing system for as much as 5 years to help feed the starving people in other countries and 75 percent would be willing for part of the American Army to remain overseas for several years to help establish order and 64 percent would be willing to pay more taxes for a few years while the new union is being organized, when we get down to item (f) we find that only 28 percent would be willing to allow foreign goods to come into this country and compete with the things we grow or make here—even if the prices were lower.

On the other hand, 62 percent specifically indicated that they would not be willing to meet these foreign goods in competition in our market "with the things we grow or make here," while 10 percent did not express any opinion on the subject.

DISTRIBUTION OF SAMPLE, BY GEOGRAPHIC AREAS, AGE, SEX, ECONOMIC STATUS, EDUCATION, ETC.

Any public-opinion poll is immediately challenged unless the confidential records show conclusively that a true or accurate sample has been selected covering all geographical areas of the Nation, with a proper proportion selected from large cities, medium-sized cities, small places, and farms and further grouped in the proper proportion as to age, sex, economic status, education, etc. The official report of National Opinion Research Center with reference to this particular survey shows that the cross section of persons interviewed was properly apportioned as between the different geographical sections of the country and as between urban and rural areas. It also shows a proper distribution as between different age groups and sex groups as well as the other classifications usually recognized. In order to satisfy the most critical student of this subject, the attached table is presented showing the proportion willing to make the sacrifices suggested—as a percentage of the total in every group interviewed who had a definite opinion one way or another. In other words, here we find an analysis by geographic areas, by age, by sex, etc., for each of the questions covered in the survey. The details need not be discussed further than to refer to the table, since there are no important deviations by areas or by other classifications.

Attached hereto will be found a chart which presents a visual view of the proportion willing to make the sacrifices suggested, the proportion unwilling to make these sacrifices, and the number with no opinion for each of the seven questions presented.

GENERAL CONCLUSION

There is only one general conclusion which can be drawn from this survey, which is the only comprehensive one which seems to have been made on this particular subject. That conclusion is that while the people of the United States are overwhelmingly in favor of world peace and world prosperity and overwhelmingly in favor of some kind of league of nations and overwhelmingly in favor of participation by the United States, and while the people of this country are likewise overwhelmingly willing to make many important sacrifices in order to bring these objectives into effective operation, they are too well informed and intelligent and objective in their thinking to agree to any proposal which would involve the possible break-down of the American market, American price structure, American

wage level, and American living standards by opening the gates of this country to widespread competition with the products of other countries "with the things we grow or make in this country."

Attitude toward world union and possible sacrifices—Comparative table of sacrifices, percent willing (excluding "no opinion")

	Continued rationing	Army remain abroad	More taxes	Lend-lease gift	Disarmament	Tariff change	No reparations
	Percent 85	Percent 80	Percent 69	Percent 46	Percent 43	Percent 30	Percent 30
Total.....							
By sex:							
Men.....	81	84	70	45	39	31	30
Women.....	89	77	69	47	47	32	31
By age:							
21 to 40.....	85	79	69	45	38	29	32
Over 40.....	85	82	69	47	46	30	28
By economic level:							
Upper.....	83	80	74	57	46	36	37
Middle.....	85	80	67	44	41	29	28
Lower.....	87	77	70	43	44	29	26
By education:							
Some or completed college.....	86	87	74	57	45	43	44
Some or complete high school.....	85	79	68	44	38	28	28
Grammar school graduate or less.....	84	78	68	41	47	30	24
By section:							
New England and Atlantic.....	82	77	68	46	38	32	33
Midwest.....	85	77	65	39	43	32	29
Pacific and Mountain States.....	86	85	73	46	42	33	30
South.....	88	85	75	54	44	29	29
By size of place:							
Metropolitan districts:							
Over 1,000,000.....	84	75	68	47	31	33	34
50,000 to 1,000,000.....	83	83	66	45	38	29	29
Small towns and rural nonfarm.....	86	81	72	46	43	28	28
Farms.....	87	81	66	45	53	33	27
By occupation:							
Professional, business, and white-collar workers.....	84	83	73	52	40	32	34
Manual workers.....	84	77	67	38	39	28	26
Service workers.....	87	76	66	44	45	30	26
Farmers.....	87	81	68	45	53	33	27

Source: Page 30, National Opinion Research Center, University of Denver, Rept. No. 8.

The CHAIRMAN. Are there any questions by any member of the committee?

Senator BUTLER. I have just a few questions, Mr. Chairman.

The CHAIRMAN. All right, Senator.

Senator BUTLER. I have asked questions of a number of witnesses, to compare our export trade in years before the trade agreements went into effect with the years following, and of this witness, representing the American Tariff League, I have a question somewhat similar to that.

I would like to get your idea as to what appears to me to be a fact—that our exports to countries with whom we made trade agreements have advanced only about the same as with countries with whom we have made no trade agreements. Do you have any explanation as to that?

Mr. ROSE. I believe that that is a very pertinent question to this whole bill, because the proponents, starting with the President's statement of March 26, and Mr. Clayton's statement before the House Ways and Means Committee, and various public statements from the State Department and other public officials in the press, have quoted certain figures showing how much trade increased, exports and imports, with trade-agreement countries, as compared with nonagreement countries.

They show that our exports increased 63 percent with the agreement countries, while they only increased 32 percent with nonagreement countries; and the imports from agreement countries increased 22 percent, while with nonagreement countries, only 12 percent.

In our presentation before the House Ways and Means Committee we analyzed those figures and showed that they were misleading—that the accumulation of those statistics had been done in such a way as to present a false picture, and it is pertinent that they be straightened out.

We attempted to do it in the House, but we have heard speeches by officials of the Government since which showed that evidently our correction of the use of the statistics had had little effect so far.

The CHAIRMAN. It didn't convince them?

Mr. ROSE. No, sir.

The CHAIRMAN. It wasn't convincing?

Mr. ROSE. That is right, so far as they were concerned.

But here, in brief, is what is wrong with the figures: In order to show a favorable increase in trade with the agreement countries, they have omitted those countries with whom we had agreements but which agreements had not been in effect for the whole period being compared. So those countries were left out. But, on the other hand, they included with the nonagreement countries all those countries which had been at war ever since 1931, when Japan originally invaded Manchuria.

Now everyone knows that the foreign trade with the warring countries was not normal, and therefore it is not a fair comparison to include with the nonagreement countries those countries at war.

If we make a recomparison and permit them to eliminate those countries with whom we had agreements, such as Great Britain, one of the main countries, but which agreement came late in the period prior to the war, and allow those to be omitted, as they do, but then omit the countries which were at war—that is, Germany, Italy, Spain, Japan, China, and Kwantung, which had been invaded—then we find that the figures come out like this:

The exports for the period 1938-39 increased 62.8 percent to the agreement countries, which is the figure used by the State Department; but to the nonagreement countries, leaving out those at war, the figure was 57.3 percent, which is almost identical with that for the agreement countries.

Now to take the import figures, the same group and the same years—the agreement countries were 21.6 percent, and the nonagreement countries were 24 percent. In other words, there was a greater increase of imports from the nonagreement countries, on that basis, than there was from the agreement countries, but only a few percent; they are substantially the same.

Now the main point that anyone analyzing these figures objectively should bear in mind is that that is what one should expect, and it is a paradox for the State Department to say, on the one hand, that our business increased more with the agreement countries than with the nonagreement countries; and, on the other hand, to say that under our most-favored-nation clause we treat them all alike in our foreign trade.

We should expect, since we do treat them all alike, that the increase in the trade would be equal between agreement and nonagreement countries.

Senator BUTLER. I have another question somewhat similar to that. The facts and figures which you have presented seem to show that there is a considerable difference, a greater increase in the value of exports than in the value of imports. The administration seems to claim that this is due to foreign concessions granted to the United States.

Mr. ROSE. I believe that there are some hidden factors in that difference which have no relation whatever to trade agreements or foreign concessions made under those agreements, which, as you say, they give as the reason for it. But while the export figures show as being greater than the import figures, that overlooks the fact that during that period prior to the war we were importing a tremendous quantity of gold.

Only yesterday afternoon I was talking with a director of the Bank of England who said that to a layman it seemed absolutely ridiculous for them to dig up gold in South Africa and transport it over to America only for us to bury it again in the ground at Fort Knox.

But nevertheless, that gold was being imported and it doesn't show as an import commodity, but it was established here as a credit for the foreign interest to buy export goods, and that factor doesn't enter into the export-import figures at all.

Senator BUTLER. Another question. Practically all of those who advocate the Administration program have tried to make it appear that a very considerable increase in the value of exports results from the passage of the Trade Agreements Act of 1934. Have you a brief explanation that you could make on that?

Mr. ROSE. As a matter of fact, one of the essential factors in export-import figures, which does not appear in the regular figures on value, is the physical volume. During Mr. Clayton's testimony he said more than once that it was the dollars that counted. He was asked about physical volume and he replied that physical volume was of little value. But it is a fact that during the period between 1930 and the war, our imports in physical volume increased greater than our exports did, whereas the value showed a greater export increase.

Now I would like to emphasize the importance of the physical volume, because all of us engaged in production are working on physical volume, and it is only as a result of that that dollars appear in our pay envelopes—and since employment is part of the whole consideration here, it is important to realize that the physical volume of our imports before the war climbed back to the peak year of the 1920's, whereas the physical volume of our exports did not.

Senator BUTLER. It is also frequently said that the United States has lagged behind the rest of the world in the development of our foreign trade. Have you any explanation of that? That is one of their common remarks.

Mr. ROSE. It is frequently held up to us that Great Britain is the great foreign trading country of the world, but that is a misapprehension; it is just not so. During the 1920's, which we recall as an era of prosperity, our export and import dollar volume combined was about \$10,000,000,000, and that was twice anything that Great Britain did, and yet to get the figures that Great Britain had they show export and import figures between all parts of the Empire, which is quite equivalent to our trade between the Philippines, Puerto Rico, Alaska, and

the United States, and Cuba which has some preferential treatment. But all of the trade between segments of the Empire, still reported out as foreign trade, showed only a portion of our total export-import trade during the 1920's.

The CHAIRMAN. But our production is very much greater than that of Great Britain, isn't it?

Mr. ROSE. Sir?

The CHAIRMAN. How about the production of the United States as compared to that of Great Britain?

Mr. ROSE. Certainly ours is greater. It is no more than we would expect when we examine it objectively, Mr. Chairman, but constantly, people interested in foreign trade, and particularly the proponents of this bill who want to increase our foreign trade out of all proportion to the economy in this country, hold up Great Britain as the foreign trading nation of the world, and tell us to go out and do likewise, to try to build up as big a foreign trade as Great Britain. We have had a bigger foreign trade than Great Britain.

The CHAIRMAN. Yes but our production is very much greater than theirs.

Mr. ROSE. That is right.

The CHAIRMAN. Unless you compare them, and look at the two, you don't get the true picture, as I see it.

Mr. ROSE. One of the fallacies that can come out of the arguments by the proponents of this bill, however, is that they are advocating that we export, after this war, at least twice what we did in our peak years before the war, and three times that of the normal year before the war. If we are known to be the greatest foreign trading nation in the world already, where can that great exaggerated figure go?

The CHAIRMAN. Some people may entertain that sort of a hope.

Mr. ROSE. Mr. Clayton does, because that was the theme of his testimony, and I think it is in his hands—

The CHAIRMAN (interposing). I think you misunderstood Mr. Clayton's testimony as he delivered it before this committee. He didn't commit himself to that. He said it might go that high. In other words, he was simply striving for a high level of foreign trade.

Mr. ROSE. Well, we all want increased foreign trade. The members of the American Tariff League do importing, and they also do exporting, but they produce, in addition, for the domestic market, and in greater proportion than they export and import.

The CHAIRMAN. Certainly.

Mr. ROSE. But before the House Ways and Means Committee Mr. Clayton stated definitely that we should have an export total value of from ten to twenty billion dollars after the war. He didn't go under ten billion at any point, and at some points the figure got above that.

The CHAIRMAN. He was expressing a hope, just like lots of other people express hopes about some arbitrarily high figure of employment—it is a goal that is hoped for.

Mr. ROSE. Now the danger in that, Mr. Chairman, is that officials of the Government are holding out that impossible goal to private enterprise and domestic production, to employ an impossible number of people, to create an impossible goal of national income, to support an impossible surplus—and with the other hand, threaten that the Government will have to take over if private enterprise fails of that goal.

The CHAIRMAN. In the last analysis—I don't care how much speculation people indulge in when they are in a hopeful frame of mind about these things; we are all hopeful for them—but in the last analysis do you see how this country, or any other country, can import any more than it can use, than its economy can absorb, of imports? Isn't the final limitation on imports the capacity of your economy without hurt to that economy, to absorb it, to absorb such imports?

Mr. ROSE. That is right, and I can say, Mr. Chairman—

The CHAIRMAN (interposing). Now I hope that our trade level may go pretty high; I suppose that everybody hopes that.

Mr. ROSE. Yes. We seem to be in unanimous agreement in wanting increased foreign trade, as well as increased domestic production and increased domestic employment.

The CHAIRMAN. We are not likely to get it unless we do something about it.

Mr. ROSE. No; and that is why the American Tariff League has proposed a concrete program to enable tariffs to be handled on a broader and more flexible basis than is possible under the Trade Agreements Act. The Trade Agreements Act is actually restrictive to the handling of the subject of tariffs.

The CHAIRMAN. Well, men differ about what remedies to apply.

Mr. ROSE. I have heard some differences expressed, yes.

The CHAIRMAN. There is no need to quarrel with anybody about what he hopes.

Senator BUTLER. I have one more question, Mr. Chairman, and then I will be through.

The CHAIRMAN. All right, Senator Butler.

Senator BUTLER. We have heard from proponents quite frequently the implication, if not definite statement, to the effect of the trade barriers that we have here. I have been struck by a remark made by a number of the witnesses as to countries with whom we expect to make deals having already advanced their tariffs. What can you say with reference to trade barriers on the part of other nations than our own? There may be a few here but there are also some there, aren't there?

Mr. ROSE. Our tariffs as a whole are far from being the highest in the world. The implication and the actual statement and story given by proponents of the bill over a great many months past, is that our tariffs are high and that we have set a horrible example for the world, and that it cannot all be straightened out until we lead the way to reduce them. But we made a careful original and new study on that subject, copies of which have been given to all members of this committee, and which was presented at the House Ways and Means Committee, to find out how high our tariffs are, and we found that in the 60 principal trading nations of the world, we ranked about fifteenth from the bottom. All the rest had higher tariff barriers than the United States. Now that is as to rates of duty.

We all know that there are many types of barriers besides rates of duty, and a great many different countries have different ways of establishing those barriers, including the manipulation of exchange, and restrictions in administrative provisions for handling trade, and by quotas and actual complete barriers on products, or limitation of quantities of exports by bilateral agreements, or Government barter

between countries which control the trade rather than regulation of the trade through a tariff.

The point that I have just quoted in this prepared statement about Brazil, following the Chapultepec Conference, raising their tariff, I think is very pertinent because that is a live international factor of our relations today, and it isn't theory. The Latin American nations opposed us in a solid bloc at Mexico City on this trade-agreements program, and that is why we came out with a statement in the act of Chapultepec where they agreed that some day, when they got around to it they would be glad to sit down and consider the possibility of lowering their tariffs, but meanwhile, they said, the United States will ship us the machinery for textiles, for instance, which is a very live subject now with such countries as Brazil. They said, "We are counting on you"—and they were talking to Mr. Clayton and his associates at Mexico City when they said in this conference on trade—"We are counting on you, the United States, to ship us the machinery to build up our new industries, and we must have protective tariffs to run those industries after we get them built up."

And that is no more than we should expect. We can't expect to trade a new rising country, which is just industrializing, out of its ability to rise as an industrial nation just because a hundred years ago we went through the same process in this country, and have already arrived there.

The CHAIRMAN. Well, you don't take issue, do you, on this point, that the most effective way to beat down unreasonable barriers and restrictions raised against us by foreign countries is a reciprocal arrangement—I am not talking about this one, I am talking about the principle—rather than by the old method of simply announcing our tariff and telling the balance of the world to go hand, "this is what we are going to charge you here"?

Mr. ROSE. We believe there should be trade agreements and trade treaties, and we urge—

The CHAIRMAN (interposing). And you do believe in the reciprocal principle, do you not?

Mr. ROSE. We believe in the reciprocal principle, but also—

The CHAIRMAN (interposing). I understand.

Mr. ROSE (continuing). But also that there probably will be after this war the necessity for bilateral reciprocal agreements which our State Department has brushed aside as definitely not a part of its policy.

The CHAIRMAN. In other words, you disagree on the universal, general application of the most-favored-nation principle?

Mr. ROSE. No; I believe in one standard of tariff rates, but I think that during the critical years after this war there will be situations where we can help ourselves and assist other nations by arranging an exchange of large quantities of goods in certain fields during the transition period, not as a normal trade for the future.

Senator TAFT. That could perhaps be subject to the approval of the Economic and Social Council of the United Nations organizations?

Mr. ROSE. That is right. We are trying to set up an Economic Division of the United Nations and we would consider that to be a normal function of that Division.

Senator TAFT. I want to ask one question. Of course one way to get concessions from other countries is to lower our tariffs—another

might be to raise them. In other words, if we take the position that the only way to get Brazil to reduce its tariffs is for us to lower ours, we certainly put ourselves at a disadvantage, because all they have to do is to raise theirs as they did recently, and then we have to make a concession to get them down again, and they they raise another one and we have to make another concession.

It seems to me that if somebody raises their tariffs on us we ought to raise our tariffs on them. In other words, we don't lack bargaining power today. We don't have to renew the 50-percent reduction unless we want to, with any country.

Mr. ROSE. That is right.

Senator TAFT. So it isn't true that by reducing the additional 50 percent we deprive the State Department of the bargaining power. They can raise the tariffs again to where they were. These agreements run out every 3 years.

Mr. ROSE. That is exactly what the foreign countries are doing to get them in a bargaining position against us. We are the only ones who have announced to the world what our ultimate price is, and so they are in the trading position, not we. We have told them what we will take for our market. But they are definitely in a better trading position, by doing just that, by—

The CHAIRMAN (interposing). We wouldn't be helpless, you don't think, the Trade Agreements Act wouldn't render us impotent to protect ourselves against that if that practice did develop to any hurtful extent? In other words, we still have our powers left under the general Tariff Act?

Mr. ROSE. Yes; Congress has the power to—

The CHAIRMAN (interposing). I know, but the trade agreements do not nullify all the protective measures.

Mr. ROSE. No; but under the trade agreements, as we all know, Mr. Chairman, there is power to raise tariffs as well as lower them, but we also know that it is the definite policy of the State Department, in executing that act, not to raise any tariffs. They have reiterated a policy of only lowering them.

The CHAIRMAN. They have raised tariffs, haven't they?

Mr. ROSE. No, sir; not once. Not one item has been raised.

The CHAIRMAN. What about—

Mr. ROSE (interposing). Not under the Trade Agreements Act.

The CHAIRMAN. Well, they did it by negotiating a supplemental treaty with Canada in the case of fox furs of certain descriptions. I think if you will look at it you will find that that is true.

Mr. ROSE. That was an application of the so-called escape clause where—

The CHAIRMAN (interposing). Well, they really negotiated a supplemental treaty?

Mr. ROSE. Right.

Senator TAFT. It didn't raise the rates, however, it imposed a quota.

Mr. ROSE. That is right. It was an application of the so-called escape clause, but not a real use of the power in the Trade Agreements Act to raise the rate of duty.

The CHAIRMAN. Well, they couldn't raise the rate of duty of course without abrogating the whole treaty, and perhaps we didn't want to do that.

Mr. ROSE. That is why we contend—

The CHAIRMAN (interposing). But there was a supplemental agreement which did, in effect, increase those rates?

Mr. ROSE. Yes, sir.

Senator BUTLER. Where would we be in the case of a nation like Brazil, which advanced a tariff in order to get itself into a trading position, if we used the power that the chairman says we have—where would we be with reference to the favored-nation clause?

The CHAIRMAN. Well, the favored-nation clause does not prevent us from imposing quotas or taking any other necessary steps against dumping, or things of that kind, as I see it.

Mr. ROSE. That is right.

The CHAIRMAN. Are there any other questions of Mr. Rose? Thank you very much, Mr. Rose.

Mr. ROSE. Thank you, Mr. Chairman.

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